

## HOUSING COMMISSION AGENDA

**Regular Meeting: May 13, 2015**

**Time: 8:00 a.m.**

**HACA Board Room, 22941 Atherton Street, Hayward, CA 94541**

*The public is welcome at all Housing Commission meetings. If you wish to speak on a matter NOT on the Agenda, please file a Public Comment card with the Commission Clerk. Upon recognition by the Chairperson during Public Comment, state your name, comments and/or questions. Anyone wishing to address the Commission on an agenda item or on business introduced by the Housing Commission may do so when the Chairperson calls for comments on the agenda item. Please be brief and limit your comments to the specific subject under discussion. NOTE: Only matters within the Housing Commission's jurisdiction may be addressed.*

*To allow the opportunity for all to speak, a time limit of 3 minutes has been set for public speakers wishing to address the Housing Commission. The Chairperson has the discretion to further limit this time if warranted by the number of speakers.*

*The Housing Commission Secretary of the Housing Authority of the County of Alameda has, on Thursday, May 7, 2015 duly distributed this Agenda to the Clerk of the Board of Supervisors for posting in the office of the Alameda County Administration Building and has posted it on the bulletin board of the Housing Authority of the County of Alameda.*

*AMERICANS WITH DISABILITIES: In compliance with the Americans with Disabilities Act, if special assistance to participate in this meeting is needed, please contact the Housing Authority office at (510) 727-8511. Notification at least 48 hours prior to the meeting will enable the Housing Authority to make reasonable arrangements.*

| 1. CALL TO ORDER/ROLL CALL   | PAGE           |
|--|----------------|
| 2. CLOSED SESSION<br><i>Conference with Legal Counsel</i><br><i>Initiation of Litigation Pursuant to Subdivision (c) of Section 54956.9 (one case)</i> |                |
| 3. APPROVAL OF THE MINUTES OF THE APRIL 8, 2015 COMMISSION MEETING   | ACTION 2       |
| 4. PUBLIC COMMENT<br><i>On matters not on the Agenda</i>   |                |
| 5. NEW BUSINESS  |                |
| 5-1. Section 8 Housing Choice Voucher Payment Standards and Veterans Affairs Supportive Housing (VASH) Exception Payment Standards                     | ACTION 9       |
| 5-2. Audit for the Fiscal Year Ended June 30, 2014   | ACTION 12      |
| 5-3. Amendment to Procurement Policy   | ACTION 17      |
| 5-4. Budget Status Report  | INFORMATION 19 |
| 5-5. Program Activity Report   | INFORMATION 22 |
| 6. COMMISSIONER REPORTS  |                |
| 7. COMMITTEE REPORTS   |                |
| 8. COMMUNICATIONS  |                |
| 9. ADJOURNMENT   |                |

# **MINUTES**

## **April 8, 2015**

**HOUSING COMMISSION MINUTES  
REGULAR MEETING: APRIL 8, 2015  
HACA BOARD ROOM, 22941 ATHERTON STREET, HAYWARD, CA 94541**

**SUMMARY ACTION MINUTES**

**1. CALL TO ORDER/ROLL CALL**

**Call to Order**

Chairperson Biddle called the meeting to order at 8:03 a.m.

**Roll Call**

Present: Cmr. Biddle, Cashmere, Gerry, Hannon, Peixoto, and Steiner

Excused: Cmr. Asher, Gacoscas, Iosefa and Reed

**2. CLOSED SESSION**

*Conference with Legal Counsel – Anticipated Litigation*

*Initiation of Litigation Pursuant to Subdivision (c) of Section 54956.9 (one case)*

*Executive Director's Performance Evaluation*

*Pursuant to Government Code Section 54957*

The Commission adjourned into a closed session at 8:04 a.m. and reconvened in regular session at 8:28 a.m.

Chairperson Biddle reported that there were no reportable actions taken in the closed session.

**3. APPROVAL OF THE MINUTES OF THE FEBRUARY 11, 2015 MEETING**

Recommendation: Approve the minutes of the February 11, 2015 Housing Commission meeting as presented.

Motion/Second: Steiner/Gerry.

Ayes: 5; 1 abstention: Cmr. Hannon. Motion passed. **APPROVED AS RECOMMENDED.**

**4. PUBLIC COMMENT**

None.

**5. NEW BUSINESS**

**5-1. PRESENTATION: FAMILY SELF-SUFFICIENCY PROGRAM AND SECTION 8 HOMEOWNERSHIP**

Daniel Taylor, Special Programs Manager, gave a powerpoint presentation on HACA's Family Self-Sufficiency (FSS) and Section 8 Homeownership programs. He explained how these programs operate and described the various tools and resources that the FSS program coordinators use to help participants achieve their goals and become self-sufficient.

Commission Discussion: Chairperson Biddle remarked that HACA's FSS program is great and that the participants who are honored each year at the *It's Your Time to Shine* event are inspirational. Cmr. Steiner agreed and encouraged all Commissioners to attend this year's event. Cmr. Steiner stated that she would like staff to show this presentation to her city's Human Services Commission. Cmr. Hannon asked for some data on the FSS program and Mr. Taylor stated he would report back at the Commission's next meeting.

Cmr. Steiner praised the FSS staff for the work that they do with the program participants.

**5-2. RESOLUTION NO. 02-15: ADOPTING THE 2015-2019 FIVE-YEAR PLAN AND ANNUAL PUBLIC HOUSING AGENCY PLAN FOR THE JULY 1, 2015 - JUNE 30, 2016 FISCAL YEAR**

Ron Dion, Deputy Director for Programs, presented the staff report. Mr. Dion reported that there have been some changes to HACA's draft 5-Year and Annual PHA Plan (Plan) since the draft was first presented to the Housing Commission in February and described the changes. He reported that staff held a meeting with HACA's Resident Advisory Board (RAB) to seek their input on HACA's draft Plan and explained that due to low attendance at the first RAB meeting, staff held a second RAB meeting to ensure that the RAB was given an opportunity to provide their input on the draft Plan. Minutes from the RAB meeting were distributed to the Housing Commission and to the public. Mr. Dion thanked the FSS staff for their efforts in reaching out to the RAB members and reported that the RAB had no proposed changes to the draft Plan. He recommended that the Commission approve the Plan as presented.

Recommendation: Adopt Resolution No. 02-15 approving HACA's 2015-2019 5-Year Plan and Annual PHA Plan for the July 1, 2015 - June 30, 2016 fiscal year.

Motion/Second: Steiner/Cashmere.

Ayes: All Motion passed. **APPROVED AS RECOMMENDED.**

**5-3. RESOLUTION NO. 03-15: APPROVING UPDATE TO THE UTILITY ALLOWANCE SCHEDULE**

Jennifer Cado, Senior Administrative Analyst, presented the staff report. Ms. Cado reported that an analysis of the current utility rates indicates that some rates have changed by 10%, which is the threshold for an update. She described the changes in the utility rates and explained that the proposed updates to HACA's Utility Allowance Schedule reflect these changes.

Recommendation: Adopt Resolution No. 03-15 approving the update to HACA's utility allowance schedule.

Commission Discussion: Chairperson Biddle commented that the analysis of the utility rates involves a great deal of work and thanked Ms. Cado for her work.

Motion/Second: Gerry/Cashmere.

Ayes: All. Motion passed. **APPROVED AS RECOMMENDED.**

**5-4. ACTION: EXECUTIVE DIRECTOR'S EVALUATION AND COMPENSATION**

Cmr. Peixoto, Chairperson of the Personnel Committee, presented the staff report. Cmr. Peixoto reported that the Personnel Committee (PC) met in September 2014 and February 2015 to review the Executive Director's performance and that it found her performance to be excellent. He discussed the 4 year lapse in time since the Executive Director's last evaluation and salary adjustment and stated that the PC must ensure that the Executive Director's evaluation is done on an annual basis moving forward. He noted that although the Executive Director has been in her position for 9 years she is still not at the top of her salary range, which usually occurs over 5-6 years, as past evaluations have not been done annually. Cmr. Peixoto reported that the PC is recommending a 5% salary increase and the addition of 2 weeks to the Executive Director's vacation balance.

Recommendation: Approve the Personnel Committee's proposed increase and adjustment to the Executive Director's salary and benefits.

Commission Discussion: Chairperson Biddle expressed the need to conduct the Executive Director's evaluation on an annual basis. Cmr. Gerry commented on step increases for employees. Cmr. Hannon and

Ms. Gouig discussed the effects that sequestration had on compensation for all employees.

Public Comment: Cheri Keeling, HACA employee, and Santos Quintero, SEIU representative, commented on the Executive Director's compensation, the Memorandum of Understanding between HACA and SEIU Local 1021 and upcoming labor contract negotiations.

Motion/Second: Gerry/Steiner.

Ayes: 5; 1 abstention: Cmr. Hannon. Motion passed. **APPROVED AS RECOMMENDED.**

**5-5. ACTION: PERSONNEL COMMITTEE APPOINTMENT**

Christine Gouig presented the staff report. Ms. Gouig explained that there is a vacancy on the Personnel Committee as a result of the departure of former Commissioner Haddock. She reported that at the February meeting, Cmr. Gerry volunteered to serve on the Personnel Committee but that no action could be taken at that time as the matter was not on the agenda.

Recommendation: Approve the appointment of Cmr. Gerry to the Personnel Committee.

Commission Discussion: Cmr. Gerry and Ms. Gouig discussed the frequency and schedule of the Personnel Committee meetings.

Motion/Second: Steiner/Peixoto.

Ayes: All. Motion passed. **APPROVED AS RECOMMENDED.**

**5-6. ACTION: BUDGET/AUDIT/NEGOTIATING COMMITTEE APPOINTMENTS**

Christine Gouig presented the staff report. The Commission discussed the appointments to the Budget/Audit/Negotiating Committee for the fiscal year July 1, 2015 - June 30, 2016. Cmr. Biddle, Hannon and Steiner volunteered to serve on the committee.

Recommendation: Approve the appointment of Chairperson Biddle and Cmr. Hannon and Steiner to the Budget/Audit/Negotiating Committee for the July 1, 2015 - June 30, 2016 fiscal year.

Motion/Second: Peixoto/Cashmere.

Ayes: All. Motion passed. **APPROVED AS RECOMMENDED.**

**5-7. ACTION: SCHOLARSHIP COMMITTEE APPOINTMENTS**

Christine Gouig presented the staff report. The Commission discussed the appointments to the Scholarship Committee for the 2015 HACA Scholarships. Cmr. Cashmere and Hannon volunteered to serve and the Commissioners suggested re-appointing Cmr. Asher and Gacoscos as well.

Recommendation: Approve the appointment of Cmr. Asher, Cashmere, Hannon and Gacoscos to the 2015 HACA Scholarship Committee.

Commission Discussion: Cmr. Cashmere commented that serving on the Scholarship Committee is rewarding.

Motion/Second: Steiner/Peixoto.

Ayes: All. Motion passed. **APPROVED AS RECOMMENDED.**

**5-8. ACTION: RATIFY CONTRACT AMENDMENT WITH URS CORPORATION**

Beverly Brewer, Procurement Analyst, presented the staff report. Ms. Brewer reported that at the January Commission meeting, the Commission gave staff verbal approval to add \$9,000 to the contract with URS Corporation (URS) for construction management services in order for URS to close out the final open items in the HACA office remodel project. Ms. Brewer recommended that the Commission ratify their January verbal approval.

Commission Discussion: Chairperson Biddle thanked staff for the work that they have been doing to ensure that the building operates smoothly. George Smith, Maintenance and Modernization Manager, described some of the remaining building items that staff is working on.

Motion/Second: Steiner/Peixoto.

Ayes: 5; 1 abstention: Cmr. Hannon. Motion passed. **APPROVED AS RECOMMENDED.**

**5-9. INFORMATION: PROCUREMENT AWARD INFORMATION**

Beverly Brewer, Procurement Analyst, presented the staff report. Ms. Brewer reported that a contract in the amount of \$31,745 for physical condition assessment services for HACA's 72 public housing units and 173 non-public housing units was awarded to EMG Corporation.

**5-10. INFORMATION: REPORT ON PROJECT-BASED ONE-BEDROOM ELDERLY ONLY AND ELDERLY/DISABLED WAITLIST OPENING**

Jennifer Cado presented the staff report. Ms. Cado reported that HACA received 3,371 applications for the project-based, one-bedroom, elderly and elderly/disabled waitlist opening that was held January 21-February 4 and that 2,510 of those applicants were placed on the waitlist. She described the outreach that staff did to announce the waitlist opening and named some of the community-based organizations that HACA worked with during the opening.

Commission Discussion: Cmr. Hannon asked that staff notify the Commission in advance of any waitlist opening and Ms. Cado indicated that Commission notification is standard practice for these openings. Ms. Gouig and Cmr. Steiner discussed the future opening of the Section 8 Housing Choice Voucher waitlist. Ms. Gouig commented that the Section 8 Waitlist opening will be a major undertaking that will require a great deal of work since the last Section 8 Waitlist opening was held in 2001.

**5-11. INFORMATION: QUARTERLY INVESTMENT PORTFOLIO FOR THE QUARTER ENDED MARCH 31, 2015**

Cathy Leoncio, Finance Director, presented the staff report.

Commission Discussion: Cmr. Hannon and Ms. Leoncio discussed the investment returns.

**5-12. INFORMATION: BUDGET STATUS REPORT**

Cathy Leoncio presented the staff report.

Commission Discussion: Cmr. Steiner asked about the Preserving Alameda County Housing, Inc. (PACH) budget and Ms. Leoncio indicated that a separate budget will be presented to the PACH Board of Directors. Ms. Gouig discussed HACA's plans to participate in the Rental Assistance Demonstration (RAD) program, the requirements to convert HACA's 72 public housing units to RAD and the deficit in the Section 8 budget.

**5-13. INFORMATION: PROGRAM ACTIVITY REPORT**

Jennifer Cado presented the staff report. Ms. Cado summarized the statistics for HACA's programs. Mr. Taylor reported that a recent FSS program graduate used the escrow funds that she received upon graduation from the program to purchase a home through the Section 8 Homeownership program.

Commission Discussion: Cmr. Hannon and Ms. Gouig discussed the issue of portability. Cmr. Gerry and Mr. Taylor discussed some of the tools and training that are provided to participants of the Section 8 Homeownership program.

**6. COMMITTEE REPORTS**

None.

**7. COMMISSIONER REPORTS**

Cmr. Steiner provided an update on the Kottinger Place public housing redevelopment project in the City of Pleasanton. Ms. Gouig described HACA's involvement in this project and the work that staff is doing with the project's developer, Mid-Peninsula Housing.

**8. COMMUNICATIONS**

Cmr. Gerry and Ms. Gouig reported on their attendance at the 2015 NAHRO Washington Conference in Washington, D.C. Mr. Gerry stated that the meetings with congressional staff went well. Ms. Gouig described the meetings that they attended and shared the handouts, created by the California Association of Housing Authorities (CAHA), that were used at the meetings. She also reported that she is going to be working with Congressman Swalwell's office to obtain approval of a waiver from HUD for the Veterans Affairs Supportive Housing (VASH) program that will make it easier for the veterans in our VASH program to find housing units.

Ms. Gouig provided an update on the RAD program and announced that HUD has issued HACA a Commitment to enter into a Housing Assistance Payment contract (CHAP). She indicated that staff was on track to complete all program milestones.

Ms. Gouig announced that Lourdes Castro Ramirez has been appointed to the HUD Principal Deputy Assistant Secretary for Public and Indian Housing position and that CAHA has arranged a meeting with her. Ms. Castro Ramirez used to work for the Los Angeles County Housing Authority so CAHA members know her and are looking forward to working with her.

Ms. Gouig also announced that staff is planning a building grand opening for some time in May or June.

**9. ADJOURNMENT**

There being no further business, Chairperson Biddle adjourned the meeting at 9:54 a.m.

Respectfully Submitted,

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Melissa Taesali  
Executive Assistant

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Christine Gouig  
Executive Director/Housing Commission Secretary

**Approved:** 

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Don Biddle  
Housing Commission Chairperson

# **NEW BUSINESS**

**May 13, 2015**



**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**

**AGENDA STATEMENT**

Meeting Date: May 13, 2015

Subject: Section 8 HCV Payment Standards - Revised

Exhibits Attached: None

Recommendation: Approve the Proposed HCV Payment Standards and Approve the VASH Exception Payment Standards

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**BACKGROUND**

A housing authority's payments to landlords to subsidize the rents of Section 8 Housing Choice Voucher (HCV) Program participants are called "Housing Assistance Payments" (HAP). A formula determines the total HAP funding that HUD provides annually to each housing authority. Congress may or may not appropriate sufficient funds to fund 100% of that formula. (This year we are funded at 101.25% of the formula for HAP.)

A housing authority must manage the HAP funds that it receives from HUD to pay landlords enough so that families can afford modest housing and yet not run out of money before the end of the year when new funding is provided. If a housing authority sets the rents that families are allowed to pay too low for its market area, families won't be able to find suitable housing and/or will have to pay too much of their income (i.e., more than 30% - 40%) for rent. If the housing authority sets rents too high, it will run out of HAP funds and will have to reduce the size of its program, possibly having to terminate the leases of participating families.

The rents that a housing authority allows participating families to pay are determined, in large part, by HUD. Every year, HUD publishes proposed "fair market rents" for each market area in the United States and then publishes the final fair market rents to be effective on October 1 of that year. Fair market rent (FMR) is the rent, including the cost of utilities (except telephone and cable TV), that must be paid in the market area to rent privately owned, decent, safe and sanitary rental housing that is *modest* (i.e., non-luxury). It is not intended that the FMRs enable a participating family to rent every type of unit in a community.

After HUD publishes the FMRs, every housing authority must then adopt one or more "payment standard" schedules based on the FMRs. A housing authority may either adopt a single payment standard amount for the whole FMR area, or a separate payment standard amount for each designated part of the FMR area (e.g., for each city).

The payment standard establishes the voucher amount for each unit size, i.e., the **maximum** gross rent (rent plus utilities) that will be used by the housing authority to compute the monthly HAP that it will pay the landlord on behalf of the family. The **actual** gross rent that the housing

authority will use is based on the reasonableness of the rent in comparison to that of similar units in the same neighborhood; it is not automatically the payment standard.

The housing authority may establish the payment standard amount for a unit size at any level between 90% and 110% of the published FMR for that unit size. HUD approval is not required to establish a payment standard amount in that range (called the “basic range”), but *is* required to establish a payment standard amount that is higher or lower than the basic range.

## **DISCUSSION AND ANALYSIS**

Housing Choice Voucher Program (HCV). At your October 8, 2014 meeting, you approved payment standards that were increased between 3.25% and 6% from the previous year’s payment standards and were tailored by city and bedroom size. At that time, our HAP was funded at 99.7%.

Based on the increase in our HAP funding and the difficulty applicants and participants are having in finding affordable units, staff decided to analyze program data to determine whether to increase the payment standards. In particular we reviewed: 1) gross rents currently being paid by Section 8 participants, paying close attention to those that moved in the previous year and previous two years, and 2) recently approved increases in the utility allowances. After a thorough analysis of the data, and a decision to temporarily forego tailoring payment standards by city in order to give applicants and participants the best chance to locate affordable housing, staff proposes the following:

For studio, one-bedroom, two-bedroom, three-bedroom and four-bedroom units for all cities set the payment standards as close to 110% of the FMR without going over 110% of the FMR.

- For five-bedroom units in all cities set the payment standard at 101% of the FMR.
- For six-bedroom units in all cities set the payment standard at 91% of the FMR.
- For seven-bedroom units in all cities we propose no change.

All proposed payment standards are within the basic HUD range of 90% – 110% of FMR and do not require HUD approval. The effective date for these changes would be July 1, 2015 for annual re-exams and move-ins.

Veterans Affairs Supportive Housing Program (VASH). As you know, we had requested a regulatory waiver from HUD to set a payment standard schedule for our Veterans Affairs Supportive Housing (VASH) program *separate* from our non-VASH HCV program payment standard schedule and to set that standard at 120% of the FMR. While we did not believe we could afford to further increase our payment standards for the entire HCV program above 110%, we were concerned that the ever-increasing market rents in our jurisdiction has inhibited the ability of our VASH applicants and participants to utilize their vouchers. We were also finding that VASH voucher holders were having a more difficult time finding affordable units before their vouchers expired than non-VASH voucher holders and were requiring more extensions to their search time than non-VASH voucher holders.

This waiver was supported by the local Veterans Affairs office. While in Washington DC for the NAHRO conference in March the executive director and Commissioner Gerry spoke with congressional staffers from Congressmen Swalwell’s and Honda’s offices and Congresswoman Lee’s office. All three representatives supported our request via a joint letter to the HUD Secretary. We received the good news on May 5, 2015 that our waiver had been granted. We

currently have 125 VASH vouchers and accepted an invitation from HUD on March 12, 2015 to administer 42 new VASH vouchers.

Recommendation.

1. Approve the HCV payment standards shown below with an effective date of July 1, 2015 for annual re-exams and move-ins with an effective date of July 1, 2015 or later.
2. Approve the VASH payment standards shown below with an effective date of June 1, 2015 for annual re-exams and move-ins with an effective date of June 1, 2015 or later.

**HCV PAYMENT STANDARDS**

| City       | Unit Size by Bedrooms |         |         |         |         |         |         |         |
|------------|-----------------------|---------|---------|---------|---------|---------|---------|---------|
|            | Studio                | 1       | 2       | 3       | 4       | 5       | 6       | 7       |
| All Cities | \$1,142               | \$1,386 | \$1,743 | \$2,434 | \$2,987 | \$3,155 | \$3,213 | \$3,546 |

**VASH PAYMENT STANDARDS**

| City       | Unit Size by Bedrooms |         |         |         |         |         |         |         |
|------------|-----------------------|---------|---------|---------|---------|---------|---------|---------|
|            | Studio                | 1       | 2       | 3       | 4       | 5       | 6       | 7       |
| All Cities | \$1,246               | \$1,512 | \$1,902 | \$2,655 | \$3,259 | \$3,155 | \$3,213 | \$3,546 |

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**

**AGENDA STATEMENT**

Meeting: May 13, 2015

Subject: Audit for the Fiscal Year Ending June 30, 2014

Exhibits Attached: Attachment A: Audit Reports and Letters to the Board of Commissioners

Recommendation: Accept Reports

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**BACKGROUND**

The Housing Authority's (HACA) audit for the fiscal year ending June 30, 2014 was completed by the auditors, Patel & Associates, LLP on March 24, 2015.

Patel & Associates, LLP performed a "single audit," as HACA received over \$500,000 of federal funding during the fiscal year, and the audit was designed and conducted in the areas of financial operation, internal control and OMB Circular A-133 compliance.

Included in the audit report is HACA's non-profit component unit, Preserving Alameda County Housing, Inc. (PACH). Formed in March 2011, PACH was in its third year of operations during audited fiscal year.

**DISCUSSION and ANALYSIS**

*Independent Auditor's Report (pages 1-3)*

In the independent auditor's report addressed to the Board of Commissioners, Patel & Associates, LLP opines that HACA's financial statements at the fiscal year ending June 30, 2014 were stated fairly in all material respects.

*Management's Discussion and Analysis (MD&A) (pages 4-10)*

The MD&A serves as an introduction to the agency wide financial statements and is an overview of HACA's financial activity. It highlights changes in our financial position as well as identifies significant financial and individual fund issues. It also discusses the current year's results in comparison to the prior year's, with emphasis on the current year.

The *Statement of Net Position* presents information about HACA's financial and capital resources (assets) and its obligations to creditors (liabilities), and is similar to a balance sheet.

The *Authority-Wide Statement of Net Position* is shown on Table 1, page 6.

- ❖ Total assets were \$45.53 million.
- ❖ Total liabilities were \$2.93 million.
- ❖ Total assets exceeded total liabilities by \$42.60 million (net position) and consist of the following:

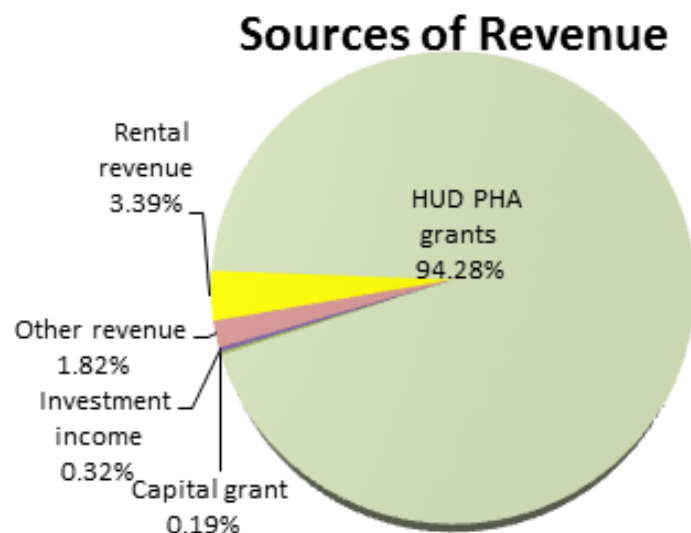
**HACA AGENDA ITEM NO.: 5-2.**

- \$13.95 million are invested in capital assets. This includes land, building and improvements, and furniture and equipment net of accumulated depreciation.
- \$16.07 million are restricted net position and includes \$11.25 million of restricted monies received from the net proceeds of the disposition of Arroyo Vista that was loaned to the redeveloper of the site plus accrued interest. The remainder is \$4.82 million of excess Housing Choice Voucher (HCV) program monies restricted for payment of housing assistance payments (HAP) to landlords up to the number of vouchers authorized by HUD that *cannot* be used for operations.
- \$12.58 million are unrestricted net position and includes the Housing Development Fund, Park Terrace (Hayward), Ocean Avenue (Emeryville), and Public Housing and HCV reserves.

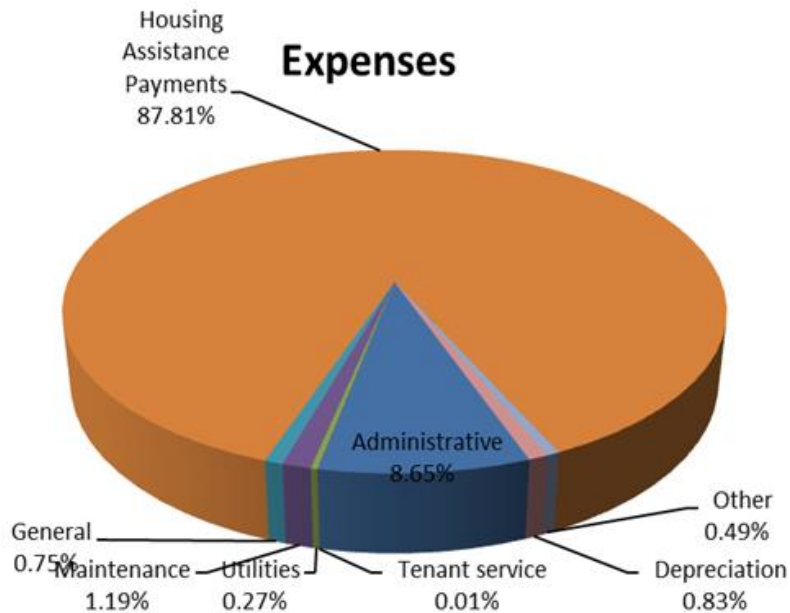
The *Statement of Revenues, Expenses and Changes in Net position* reports HACA's revenues by source and type and its expenses by category to substantiate the change in net position (similar to net income or loss) for the fiscal year.

❖ Table 2 on page 8 shows total revenue of \$88.80 million compared to \$87.80 million in 2012, an increase of \$1 million.

- HUD provided 95% of HACA's total revenue (\$83.89 million) so changes in HUD funding greatly impact operating results. The HCV program funding represents the majority of HACA's total operating subsidies and grants revenue. HUD funding was approximately \$1.08 million compared to the \$1.56 million funding reduction in 2013.
- Rental revenue increased by 16% from the previous year mainly due to the change in the rent structure for the 158 former public housing units disposed to PACH and converted to Section 8 project-based vouchers.



- ❖ Total expenses were \$91.71 million compared to \$87.38 million in 2013, an increase of \$4.33 million. General expenses increased due to the office relocation while the Atherton office was being remodeled. The largest program expenditure as reflected in the chart was for HAP, which increased as well.



*Audited Financial Statements (pages 11-13 and 31-33)*

Patel & Associates, LLP conducted an audit of the financial statements of each of the programs administered by HACA. Each program is considered a separate accounting entity with its own assets, liabilities, net position, revenues and expenses.

Page 11 shows the *Statement of Net Position* for all programs. Page 31 shows the individual funds that make up the total.

The Low Rent Public Housing program has total net position of \$14.92 million, which includes net restricted position of \$11.25 million and net unrestricted position of \$1.45 million.

The Housing Choice Voucher program has total net position of \$6.77 million, which includes net restricted position of \$4.82 million and net unrestricted position of \$1.94 million.

The Housing Development Fund has a total net position balance of \$13.81 million.

PACH has assets of \$4.79 million, liabilities of \$0.17 million and net position of \$4.62 million.

Park Terrace has a net position balance of \$1.46 million and Ocean Avenue has \$0.86 million.

Pages 12 and 32 show the *Statement of Revenues, Expenses and Changes in Net Position*. As your Commission will note, the change in net position includes depreciation expense. While depreciation is treated as an expense that reduces the results of operations, it does not have an impact on restricted or unrestricted net position. When the depreciation expense and, in some instances, changes due to acquisition, disposition and improvements of capital assets are excluded, the change in net position balances shows the actual income or loss for the year.

HACA's Low Rent Public Housing program had *operating* income of \$35,871.

The HCV program had a net loss of \$3.60M which is a combination of a loss of \$3.35M due to less funding received compared to HAP payments made and an *operating loss* of \$247,919.

The Housing Development Fund had a net loss of \$386,284.

PACH had a net operating income of \$1,287,644 for the 12-month leasing operations for 158 units.

Park Terrace had a net income of \$53,086 and Ocean Avenue a net loss of \$513,828, which included a \$500,000 grant made to the Low Rent Public Housing program for the exterior siding of Emery Glen public housing.

#### Summary of Auditor's Reports

In the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and the Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 (pages 34-37)*, the following were reported:

- No material weaknesses or significant deficiencies were identified from the testing and evaluation of HACA's internal control system.
- In testing HACA's compliance with certain provisions and requirements applicable to the programs it administered, the auditors identified instances of noncompliance with program requirements for the Housing Choice Voucher Program. These were considered to be significant enough deficiencies to merit your Commission's attention but were not considered to be material weaknesses.

#### Schedule of Findings and Questioned Costs

##### *Section 1 – Summary of Auditor's Results (page 40)*

Patel & Associates, LLP issued an unmodified opinion on HACA's financial statements. This means that HACA complied with Generally Accepted Accounting Principles (GAAP) and that our financial statements were presented, in all material aspects, appropriately and fairly. HACA is considered a low-risk auditee based on past experience and overall evaluation of its operations and because a single audit has been conducted in prior years where there were no material findings.

Sections II and III (page 41-43) – There were no financial statement findings. While there were no *material* non-compliance issues identified, there is one significant deficiency reported under the federal award findings and questioned costs for the HCV program with regard to housing quality standards (HQS) inspections.

The prior year findings regarding timely re-examinations and HQS enforcement have been implemented (page 43).

**Annual Capital Fund**

Every year, HUD provides Capital Funds to housing authorities for the development, financing, and modernization of public housing developments and for management improvements. Upon expenditure of all funds for a given grant year, a housing authority must submit to HUD an audited Actual Modernization Cost Certificate (AMCC-HUD form 53001) for review and approval for audit. After audit verification, HUD approves the AMCC.

The Capital Fund grants awarded to HACA for calendar year 2013 were reviewed by Patel & Associates, LLP as part of the audit. The auditor determined that the total cost was \$174,068, that all costs have been paid and liabilities discharged and that HACA did not incur any budget overruns. The work funded was completed within the fiscal year and the grant is closed.

**RECOMMENDATION**

Staff recommends that your Commission accept the audited financial statements and reports for all HACA programs for the fiscal year ended June 30, 2014.



**HOUSING AUTHORITY OF ALAMEDA COUNTY**

**AGENDA STATEMENT**

Meeting: May 13, 2015

Subject: Amendment to Procurement Policy to adopt 2 CFR part 200  
in fiscal year 2016 / 2017

Exhibits Attached: None

Recommendation: Approve the amendment

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**BACKGROUND**

In February 2007, HUD issued the *Procurement Handbook for Public Housing Agencies* (HUD Handbook 7460.8 REV 2), which required housing authorities to adopt procurement policies in conformance with the provisions contained in the *Handbook*. On October 8, 2008, your Commission approved the Procurement Policy for HACA based on the template contained in the *Handbook*. Recent changes in procurement standards now necessitate an amendment to HACA's Procurement Policy.

**DISCUSSION AND ANALYSIS**

Through a rule published in the Federal Register on December 19, 2014, federal agencies, including HUD, adopted the *Uniform Administrative Requirements* to consolidate and govern their administrative requirements, cost principles and audit requirements. The *Uniform Requirements* consolidated a number of circulars from the Office of Management and Budget (OMB) that had previously governed these activities and requirements. For housing authorities this change means that we will now, for the most part, be governed by 2 CFR part 200 instead of 24 CFR part 85.

The new requirements were made applicable to non-federal recipients of federal assistance such as HACA effective December 26, 2014. However, the *Uniform Requirements* provided an exception for the procurement provisions (only)—2 CFR 200.110 provides that housing authorities can have a one-year grace period to implement the procurement requirements provided they amend their current procurement policies to allow this. The full fiscal year grace period would end June 30, 2016.

**Amendment**

Staff recommends your Commission adopt the following amendment to HACA's Procurement Policy:

For the period December 25, 2014 through June 30, 2016, HACA will comply with 24 CFR part 85.36, procurement standards contained in the *Procurement Handbook for Public Housing Agencies* (HUD Handbook 7460.86, REV 2) and applicable State and local laws.

Effective July 1, 2016, HACA's Procurement Policy is amended to adopt 2 CFR part 200, *Uniform Administrative Requirements*, and any updates to 24 CFR part 85 in compliance with the HUD procurement standards and any applicable state and local laws.

Staff will bring back to your Commission later this year more specific changes resulting from 2 CFR part 200 as further HUD guidance becomes available.

# **BUDGET STATUS** **REPORT**

**Housing Authority of Alameda County**  
**HOUSING CHOICE VOUCHER**  
**Administrative Budget Status Report FYE 2014-2015**  
**March 2015**

| <b>FY 2015 - HCV<br/>OPERATING BUDGET</b>     | <b>Budgeted @<br/>3/31/2015</b> | <b>Actual @<br/>3/31/2015</b> | <b>OVER<br/>(UNDER)</b> | <b>PROJECTED<br/>TO 6/30/15</b> | <b>SCH.<br/>NO.</b> | <b>2014<br/>BUDGET</b> | <b>2015<br/>BUDGET</b> | <b>DIFFERENCE</b> |
|---|---------------------------------|-------------------------------|-------------------------|---------------------------------|---------------------|------------------------|------------------------|-------------------|
| <b>INCOME</b>                                 |                                 |                               |                         |                                 |                     |                        |                        |                   |
| Investment Income                             | 1,260                           | 422                           | (838)                   | 563                             | A1                  | 3,600                  | 1,680                  | (1,920)           |
| Misc. Income                                  | 259,500                         | 241,193                       | (18,307)                | 321,591                         | A1                  | 346,000                | 346,000                | 0                 |
| Grant Income                                  | 262,500                         |                               | (262,500)               | 350,000                         |                     | 0                      | 350,000                |                   |
| Administrative Fee Income                     | 5,022,769                       | 5,156,228                     | 133,459                 | 6,697,025                       | A                   | 6,582,930              | 6,697,025              | 114,095           |
| <b>TOTAL INCOME</b>                           | <b>5,546,029</b>                | <b>5,397,843</b>              | <b>(148,186)</b>        | <b>7,369,179</b>                |                     | <b>6,932,530</b>       | <b>7,394,705</b>       | <b>462,175</b>    |
| <b>EXPENSES</b>                               |                                 |                               |                         |                                 |                     |                        |                        |                   |
| Administration                                |                                 |                               |                         |                                 | B-1& 2              | (3,857,494)            | (4,035,794)            | (178,300)         |
| Salaries                                      | (3,026,845)                     | (2,800,424)                   | 226,421                 | (4,035,794)                     | C-1&2               | (1,313,499)            | (1,337,122)            | (23,623)          |
| Other Admin.                                  | (1,002,841)                     | (975,427)                     | 27,414                  | (1,300,569)                     |                     | (5,170,993)            | (5,372,915)            | (201,923)         |
| Total   | (4,029,687)                     | (3,775,851)                   | 253,836                 | (5,336,363)                     |                     |                        |                        |                   |
| General                                       |                                 |                               |                         |                                 | E                   | (182,340)              | (203,253)              | (20,913)          |
| Insurance                                     | (152,440)                       | (134,265)                     | 18,175                  | (179,020)                       |                     | (2,005,897)            | (2,098,613)            | (92,716)          |
| Employee Benefits                             | (1,573,959)                     | (1,550,564)                   | 23,395                  | (2,067,419)                     |                     | 0                      | 0                      | 0                 |
| Miscellaneous                                 | 0                               | 0                             | 0                       | 0                               |                     | (2,188,237)            | (2,301,865)            | (113,629)         |
| Total   | (1,726,399)                     | (1,684,829)                   | 41,570                  | (2,246,439)                     |                     |                        |                        |                   |
| Total Routine Expenses                        | (5,756,086)                     | (5,460,680)                   | 295,406                 | (7,582,802)                     |                     | (7,359,229)            | (7,674,781)            | (315,551)         |
| Capital Expenditures                          | 0                               | 0                             | 0                       | 0                               | D2                  | 0                      | 0                      | 0                 |
| <b>TOTAL EXPENSES</b>                         | <b>(5,756,086)</b>              | <b>(5,460,680)</b>            | <b>295,406</b>          | <b>(7,582,802)</b>              |                     | <b>(7,359,229)</b>     | <b>(7,674,781)</b>     | <b>(315,551)</b>  |
| Income (Deficit) UNSPECIFIED BUDGET REDUCTION |                                 |                               |                         |                                 |                     | (426,699)              | (280,075)              |                   |
| <b>NET INCOME (DEFICIT)</b>                   | <b>(210,057)</b>                | <b>(62,837)</b>               | <b>147,220</b>          | <b>(213,623)</b>                |                     | <b>(426,699)</b>       | <b>(280,075)</b>       | <b>146,624</b>    |

Unrestricted Net Assets @ 6/30/14

Projected Income (Deficit) @ 6/30/15

Projected Unrestricted Net Assets @ 6/30/15

\$ 1,950,964

(213,623)

\$ 1,737,341

**Housing Authority of Alameda County**  
**PUBLIC HOUSING**  
**Administrative Budget Status Report FYE 2014-2015**  
**March 2015**

| FY 2015 - PH<br>OPERATING BUDGET | YTD BUDGET<br>3/31/2015 | YTD ACTUALS<br>3/31/15 | OVER/<br>(UNDER)<br>BUDGET | Projected<br>to 6/30/15 | SCH.<br>NO. | 2014<br>BUDGET     | 2015<br>BUDGET     | Difference     |
|----------------------------------|-------------------------|------------------------|----------------------------|-------------------------|-------------|--------------------|--------------------|----------------|
| <b>INCOME</b>                    |                         |                        |                            |                         |             |                    |                    |                |
| Dwelling Rentals                 | 261,922                 | 266,448                | 4,526                      | 355,264                 | A-1         | 390,545            | 349,229            | (41,316)       |
| Office Rental (Mission Blvd-net) | 0                       | 0                      | 0                          | 0                       | A           | 46,688             | 0                  | (46,688)       |
| Investment Income                | 499                     | 490                    | (9)                        | 653                     | A           | 2,200              | 665                | (1,535)        |
| Misc. Income                     | 53,438                  | 59,763                 | 6,325                      | 71,250                  | A-1         | 71,250             | 71,250             | 0              |
| Operating Subsidy                | 121,372                 |                        | (121,373)                  | 161,830                 | A-1         | 205,974            | 161,830            | (44,144)       |
| Asset Reposition Fee             | 131,676                 | 329,032                | 197,356                    | 175,568                 | A-1         | 185,237            | 175,568            | (9,669)        |
| Capital Grant                    | 153,000                 | 136,973                | (16,028)                   | 182,630                 | A-1         | 29,559             | 204,000            | 174,441        |
| <b>TOTAL INCOME</b>              | <b>721,907</b>          | <b>792,706</b>         | <b>70,798</b>              | <b>947,196</b>          |             | <b>931,454</b>     | <b>962,542</b>     | <b>31,088</b>  |
| <b>EXPENSES</b>                  |                         |                        |                            |                         |             |                    |                    |                |
| <b>Administration</b>            |                         |                        |                            |                         |             |                    |                    |                |
| Salaries                         | (157,476)               | (164,185)              | (6,708)                    | (213,440)               | B-1& 2      | (226,217)          | (209,968)          | 16,249         |
| Other Admin.                     | (72,385)                | (57,392)               | 14,993                     | (76,523)                | C-1         | (28,830)           | (96,513)           | (67,683)       |
| Total                            | (229,861)               | (221,577)              | 8,284                      | (289,963)               |             | (255,047)          | (306,481)          | (51,435)       |
| <b>Tenant Services</b>           |                         |                        |                            |                         |             |                    |                    |                |
| Resident Managers                | (4,125)                 | (450)                  | 3,675                      | (5,500)                 |             | (5,500)            | (5,500)            | 0              |
| Recreation                       | (5,625)                 | 0                      | 5,625                      | (7,500)                 |             | (7,500)            | (7,500)            | 0              |
| Total                            | (9,750)                 | (450)                  | 9,300                      | (13,000)                |             | (13,000)           | (13,000)           | 0              |
| <b>Utilities</b>                 |                         |                        |                            |                         |             |                    |                    |                |
| Water                            | (37,561)                | (30,730)               | 6,831                      | (40,973)                |             | (50,081)           | (50,081)           | 0              |
| Electricity                      | (14,250)                | (9,079)                | 5,171                      | (12,105)                |             | (19,000)           | (19,000)           | 0              |
| Gas                              | (1,050)                 | (784)                  | 267                        | (1,045)                 |             | (1,400)            | (1,400)            | 0              |
| Sewage                           | (19,800)                | (8,512)                | 11,288                     | (11,349)                |             | (26,400)           | (26,400)           | 0              |
| Total                            | (72,661)                | (49,105)               | 23,558                     | (65,473)                |             | (96,881)           | (96,881)           | 0              |
| <b>Maintenance</b>               |                         |                        |                            |                         |             |                    |                    |                |
| Salaries                         | (53,117)                | (55,483)               | (2,366)                    | (72,128)                | B-2         | (69,983)           | (70,822)           | (839)          |
| Materials                        | (32,928)                | (16,248)               | 16,680                     | (45,567)                | D           | (51,942)           | (43,904)           | 8,038          |
| Contract Costs                   | (269,125)               | (201,477)              | 67,648                     | (268,636)               | D           | (368,818)          | (358,834)          | 9,984          |
| Total                            | (355,170)               | (273,208)              | 81,962                     | (386,332)               |             | (490,743)          | (473,560)          | 17,183         |
| <b>General</b>                   |                         |                        |                            |                         |             |                    |                    |                |
| Insurance                        | (21,319)                | (17,022)               | 4,298                      | (26,463)                | E           | (41,081)           | (28,426)           | 12,656         |
| Tax-In Lieu Of                   | (18,926)                | (18,927)               | (1)                        | (25,236)                |             | (29,366)           | (25,235)           | 4,132          |
| Employee Benefits                | (109,508)               | (66,329)               | 43,179                     | (145,640)               |             | (154,024)          | (146,011)          | 8,013          |
| Collection Loss                  | (750)                   | 0                      | 750                        | 0                       |             | (1,000)            | (1,000)            | 0              |
| Miscellaneous                    | (750)                   | (4,019)                | (3,269)                    | (5,359)                 |             | (1,000)            | (1,000)            | 0              |
| Total                            | (151,254)               | (106,297)              | 44,958                     | (202,697)               |             | (226,472)          | (201,672)          | 24,800         |
| <b>Total Routine Expenses</b>    | <b>(818,696)</b>        | <b>(650,637)</b>       | <b>168,061</b>             | <b>(957,465)</b>        |             | <b>(1,082,143)</b> | <b>(1,091,594)</b> | <b>(9,452)</b> |
| <b>TOTAL EXPENSES</b>            | <b>(818,696)</b>        | <b>(650,637)</b>       | <b>168,061</b>             | <b>(957,465)</b>        |             | <b>(1,082,143)</b> | <b>(1,091,594)</b> | <b>(9,452)</b> |
| <b>NET INCOME (DEFICIT)</b>      | <b>(96,789)</b>         | <b>142,068</b>         | <b>238,858</b>             | <b>(10,269)</b>         |             | <b>(150,688)</b>   | <b>(129,052)</b>   | <b>21,636</b>  |

Unrestricted Net Assets @ 6/30/14

\$1,452,594

Projected Income/(Deficit) @ 6/30/15

(10,269)

Projected Unrestricted Net Assets Balance @ 6/30/15

\$1,442,325

# **PROGRAM ACTIVITY**

# **REPORT**

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**

**AGENDA STATEMENT**

Meeting: May 13, 2015

Subject: Programs Activity Report

Exhibits Attached: Section 8 Contract Report; Section 8 Average Contract Rent Report; Fraud Payments Report; Landlord Rental Listing Report; FSS Program Monthly Report

Recommendation: Receive Report

Financial Statement: None

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**SECTION 8 HOUSING CHOICE VOUCHERS**

- **Lease-Up:** As of April 1, 2015, the Section 8 Housing Choice Voucher program had 5,939 units under contract. As of May 1, 2015, the Section 8 Housing Choice Voucher program had 5,953 units under contract. The fiscal year-to-date lease-up average is 95.91% units as of April 1, 2015 and 95.94% as of May 1, 2015. The budget authority use average through March 2015 is 92%.
- **Program Utilization:** As of April 1, 2015, the average HAP subsidy was \$1,051 and the average tenant-paid rent portion was \$450 for an average Contract Rent of \$1,501. As of May 2, 2015, the average HAP subsidy was \$1,053 and the average tenant-paid rent portion was \$452 for an average Contract Rent of \$1,504. Amounts vary by \$1 due to rounding.
  - ❖ As of April 1, 2015, HACA had 60 outgoing billed portability contracts (i.e., HACA voucher holders who are housed in another housing authority's jurisdiction). As of May 1, 2015, HACA had 59 outgoing billed portability contracts.
  - ❖ As of April 1, 2015, HACA billed other housing authorities, primarily the Oakland Housing Authority, for 849 incoming portability contracts. As of May 1, 2015 HACA billed other housing authorities for 795 incoming portability contracts. The number is dropping as HACA absorbs older port-in contracts in order to increase its lease-up, which has been dropping due to skyrocketing rents in the county and the inability of tenants to locate affordable units. HACA receives only 80% of the HUD-authorized Administrative Fee for billed incoming portability contracts.
- **Section 8 Contract Report:** A copy of the Contract Report is attached.

**HACA AGENDA ITEM NO.: 5-5.**

- **Fraud / Debt Recovery:** HACA retained \$3,159.69 in fraud and debt recovery payments for the month of March 2015 and \$2,806.42 for the month of April 2015. A total of \$21,583.35 was retained over the last six months.
- **Landlord Rental Listings:** As of May 1, 2015 there were 355 landlords with properties in HACA's jurisdiction utilizing the *GoSection8* rental listing service. There were no new landlords added to the Section 8 program this month. There were 3 active properties listed as of May 1, 2015.

**FAMILY SELF SUFFICIENCY (FSS)**

The FSS Department held three workshops for FSS participants in April. One provided information on credit reports, credit scores and preparing for purchasing a car; another provided information on estate planning; and the third provided information on getting ready to become employed. One of the agencies presenting at the employment readiness workshop, Oakland Unified School District (OUSD), encouraged workshop attendees to apply for their current job openings and indicated OUSD would hire persons at the workshop if they passed OUSD's background check.

**PUBLIC HOUSING**

- **Occupancy:** As of April 1, 2015 and May 1, 2015, the Public Housing program had 69 of 72 units leased and had a 95.33% fiscal year-to-date lease up rate as of May 1, 2015. The three unleased units are in the Emery Glen public housing project and are off-line due to water damage from the incomplete exterior siding project.



## HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

Section 8 Contract and HAP Report for the Month of April 2015

|               | Certificates |              | Vouchers |                | April 2015<br>TOTAL |                |               |               |
|---------------|--------------|--------------|----------|----------------|---------------------|----------------|---------------|---------------|
| City          | Number       | HAP*         | Number   | HAP**          | Number              | HAP            | April<br>2014 | April<br>2013 |
| Albany        | 0            | \$0          | 28       | \$29,428       | 28                  | \$29,428       | 32            | 36            |
| Castro Valley | 11           | \$11,418     | 207      | \$217,557      | 218                 | \$228,975      | 228           | 238           |
| Dublin        | 2            | \$2,076      | 349      | \$366,799      | 351                 | \$368,875      | 361           | 335           |
| Emeryville    | 6            | \$6,228      | 119      | \$125,069      | 125                 | \$131,297      | 120           | 113           |
| Fremont       | 25           | \$25,950     | 1,113    | \$1,169,763    | 1,138               | \$1,195,713    | 1,245         | 1,328         |
| Hayward       | 117          | \$121,446    | 2,078    | \$2,183,978    | 2,195               | \$2,305,424    | 2,402         | 2,557         |
| Newark        | 3            | \$3,114      | 230      | \$241,730      | 233                 | \$244,844      | 252           | 278           |
| Pleasanton    | 4            | \$4,152      | 111      | \$116,661      | 115                 | \$120,813      | 126           | 134           |
| San Leandro   | 19           | \$19,722     | 1,493    | \$1,569,143    | 1,512               | \$1,588,865    | 1,516         | 1,457         |
| San Lorenzo   | 1            | \$1,038      | 219      | \$230,169      | 220                 | \$231,207      | 231           | 231           |
| Union City    | 6            | \$6,228      | 762      | \$800,862      | 768                 | \$807,090      | 819           | 854           |
| TOTALS        | 194          | \$201,372.00 | 6,709    | \$7,051,159.00 | 6,903               | \$7,252,531.00 | 7,332         | 7,561         |

\*Based on an average April Housing Assistance Payment (HAP) of \$1,038.00 per certificate contract.

\*\*Based on an average April Housing Assistance Payment (HAP) of \$1,051.00 per voucher contract.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**Section 8 Average Contract Rent Report for the Month of: April 2015**

| <b>City</b>   | <b>Number of<br/>HAP Contracts</b> | <b>Average<br/>Contract Rent</b> | <b>Average HAP<br/>Paid by HACA</b> | <b>Average Rent<br/>Paid by Family</b> | <b>Average<br/>Family-Paid<br/>Rent as a<br/>Percentage of<br/>Average<br/>Contract Rent</b> |
|---------------|------------------------------------|----------------------------------|-------------------------------------|--|--|
| Albany        | 28                                 | \$1,362                          | \$1,078                             | \$284                                  | 21%  |
| Castro Valley | 190                                | \$1,470                          | \$1,014                             | \$455                                  | 31%  |
| Dublin        | 271                                | \$1,691                          | \$1,232                             | \$459                                  | 27%  |
| Emeryville    | 112                                | \$1,360                          | \$949                               | \$411                                  | 30%  |
| Fremont       | 1,064                              | \$1,682                          | \$1,161                             | \$521                                  | 31%  |
| Hayward       | 2,053                              | \$1,444                          | \$996                               | \$448                                  | 31%  |
| Newark        | 237                                | \$1,899                          | \$1,307                             | \$592                                  | 31%  |
| Pleasanton    | 113                                | \$1,362                          | \$970                               | \$391                                  | 29%  |
| San Leandro   | 1,492                              | \$1,416                          | \$977                               | \$438                                  | 31%  |
| San Lorenzo   | 216                                | \$1,730                          | \$1,234                             | \$496                                  | 29%  |
| Union City    | 580                                | \$1,729                          | \$1,205                             | \$523                                  | 30%  |

\*Some rents may vary by \$1 due to rounding

**DEBT COLLECTIONS**

2014-2015

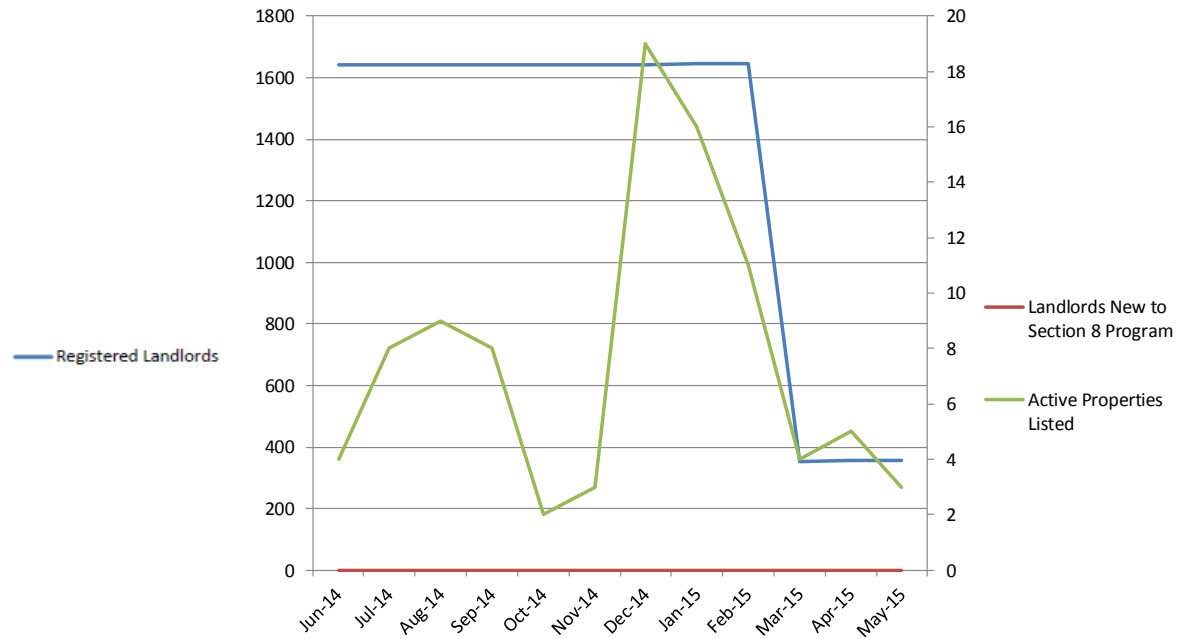
FYE 06/30/15

|                         | JULY              | AUGUST            | SEPTEMBER         | OCTOBER           | NOVEMBER          | DECEMBER          | JANUARY '15       | FEBRUARY          | MARCH             | APRIL             | MAY           | JUNE          | GRAND<br>TOTALS    |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------|---------------|--------------------|
| <i>DAMAGE CLAIMS</i>    | \$170.00          | \$125.00          | \$170.00          | \$136.00          | \$50.00           | \$290.00          | \$150.00          | \$0.00            | \$0.00            | \$290.00          |               |               | <b>\$1,381.00</b>  |
| <i>FRAUD REPAYMENTS</i> | \$2,820.43        | \$3,557.50        | \$3,986.71        | \$7,315.00        | \$3,075.76        | \$7,260.33        | \$2,892.15        | \$2,389.00        | \$3,159.69        | \$2,806.42        |               |               | <b>\$39,262.99</b> |
| <b>TOTALS</b>           | <b>\$2,990.43</b> | <b>\$3,682.50</b> | <b>\$4,156.71</b> | <b>\$7,451.00</b> | <b>\$3,125.76</b> | <b>\$7,550.33</b> | <b>\$3,042.15</b> | <b>\$2,389.00</b> | <b>\$3,159.69</b> | <b>\$3,096.42</b> | <b>\$0.00</b> | <b>\$0.00</b> | <b>\$40,643.99</b> |

## Landlord Rental Listing Report

### Monthly

|   | 6/2/2014 | 7/1/2014 | 8/1/2014 | 9/2/2014 | 10/1/2014 | 11/3/2014 | 12/1/2014 | 1/2/2015 | 2/2/2015 | 3/2/2015 | 4/1/2015 | 5/1/2015 |
|---|----------|----------|----------|----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|
| <b>Registered Landlords</b>               | 1643     | 1643     | 1643     | 1643     | 1643      | 1643      | 1643      | 1645     | 1645     | 354      | 355      | 355      |
| <b>Landlords New to Section 8 Program</b> | 0        | 0        | 0        | 0        | 0         | 0         | 0         | 0        | 0        | 0        | 0        | 0        |
| <b>Active Properties Listed</b>           | 4        | 8        | 9        | 8        | 2         | 3         | 19        | 16       | 11       | 4        | 5        | 3        |





**To:** Christine Gouig, Executive Director  
**From:** Daniel Taylor, Special Programs Manager  
**Re:** **FSS Program Summary**  
**CC:** Ron Dion, Linda Evans, Phyllis Harrison, Mary Sturges, Eli Isaacs  
**Date:** May 1, 2015

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| <b>Program Summary</b>        | <b>April 2015</b> |
|-------------------------------|-------------------|
| Total Clients Under Contract: | 147               |
| MDRC:                         | 100               |
| Graduates:                    | 1                 |
| Escrow Disbursed:             | \$0               |
| Ports In:                     | 0                 |
| Ports Out:                    | 0                 |
| Terminations:                 | 4                 |
| New Contracts:                | 1                 |

#### **FSS PROGRAM NEWS:**

##### **Workshops**

On Saturday, April 18, 2015, the FSS department held a *Credit Report / Credit Scores and Smart Car Buying Secrets* workshop. Representatives from Safe America Credit Union gave the presentation. The topics included:

- How to get a free copy of your credit report
- How to dispute items on your credit report
- Three steps to building an excellent credit score
- The inside scoop on credit scores – what helps or hurts a credit score
- How to set a budget before purchasing a car
- Learning the inner workings of a car dealership

On Thursday, April 23, 2015, California Document Preparers gave FSS participants a presentation on *Estate Planning*. Participants were introduced to the following:

- What Living Trusts and Wills accomplish
- How to preplan for custody of children after passing
- What a Power of Attorney accomplishes
- Learning to determine which documents are needed
- What to consider when creating the documents
- How to maintain documents

On Tuesday, April 28, 2015, FSS staff held an *Employment Readiness* workshop. The five person panel included representatives from the following agencies: Oakland Unified School District (OUSD), Eden One Stop Center, Volt Temp Agency, Alameda County Social Services and Kindred Home. Participants received information on resume writing, searching for jobs and interviewing. Three of the agencies have current job openings and encouraged interested participants to apply. The representative from the OUSD informed the audience that applicants would be hired from the workshop if they passed the background check. Program participants in attendance were excited about the workshop and found it very helpful.

**Referrals=** Case Management = 63

## HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

### Family Self-Sufficiency Escrow Disbursement

| FYE<br>JULY 1 - JUNE 30 | # OF ESCROW<br>DISBURSEMENTS | TOTAL<br>AMOUNT DISBURSED | HIGHEST<br>AMOUNT DISBURSED |
|-------------------------|------------------------------|---------------------------|-----------------------------|
| 2001-2002               | 21                           | \$157,913.96              | \$18,813.25                 |
| 2002-2003               | 35                           | \$334,723.14              | \$27,352.12                 |
| 2003-2004               | 30                           | \$249,526.11              | \$24,067.33                 |
| 2004-2005               | 22                           | \$246,921.79              | \$38,026.12                 |
| 2005-2006               | 17                           | \$112,165.97              | \$22,276.45                 |
| 2006-2007               | 23                           | \$233,331.29              | \$43,708.28                 |
| 2007-2008               | 22                           | \$221,033.56              | \$29,624.41                 |
| 2008-2009               | 26                           | \$254,093.25              | \$25,648.23                 |
| 2009-2010               | 13                           | \$105,194.37              | \$19,137.72                 |
| 2010-2011               | 11                           | \$174,635.69              | \$28,479.65                 |
| 2011-2012               | 16                           | \$113,783.18              | \$31,783.52                 |
| 2012-2013               | 22                           | \$271,568.24              | \$31,271.85                 |
| 2013-2014               | 20                           | \$269,385.69              | \$28,089.10                 |
| 2014 - Mar 2015         | 21                           | \$163,328.28              | \$18,380.26                 |
| <b>TOTAL TO DATE</b>    | <b>299</b>                   | <b>\$2,907,604.52</b>     | <b>\$43,708.28</b>          |

| # OF YEARS OF<br>ESCROW DISBURSEMENTS | AVERAGE # OF<br>ESCROW DISBURSEMENTS PER YEAR | AVERAGE AMOUNT<br>DISBURSED PER YEAR |
|---------------------------------------|---|--------------------------------------|
| 14                                    | 21  | \$207,686.04                         |

### Family Self-Sufficiency Program 5-Year Contract Completion

*FSS Contract of Participation (COP) Start Dates in 2009*

| # OF PARTICIPANTS<br>(WITH 2009 CONTRACT START DATES) | # COMPLETED COP<br>(WITH 2009 CONTRACT START DATES) |
|---|---|
| 69  | 12 (17.4%)  |

# **ATTACHMENT A**

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**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Commissioners  
Housing Authority of the County of Alameda  
Hayward, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, of the Housing Authority of the County of Alameda (the Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2014, the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in the notes to the basic financial statements, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported on Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining and individual enterprise fund financial statements including the schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual enterprise fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual enterprise fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Oakland, California  
March 24, 2015

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2014**

The Housing Authority of the County of Alameda (the Authority) primarily provides housing assistance to low income individuals and families. Its primary sources of funding are through grants received from the U.S. Department of Housing and Urban Development (HUD) and rents collected from the properties it owns.

The Authority's Management's Discussion and Analysis (MD&A) is designed to:

- provide an overview of the Authority's financial activity,
- identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges),
- assist the reader in focusing on significant financial issues, and
- identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the attached financial statements.

**FINANCIAL HIGHLIGHTS**

Total assets of the Authority were \$45.53 million and total liabilities were \$2.93 million.

The assets of the Authority exceeded its liabilities at the close of the fiscal year (FY) by \$42.60 million (net position). Of that amount, \$13.95 million was invested in capital assets; \$16.07 million was considered restricted and \$12.58 million was considered unrestricted and may be used to meet the Authority's ongoing obligations. The Authority's FY 2014 total net position decreased by \$2.91million (6%) compared to the FY 2013 balance of \$45.51 million.

Total revenues, excluding Housing Assistance Payments-Portability in, increased by approximately \$1.30 million (1%) during 2014, and were \$88.80 million and \$87.50 million for 2014 and 2013, respectively. The increase was due in part to the accrued interest on long-term notes receivable and higher rental revenue.

Total expenses, excluding Housing Assistance Payments-Portability in, increased by approximately \$4.33 million (5%). Total expenses were \$91.71 million and \$87.38 million for 2014 and 2013, respectively.

The Authority's component unit, Preserving Alameda County Housing, Inc. (PACH), was formed in March 2011. The Authority is the managing agent for the properties owned by PACH. For FY 2014, PACH had total assets of \$4.79 million, total liabilities of \$0.18 million and net position of \$4.61 million. It had total revenues of \$2.48 million and expenses of \$1.61 million. PACH's total net position increased by \$0.87 million.

## **AUTHORITY-WIDE FINANCIAL STATEMENTS**

The Authority-wide financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business in that all enterprise fund type activities are consolidated into columns, which add to a total for the entire Authority. The Authority-wide financial statements report information on the Authority as a whole, net of inter-fund activity.

The *Statement of Net Position* is similar to a Balance Sheet. The Statement of Net Position provides information about the Authority's financial and capital resources (assets) and its obligations to creditors (liabilities). Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year) and "Non-current." The statement is presented in the format where assets minus liabilities equal "Net Position," formerly known as Net Assets.

Net Position (formerly Net Assets) is reported in three broad categories:

- Net Position, Invested in Capital Assets, Net of Related Debt: This component of Net Position consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as security deposits, debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted Net Position: Consists of Net Position that does not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt," or "Restricted Net Position." It represents the net available liquid assets, net of liabilities, for the entire Authority.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* is similar to an Income Statement. This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative costs, utilities, maintenance, depreciation, and Non-Operating Revenue & Expenses, such as grant revenue, investment income and interest expense. The focus of this statement is the "Change in Net Position," which is similar to Net Income or Loss.

The *Statement of Cash Flows* discloses net cash provided by or used for operating activities, investing activities, non-capital financing activities, and from capital and related financing activities. This statement provides answers to questions of where cash came from, what cash was used for and what caused changes in cash for the fiscal year.

The accompanying *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

## FUND FINANCIAL STATEMENTS

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on fund types. The Authority consists of exclusively Enterprise Funds. The Enterprise method of accounting is similar to accounting utilized by the private sector where the determination of net income is necessary or useful to sound financial administration. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other monies. They are reported using the full accrual method of accounting.

The Department of Housing and Urban Development (HUD) requires the Authority to maintain many of the funds. Others are segregated to enhance accountability and control.

## FINANCIAL ANALYSIS

**TABLE 1**  
**STATEMENT OF NET POSITION**  
**(in millions)**

|                            | The Authority   |                 | PACH           |                | TOTAL           |                 |                  |            |
|----------------------------|-----------------|-----------------|----------------|----------------|-----------------|-----------------|------------------|------------|
|                            | 6/30/2014       | 6/30/2013       | 6/30/2014      | 6/30/2013      | 6/30/2014       | 6/30/2013       | Change           | %          |
| Current and other assets   | \$ 19.58        | \$ 26.63        | \$ 0.75        | \$ 0.08        | \$ 20.33        | \$ 26.71        | \$ (6.38)        | -24%       |
| Non-current assets         | 11.25           | 11.00           | -              | -              | 11.25           | 11.00           | 0.25             | 2%         |
| Capital assets             | 9.91            | 5.49            | 4.04           | 4.01           | 13.95           | 9.50            | 4.45             | 47%        |
| <b>Total assets</b>        | <b>40.74</b>    | <b>43.12</b>    | <b>4.79</b>    | <b>4.09</b>    | <b>45.53</b>    | <b>47.21</b>    | <b>(1.68)</b>    | <b>-4%</b> |
| Current liabilities        | 2.75            | 1.57            | 0.18           | 0.11           | 2.93            | 1.68            | 1.25             | 74%        |
| Noncurrent liabilities     | -               | (0.22)          | -              | 0.24           | -               | 0.02            | (0.02)           | -100%      |
| <b>Total liabilities</b>   | <b>2.75</b>     | <b>1.35</b>     | <b>0.18</b>    | <b>0.35</b>    | <b>2.93</b>     | <b>1.70</b>     | <b>1.23</b>      | <b>72%</b> |
| Net position:              |                 |                 |                |                |                 |                 |                  |            |
| Invested in capital assets | 9.91            | 5.49            | 4.04           | 4.01           | 13.95           | 9.50            | 4.45             | 47%        |
| Restricted                 | 16.07           | 19.17           | -              | -              | 16.07           | 19.17           | (3.10)           | -16%       |
| Unrestricted               | 12.01           | 17.11           | 0.57           | (0.27)         | 12.58           | 16.84           | (4.26)           | -25%       |
| <b>Total net position</b>  | <b>\$ 37.99</b> | <b>\$ 41.77</b> | <b>\$ 4.61</b> | <b>\$ 3.74</b> | <b>\$ 42.60</b> | <b>\$ 45.51</b> | <b>\$ (2.91)</b> | <b>-6%</b> |

**Major Factors Affecting the Statement of Net Position (Table 1)**

Current and other assets decreased by approximately \$6.38 million because of lower amounts of cash and cash equivalents and investments.

Non-current assets changed from last year due to interest accrued on the Notes Receivable from Eden Dougherty, LLP for a total amount of \$11.25 million. The disposition approval imposed that the net proceeds were to be loaned to the redeveloper of the former Arroyo Vista public housing site, to use for the development of new low-income family and elderly housing units.

Total liabilities increased by approximately \$1.23 million primarily due to increases in accounts payable and other accrued liabilities.

Total net position decreased by \$2.91 million and were \$42.60 million and \$45.51 million in 2014 and 2013, respectively. Table 2 presents details on the change in Net Position.

Net Position Invested in Capital Assets (e.g., land, buildings and improvements, furniture and equipment) increased by approximately \$4.45 million, net of depreciation, and was \$13.95 million and \$9.50 million in 2014 and 2013, respectively. The increase was primarily due to Atherton office remodel and capitalized repairs and improvements to units.

Restricted Net Position balance decreased by approximately \$3.10 million and was \$16.07 million and \$19.17 million in 2014 and 2013, respectively. The balance includes \$11.25 million of restricted monies received from the net proceeds of the disposition of Arroyo Vista public housing which was loaned out to Eden Dougherty, LLC and \$4.82 million of excess HCV funds restricted for payments of housing assistance payments (HAP) up to the number of vouchers authorized by HUD that cannot be used for operations. In 2014, \$3.35 million of HCV funds restricted for HAP was used to augment the reduced HAP funding from HUD.

Unrestricted Net Position decreased by \$4.26 million and was \$12.58 million as of June 30, 2014 and may be used to meet the Authority's ongoing obligations to vendors and creditors.



**TABLE 2**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**(in millions)**

|   | The Authority           |                         | PACH                  |                       | TOTAL                   |                       |                         |                      |
|---|-------------------------|-------------------------|-----------------------|-----------------------|-------------------------|-----------------------|-------------------------|----------------------|
|   | <u>6/30/2014</u>        | <u>6/30/2013</u>        | <u>6/30/2014</u>      | <u>6/30/2013</u>      | <u>6/30/2014</u>        | <u>6/30/2013</u>      | <u>Change</u>           | <u>%</u>             |
| <b>Revenues</b>                                   |                         |                         |                       |                       |                         |                       |                         |                      |
| Rental revenue – tenant                           | \$ 0.53                 | \$ 0.68                 | \$ 2.48               | \$ 1.91               | \$ 3.01                 | \$ 2.59               | \$ 0.42                 | 16%                  |
| Operating subsidies and grants                    | 83.89                   | 82.81                   | -                     | -                     | 83.89                   | 82.81                 | 1.08                    | 1%                   |
| Gain (loss) on disposition of capital assets      | -                       | (0.98)                  | -                     | 0.77                  | -                       | (0.21)                | 0.21                    | -100%                |
| Investment income                                 | 0.28                    | 0.04                    | -                     | -                     | 0.28                    | 0.04                  | 0.24                    | 600%                 |
| Other revenue                                     | <u>1.62</u>             | <u>2.27</u>             | <u>-</u>              | <u>-</u>              | <u>1.62</u>             | <u>2.27</u>           | <u>(0.65)</u>           | <u>-29%</u>          |
| <b>Subtotal</b>                                   | <b><u>86.32</u></b>     | <b><u>84.82</u></b>     | <b><u>2.48</u></b>    | <b><u>2.68</u></b>    | <b><u>88.80</u></b>     | <b><u>87.50</u></b>   | <b><u>1.30</u></b>      | <b><u>1%</u></b>     |
| Housing Assistance Payments-Portability in        | 15.87                   | 21.23                   | -                     | -                     | 15.87                   | 21.23                 | (5.36)                  | -25%                 |
| Total revenues                                    | <u>102.19</u>           | <u>106.05</u>           | <u>2.48</u>           | <u>2.68</u>           | <u>104.67</u>           | <u>108.73</u>         | <u>(4.06)</u>           | <u>-4%</u>           |
| <b>Expenses</b>                                   |                         |                         |                       |                       |                         |                       |                         |                      |
| Administrative                                    | 7.36                    | 7.41                    | 0.57                  | 0.51                  | 7.93                    | 7.92                  | 0.01                    | 0%                   |
| Tenant service                                    | 0.01                    | -                       | -                     | 0.01                  | 0.01                    | 0.01                  | -                       | 0%                   |
| Utilities   | 0.14                    | 0.15                    | 0.11                  | 0.08                  | 0.25                    | 0.23                  | 0.02                    | 9%                   |
| Maintenance                                       | 0.60                    | 0.79                    | 0.49                  | 0.42                  | 1.09                    | 1.21                  | (0.12)                  | -10%                 |
| General   | 0.67                    | 0.40                    | 0.02                  | 0.03                  | 0.69                    | 0.43                  | 0.26                    | 60%                  |
| Housing Assistance Payments                       | 80.53                   | 76.29                   | -                     | -                     | 80.53                   | 76.29                 | 4.24                    | 6%                   |
| Other   | 0.45                    | 0.56                    | -                     | -                     | 0.45                    | 0.56                  | (0.11)                  | -20%                 |
| Depreciation                                      | <u>0.34</u>             | <u>0.32</u>             | <u>0.42</u>           | <u>0.41</u>           | <u>0.76</u>             | <u>0.73</u>           | <u>0.03</u>             | <u>4%</u>            |
| <b>Subtotal</b>                                   | <b><u>90.10</u></b>     | <b><u>85.92</u></b>     | <b><u>1.61</u></b>    | <b><u>1.46</u></b>    | <b><u>91.71</u></b>     | <b><u>87.38</u></b>   | <b><u>4.33</u></b>      | <b><u>5%</u></b>     |
| Housing Assistance Payments-Portability in        | 15.87                   | 21.23                   | -                     | -                     | 15.87                   | 21.23                 | (5.36)                  | -25%                 |
| Total expenses                                    | <u>105.97</u>           | <u>107.15</u>           | <u>1.61</u>           | <u>1.46</u>           | <u>107.58</u>           | <u>108.61</u>         | <u>(1.03)</u>           | <u>-1%</u>           |
| <b>Net Income (Loss) – Change in Net Position</b> | <b>\$ <u>(3.78)</u></b> | <b>\$ <u>(1.10)</u></b> | <b>\$ <u>0.87</u></b> | <b>\$ <u>1.22</u></b> | <b>\$ <u>(2.91)</u></b> | <b>\$ <u>0.12</u></b> | <b>\$ <u>(3.03)</u></b> | <b><u>-2525%</u></b> |

### Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position (Table 2)

Total revenues increased by approximately \$1.30 million (1%) and total expenses increased by approximately \$4.06 million (4%) from a year ago.

HUD provided 95% of the Authority's revenue in 2014 and 2013. The Housing Choice Voucher (HCV) program represents the majority of the Authority's total operating subsidies and grants revenue. Changes in HUD funding directly impact the Authority's operating results. Operating subsidies and grants increased by 1% from the previous year. The HCV Program received \$1.08 million more funding from HUD compared to \$1.56 million funding reduction in 2013. Rental revenue increased by 16% from the previous year mainly because of the change in the rent structure for the 158 former public housing units disposed to PACH and converted to project-based vouchers.

Most expenses either remained the same or decreased slightly. General expenses increased due to the expenses associated with the office relocation while the Atherton office is being remodeled. Housing Assistance Payments expenses also increased.

The component unit, PACH, started operations in September 2011. Revenue and expenses account for the 12-month leasing operations for 158 units. Expenses include administration (management fees and contracted services), utilities, maintenance and depreciation.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets (Table 3)**

As of fiscal year ended June 30, 2014, the Authority had \$13.95 million invested in a variety of capital assets as reflected in the following table, which represents a net increase (addition, deductions (disposition and depreciation) of approximately \$4.45 million or 47% from the end of last year.

**TABLE 3**  
**CAPITAL ASSETS AND DEBT ADMINISTRATION**  
**(in millions)**

|                            | <b>The Authority</b>  |                       | <b>PACH</b>           |                       | <b>TOTAL</b>           |                       |                       |                   |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-------------------|
|                            | <u>6/30/2014</u>      | <u>6/30/2013</u>      | <u>6/30/2014</u>      | <u>6/30/2013</u>      | <u>6/30/2014</u>       | <u>6/30/2013</u>      | <b>Change</b>         | <b>%</b>          |
| Land and land rights       | 2.17                  | 2.17                  | 1.42                  | 1.42                  | \$ 3.59                | \$ 3.59               | \$ -                  | 0%                |
| Buildings and improvements | 8.73                  | 10.13                 | 10.08                 | 9.85                  | 18.81                  | 19.98                 | (1.17)                | -6%               |
| Furniture and equipment    | 1.68                  | 1.20                  | 0.22                  | -                     | 1.90                   | 1.20                  | 0.70                  | 58%               |
| Construction in progress   | 5.79                  | 0.11                  | -                     | -                     | 5.79                   | 0.11                  | 5.68                  | 5164%             |
| Accumulated depreciation   | (8.46)                | (8.12)                | (7.68)                | (7.26)                | (16.14)                | (15.38)               | (0.76)                | 5%                |
| <b>Total</b>               | <b>\$ <u>9.91</u></b> | <b>\$ <u>5.49</u></b> | <b>\$ <u>4.04</u></b> | <b>\$ <u>4.01</u></b> | <b>\$ <u>13.95</u></b> | <b>\$ <u>9.50</u></b> | <b>\$ <u>4.45</u></b> | <b><u>47%</u></b> |

The following reconciliation summarizes the change in capital assets, which is presented in detail in the notes to the financial statements.

**TABLE 4**  
**CHANGE IN CAPITAL ASSETS**  
**(in millions)**

|                                 | <u><b>The Authority</b></u> | <u><b>PACH</b></u>    | <u><b>TOTAL</b></u>    |
|---------------------------------|-----------------------------|-----------------------|------------------------|
| Beginning balance, July 1, 2013 | \$ 5.49                     | \$ 4.01               | \$ 9.50                |
| Additions                       | 4.76                        | 0.45                  | 5.21                   |
| Deductions                      | -                           | -                     | -                      |
| Depreciation expense            | (0.34)                      | (0.42)                | (0.76)                 |
| <b>Total</b>                    | <b>\$ <u>9.91</u></b>       | <b>\$ <u>4.04</u></b> | <b>\$ <u>13.95</u></b> |

#### **Debt Outstanding**

As of year-end, the Authority and its component unit, PACH had no debt (bonds, notes, etc.) outstanding.

### **ECONOMIC FACTORS**

The Authority continues to be dependent on funding from HUD for the administration of its Public Housing and Housing Choice Voucher programs. Federal budget cuts due to Sequestration enacted in CY 2013 directly impacted funding, half of which was in the first six months of the fiscal year ending June 30, 2014.

The need for affordable housing in Alameda County has historically been, and will continue to be, very high. The number of people served and the level of service the Authority provide are constrained only by the amount of funds available for those services. The Authority is primarily dependent upon HUD for the funding of operations; therefore, it is affected more by the Federal budget than by local economic conditions. For several years, funding from HUD has been insufficient to cover housing assistance payments, capital improvements, operating and administrative expenses. The Authority continues to be challenged with unpredictable and reduced HUD funding levels to administer federal housing programs. The reduction has required the Authority's management to implement a comprehensive strategy to find new ways of assisting its participants while reducing costs, and continuing to comply with regulatory requirements. The Authority continues to look for ways to improve the efficiency, effectiveness and economy of its programs and administration. It is anticipated that most programs will continue to receive renewal funding.

In addition to reducing operational and administrative costs, the Authority has responded in part by forming Preserving Alameda County Housing, Inc. (PACH) on March 23, 2011. PACH is a non-profit public benefit support corporation and a component unit of the Authority. PACH owns 158 project based units that continue providing affordable housing assistance with less reliance on HUD operating and capital grants. The Authority has applied to HUD for approval to include its remaining 72 units of Public Housing in the Rental Assistance Demonstration (RAD) program.

The Authority continues to be challenged by other significant external and economic factors beyond its control which includes the following:

- Local labor supplies and demand, which can affect salary and wage rates
- Local inflationary, economic and employment trends that can affect resident incomes and therefore impact the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Supply of affordable housing
- Restructuring of the financial and health insurance industries
- Increasing pension liabilities

### **FINANCIAL CONTACT**

This financial report is designed to provide a general financial overview of the Authority. The individual to be contacted regarding this report is Cathy Leoncio, Finance Director, at (510) 727-8521. Specific requests may be submitted to the Housing Authority of the County of Alameda, 22941 Atherton Street, Hayward, California 94541.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

|  | Primary<br>Government<br>Business-Type<br>Activities |
|--|--|
| <b>ASSETS:</b>                         |  |
| Current assets:                        |  |
| Cash and cash equivalents (Note 2)     | \$ 10,460,888  |
| Short term investments (Note 2)        | 3,673,957  |
| Accounts receivable - HUD              | 291,119  |
| Accounts receivable - other            | 614,996  |
| Prepaid and other assets               | 39,037   |
| Total current assets                   | <u>15,079,997</u>                                    |
| Restricted assets:                     |  |
| Cash and cash equivalents (Note 2)     | 5,250,540  |
| Note receivable (Note 14)              | 11,251,116   |
| Total restricted assets                | <u>16,501,656</u>                                    |
| Capital assets (Note 4)                | 30,098,780   |
| Less accumulated depreciation (Note 4) | <u>(16,145,024)</u>                                  |
| Capital assets, net                    | <u>13,953,756</u>                                    |
| Total assets                           | <u>45,535,409</u>                                    |
| <b>LIABILITIES:</b>                    |  |
| Current liabilities:                   |  |
| Accounts payable                       | 695,267  |
| Accounts payable - HUD                 | 18,635   |
| Accrued compensated absences (Note 1)  | 187,067  |
| Unearned revenue (Note 9)              | 763,733  |
| Tenants security deposits              | 118,901  |
| Family self sufficient escrows         | 323,789  |
| Accrued liabilities                    | 804,175  |
| Other liabilities                      | 18,196   |
| Total current liabilities              | <u>2,929,763</u>                                     |
| Total liabilities                      | <u>2,929,763</u>                                     |
| Net position:                          |  |
| Investment in capital assets           | 13,953,756   |
| Restricted                             | 16,072,790   |
| Unrestricted                           | <u>12,579,100</u>                                    |
| Total net position                     | <u>\$ 42,605,646</u>                                 |

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Operating revenues

|  |                   |
|--|-------------------|
| Rental revenue - tenants                   | \$ 3,001,344      |
| Other revenue - tenants                    | 9,984             |
| Housing assistance payments-Portability-in | <u>15,868,933</u> |
| Total operating revenues                   | <u>18,880,261</u> |

Operating expenses

|  |                    |
|--|--------------------|
| Administration                             | 7,930,242          |
| Tenant service                             | 1,525              |
| Utilities                                  | 244,990            |
| Ordinary maintenance and operations        | 1,092,605          |
| General expenses                           | 693,509            |
| Depreciation                               | 764,210            |
| Housing assistance payments-Portability-in | 15,868,933         |
| Housing assistance payments                | 80,527,321         |
| Other expenses                             | <u>450,271</u>     |
| Total operating expenses                   | <u>107,573,606</u> |

|                |                     |
|----------------|---------------------|
| Operating loss | <u>(88,693,345)</u> |
|----------------|---------------------|

Non-operating revenues

|                              |                   |
|------------------------------|-------------------|
| HUD PHA grants               | 83,715,222        |
| Capital grants               | 174,068           |
| Other revenue                | 1,616,715         |
| Investment income            | <u>276,305</u>    |
| Total non-operating revenues | <u>85,782,310</u> |

|                         |             |
|-------------------------|-------------|
| Income before transfers | (2,911,035) |
|-------------------------|-------------|

|                           |              |
|---------------------------|--------------|
| Equity transfer (Note 13) | <u>8,719</u> |
|---------------------------|--------------|

|                        |             |
|------------------------|-------------|
| Change in net position | (2,902,316) |
|------------------------|-------------|

|                                     |                   |
|-------------------------------------|-------------------|
| Net position, beginning of the year | <u>45,507,962</u> |
|-------------------------------------|-------------------|

|                               |                             |
|-------------------------------|-----------------------------|
| Net position, end of the year | <u><u>\$ 42,605,646</u></u> |
|-------------------------------|-----------------------------|

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities:

|  |                     |
|--|---------------------|
| Cash collected from:                       |                     |
| Dwelling rental                            | \$ 2,994,799        |
| Security deposit                           | 2,522               |
| Other revenue                              | 9,984               |
| Housing assistance payments-Portability-in | 16,432,898          |
| Cash paid for:                             |                     |
| Housing assistance payments                | (80,648,655)        |
| Housing assistance payments-Portability-in | (15,868,933)        |
| Security deposit refund                    | (1,035)             |
| Administrative expenses                    | (7,983,433)         |
| Tenant services                            | (1,525)             |
| Utility expenses                           | (244,990)           |
| Maintenance expenses                       | (1,054,074)         |
| General expenses                           | (586,299)           |
| Other expenses                             | (450,271)           |
| Net cash used by operating activities      | <u>(87,399,011)</u> |

Cash flows from non capital & related financing activities:

|   |                   |
|---|-------------------|
| Other revenue received                                | 1,616,715         |
| Payment of property taxes-receivable from County      | 134,388           |
| Interfund payments                                    | 285,214           |
| Interfund receipts                                    | (285,214)         |
| Grant revenue received                                | <u>83,607,485</u> |
| Net cash provided by non capital financing activities | <u>85,358,588</u> |

Cash flows from capital and related financing activities:

|   |                    |
|---|--------------------|
| Acquisition of capital assets, net                        | <u>(4,614,113)</u> |
| Net cash used by capital and related financing activities | <u>(4,614,113)</u> |

Cash flows from investing activities:

|  |                |
|--|----------------|
| Proceeds from investment maturities                      | 3,998,837      |
| Purchase of investments                                  | (3,673,957)    |
| Interest received from investments less accrued interest | <u>38,915</u>  |
| Net cash provided by investing activities                | <u>363,795</u> |

Net decrease in cash and cash equivalents (6,290,741)

Cash and cash equivalents at the beginning of the year 22,002,169

Cash and cash equivalents at the end of the year \$ 15,711,428

Reconciliation of operating loss to net cash used in operating activities:

|   |                        |
|---|------------------------|
| Operating loss  | \$ (88,693,345)        |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                        |
| Equity transfer in/out  | 8,719                  |
| Depreciation expense  | 764,210                |
| Increase in accounts receivable - HUD   | (7,844)                |
| Increase in in accounts receivable - other project                                | (62,710)               |
| Increase in in accounts receivable - other  | (1,146)                |
| Increase in in accounts receivable - other government                             | (19,942)               |
| Increase in accounts receivable - tenants   | (6,545)                |
| Decrease in prepaid expenses  | 690                    |
| Increase in accounts payable  | 280,664                |
| Decrease in wages/payroll taxes payable   | (40,085)               |
| Decrease in accounts payable - HUD  | (14,686)               |
| Decrease in accounts payable - other project                                      | (19,574)               |
| Increase in accrued compensated absences  | 24,141                 |
| Decrease in accrued compensated absences-noncurrent                               | (26,523)               |
| Increase in deferred revenue  | 580,324                |
| Decrease in FSS escrow  | (121,334)              |
| Decrease in other current liabilities   | (2,686)                |
| Increase in accrued liabilities   | (31,159)               |
| Decrease in accrued interest payable  | (11,667)               |
| Increase in tenant security deposit   | <u>1,487</u>           |
| Net cash used by operating activities   | <u>\$ (87,399,011)</u> |

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Financial Reporting Entity**

The Housing Authority of the County of Alameda (the Authority) was established by the Alameda County Board of Supervisors on December 3, 1968. It is funded primarily by the Department of Housing and Urban Development (HUD) by means of Annual Contribution Contracts.

The Authority provides housing assistance to low and moderate-income families at rents they can afford. Eligibility is determined by family composition, income and residency in areas served by the Authority.

The accompanying financial statements are those of the Low Rent Public Housing Program, the Housing Choice Voucher Program, the existing Moderate Rehabilitation programs, the Authority administered Continuum of Care program and the Housing Development Fund. A summary of the programs administered by the Authority is provided below to assist the reader in interpreting such financial statements.

The Authority has one component unit in accordance with statement No. 61 Government Accounting Standards Board ("GASB"). The Authority's financial statements include those of Preserving Alameda County Housing, Inc. (PACH), which is a blended component unit that meets both of the following criteria under GASB 61.

1. The Authority and PACH have substantively the same governing body.
2. Management of the Authority has operational responsibility for the activities of PACH.

**(b) Basis of Presentation**

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the USA.

***Government-wide Statements:*** The statement of net position and the statement of activities display information about the Authority. These statements include the financial activities of the overall Authority. The Authority's business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as grants and investment earnings, result from nonexchange transactions or ancillary activities.

(c) **Business –type Activities**

**Low Rent Public Housing** - Under the Low Rent Public Housing Program (LRPH), the Authority rents units that it owns to low-income households. The LRPH Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the Authority to provide housing at a rent that is based upon 30% of a household's adjusted gross income. The LRPH Program also includes the Capital Fund Program (CFP), which is the primary funding source for physical and management improvements to the Authority's properties.

**Housing Choice Voucher Program** - Under the Housing Choice Voucher Program (HCV), the Authority administers contracts with independent landlords that own properties. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an ACC with HUD. HUD provides Annual Contributions funding to enable the Authority to set the participant's share of the rent at 30% of adjusted gross income. The HCV program also provides rental assistance for homeless veterans through the Veterans Affairs Supportive Housing (VASH) program. Support services are provided by the Department of Veterans Affairs (VA). The VA provides these services for participating veterans at VA medical centers (VAMC's) and community-based outreach clinics.

**Housing Development Fund** - The Authority maintains a Local Fund for low-income housing development and management improvements.

**Moderate Rehabilitation Programs** - A form of the Section 8 Rental Assistance program in which the rental assistance is "tied" to the rental unit rather than to the family. The Authority has 96 units under this program.



**Preserving Alameda County Housing, Inc.** – PACH provides leasing, rehabilitating and operating affordable housing units and serves as a support corporation for the Authority. The Authority acts as the agent for the management of the properties owned by PACH.

**Continuum of Care Program** - This program provides rental assistance and supportive services for homeless individuals who have long-term disabilities resulting mainly from serious mental illness, alcohol and drug abuse, or an HIV positive medical condition. It is funded through the Alameda County Housing and Community Development Agency, for which the Authority provides the housing subsidy administration.

**Other Business Activities** - The Authority owns non-assisted units in Hayward known as Park Terrace (9 units) and in Emeryville known as Ocean Avenue (6 units) that are rented to low-income families. The Authority owns land in Union City to be developed for low-income housing. The Authority also manages, for a fee, 3 houses owned by the City of Union City and these homes are also rented to low-income families. In December 2009, the Authority also established the CHOICES program with the Alameda County Behavioral Health Care Services Department (BHCS). The program provides a monthly housing subsidy for designated BHCS clients with serious mental health issues. On October 1, 2012, the Memorandum of Understanding (MOU) with BHCS was amended to include the Forensic Assertive Community Treatment (FACT) program.

(d) **Basis of Accounting**

The basic accounting and reporting entity is a “fund”. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

“Basis of accounting” refers to when revenues and expenses are recognized in the accounts and reported in the basic financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement.

The Authority is accounted for as an enterprise fund, which is used to account for operations similar to a private business enterprise where the intent of the Authority is that the costs and expenses, including depreciation, of providing services to the members on a continuing basis be financed or recorded primarily through user charges.

As an enterprise fund, the Authority uses the full accrual basis of accounting. With the economic resources measurement focus, all assets and all liabilities of the enterprise are recorded on its Statement of Net Position, all revenues are recognized when earned, and all expenses, including depreciation, are recognized when incurred. Enterprise Fund Net Position includes Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position.

The Authority considers all of its funds to be proprietary. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Authority or if total assets, liabilities, revenues, or expenses of the individual fund are at least 10 percent of the Authority-wide total. The Authority considers all of its activity to be housing related and therefore, considers all the financial activity of the Authority to be one major fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

(e) **Adoption of New Pronouncement**

The Authority has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The statement of position presents the Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Net position is reported in three categories.

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, including restricted capital assets net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

***Statement of Revenues, Expenses, and Changes in Net Position*** – The Statement of Revenues, Expenses, and Changes in Net Position is the operating statement for the enterprise fund. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

(f) **Measurement Focus**

“Measurement Focus” refers to what is being measured; “basis of accounting” refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The proprietary fund types are accounted for on an “income determination” or “cost of services” measurement focus. Accordingly, all assets and liabilities are included on the statement of net position, and the reported net position provides an indication of the historical net worth of the fund. Operating statements for proprietary fund types report increases (revenues) and decreases (expenses) in total historical net worth.

Proprietary funds use the accrual basis of accounting, i.e., revenues are recognized in the period earned and expenses are recognized in the period incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses result from providing goods and services related to the fund’s ongoing operations. The principal operating revenue of the Authority’s enterprise funds is dwelling rental income. Operating expenses include the cost of services provided, administrative expenses and depreciation on fixed assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(g) **Cash, Cash Equivalents and Investments**

The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments. For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds’ share in the cash and investment pool of the Authority. Cash equivalents have an original maturity date of three months or less from the date of purchase.

The Authority pools cash and investments of all funds. Each fund’s share in this pool is displayed in the accompanying financial statements as *cash* and *investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund’s average cash and investment balance.

Investments are reported at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for External Investment Pools.

**(h) Capital Assets**

The Authority's established capitalization policy requires all acquisitions of property and equipment in excess of \$3,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Furniture and equipment | 5            |
| Building improvements   | 10           |
| Buildings               | 27.5         |

**(i) Accounts Receivable**

Receivables are principally amounts due from other governments and tenants. Allowance for doubtful accounts has been provided based on the likelihood of the recoverability.

**(j) Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**(k) Accrued Compensated Absences**

Accumulated vacation benefits are recorded as liabilities on the books of the Authority. The total liability for the Authority is \$187,067 based on year-end hourly rates, of which the entire amount is current.

**(l) Net Position**

Net Position consists of investment in capital assets, restricted net position, and unrestricted net position. Unrestricted net position is designated for use for expenditures in future periods. Restricted net position is designated for tenant security deposits, family self-sufficiency escrow deposits, capital fund program and HAP equity.

**(m) Taxes**

The Authority is exempt from federal and state income taxes. The Authority is also exempt from property taxes but makes payments in lieu of taxes on owned public housing.

**(n) Unearned Revenues**

Unearned revenues represent funds received that have not yet been earned. As the funds are earned, the liability is reduced.

**NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash, cash equivalents and investments as of June 30, 2014 are classified on the Statement of Net Position as follows:

|   |                      |
|---|----------------------|
| Unrestricted - cash, cash equivalents and investments:  |                      |
| Deposits with financial institution   | \$ 10,460,538        |
| Short term investments  | 3,673,957            |
| Cash on hand  | 350                  |
| Restricted cash, cash equivalents and investments for tenant security deposits, family self-sufficiency escrow, and capital fund program: |                      |
| Deposits with financial institution   | <u>5,250,540</u>     |
| Total cash, cash equivalents and investments  | <u>\$ 19,385,385</u> |

The Authority had the following cash, cash equivalents and investments at June 30, 2014:

|   |                      |
|---|----------------------|
| Cash and cash equivalents:                              |                      |
| Deposits with financial institution                     | \$ 8,624,636         |
| Money market  | 381,716              |
| State of California Local Agency Investment Fund (LAIF) | 6,704,726            |
| Cash on hand  | 350                  |
| Short term investments:                                 |                      |
| Commercial papers                                       | <u>3,673,957</u>     |
| Total cash, cash equivalents and investments            | <u>\$ 19,385,385</u> |

**A. Deposits****Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside entity. Generally credit risk is the risk that an issuer will not be able to fulfill its obligation to the holder of the investment. All time and savings deposits (which include money market deposit accounts and other interest-bearing checking accounts) are maintained in an insured depository institution insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC) depending upon the type of deposit and the location of the insured depository institution. These accounts are held with a single financial institution. In addition to the insurance coverage provided by the financial institution, the Authority purchased unlimited insurance coverage for all the bank deposits. At June 30, 2014, no cash deposited with a financial institution was exposed to credit risk.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pool such as LAIF.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The Authority considers the investments in LAIF to be highly liquid as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The full faith and credit of the State of California secure investments in LAIF. At June 30, 2014, an account was maintained in the name of the Authority for \$6,704,726, its fair value.

**B. Investments**

The Authority is authorized by State statutes and in accordance with the Authority's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State of California Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The Authority's investments comply with the established policy.

Investments Authorized by the California Government Code and the Authority's Investment Policy

The California Government code allows the Authority to invest in the following; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code:

| <u>Authorized Investment Type</u>   | <u>Maximum Maturity</u> | <u>Maximum Specified Percentage of Portfolio</u> | <u>Minimum Credit Quality</u> |
|-------------------------------------|-------------------------|--|-------------------------------|
| Local agency bonds                  | 5 years                 | None   | None                          |
| U.S. treasury obligations           | 5 years                 | None   | None                          |
| State of California obligations     | 5 years                 | None   | None                          |
| CA Local agency obligations         | 5 years                 | None   | None                          |
| U.S. agencies                       | 5 years                 | None   | None                          |
| Banker's acceptances                | 180 days                | 40%  | A1/P1                         |
| Commercial paper – select agencies  | 270 days                | 40%  | A1/P1                         |
| Commercial paper – other agencies   | 270 days                | 25%  | None                          |
| Negotiable certificates of deposit  | 5 years                 | 30%  | None                          |
| Repurchase agreements               | 1 year                  | None   | None                          |
| Reverse repurchase agreements and   |                         |  |                               |
| Securities lending agreements       | 92 days                 | 20%  | None                          |
| Medium-term notes                   | 5 years                 | 30%  | A                             |
| Mutual funds                        | N/A                     | 20%  | Multiple                      |
| Money market mutual funds           | N/A                     | 20%  | Multiple                      |
| Collateralized bank deposits        | 5 years                 | None   | None                          |
| Mortgage pass-through securities    | 5 years                 | 20%  | AA                            |
| Time deposits                       | 5 years                 | None   | None                          |
| County pooled investment funds      | N/A                     | None   | None                          |
| Local agency investment fund (LAIF) | N/A                     | None   | None                          |

There are no restrictions on the maximum amount invested in each security type or maximum that can be invested in any one issuer.

The Authority does not have reverse repurchase agreements.

**NOTE 3: INTERFUND BALANCES**

Interfund balances are as follows:

|                          | <u>Due From</u>   | <u>Due To</u>     |
|--------------------------|-------------------|-------------------|
| Public Housing           | \$ 9,552          | \$ 30,212         |
| Housing Choice Voucher   | 647,622           | 78,588            |
| Continuum of Care        |                   | 492,968           |
| Moderate Rehabilitation  | 2,218             | 6,797             |
| Choice                   | 24,412            |                   |
| PACH                     | 47,923            |                   |
| Ocean Avenue             | 12                | 1,954             |
| Housing Development Fund | 19,205            | 134,511           |
| Park Terrace             | 1,416             | 2,964             |
| Other State and Local    | 1,884             | 6,250             |
|                          | <u>\$ 754,244</u> | <u>\$ 754,244</u> |

**NOTE 4: CAPITAL ASSETS**

Capital asset activities for the year ended June 30, 2014 were as follows:

|   | Balance at<br>June 30,<br>2013 | Increases    | Decreases | Transfer    | Balance at<br>June 30,<br>2014 |
|---|--------------------------------|--------------|-----------|-------------|--------------------------------|
| Capital assets not being depreciated:       |                                |              |           |             |                                |
| Land and land rights                        | \$ 3,588,497                   | \$           | \$        | \$          | \$ 3,588,497                   |
| Construction in progress                    | 116,220                        | 4,191,197    | (87,285)  | 1,572,916   | 5,793,048                      |
| Total capital assets not being depreciated  | 3,704,717                      | 4,191,197    | (87,285)  | 1,572,916   | 9,381,545                      |
| Capital assets being depreciated:           |                                |              |           |             |                                |
| Buildings and improvements                  | 19,969,801                     | 400,250      | 87,285    | (1,644,673) | 18,812,663                     |
| Furniture and equipment                     | 1,209,230                      | 623,585      |           | 71,757      | 1,904,572                      |
| Total capital assets being depreciated      | 21,179,031                     | 1,023,835    | 87,285    | (1,572,916) | 20,717,235                     |
| Less: accumulated depreciation for:         |                                |              |           |             |                                |
| Buildings and improvements                  | (14,429,660)                   | (665,025)    |           |             | (15,094,685)                   |
| Furniture and equipment                     | (951,154)                      | (99,185)     |           |             | (1,050,339)                    |
| Total accumulated depreciation              | (15,380,814)                   | (764,210)    |           |             | (16,145,024)                   |
| Total capital assets being depreciated, net | 5,798,217                      | 259,625      | 87,285    | (1,572,916) | 4,572,211                      |
| Total capital assets, net                   | \$ 9,502,934                   | \$ 4,450,822 | \$        | \$          | \$ 13,953,756                  |

Depreciation expense for the year ended June 30, 2014 was \$764,210



A summary of enterprise funds capital assets at June 30, 2014 is shown below:

**Capital Assets**

|                                |                      |
|--------------------------------|----------------------|
| Land and land rights           | \$ 3,588,497         |
| Construction in progress       | 5,793,048            |
| Buildings and improvements     | 18,812,663           |
| Furniture and equipment        | <u>1,904,572</u>     |
| Total capital assets           | 30,098,780           |
| Less: Accumulated depreciation | <u>(16,145,024)</u>  |
| Net capital assets             | <u>\$ 13,953,756</u> |

**NOTE 5: PAYMENT IN LIEU OF TAXES**

In connection with the Low Rent Public Housing Program, the Authority is obligated to make annual payments in lieu of property taxes based on the lesser of assessable value of owned housing times the current tax rate or 10% of the dwelling rents net utilities expense. At June 30, 2014, accounts payable to others included \$26,973 for payment in lieu of taxes.

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

**Plan Description:**

The Authority provides retirement benefits for all its full-time employees through the Alameda County Employees Retirement Association (ACERA). ACERA began operations on January 1, 1948, and is governed by the California Constitution, the County Employees Retirement Law of 1937 and the bylaws, procedures and policies adopted by the Board of Retirement. ACERA operates as a cost-sharing multiple-employer defined benefit plan for Alameda County and five participating special districts located in the County, but ACERA is not under the control of the Alameda County Board of Supervisors.

ACERA provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State Law and are subject to amendment only by an act of the State of California legislature. Alternative benefit and contribution schedules are permissible with the Board of Supervisors' approval. All risks and costs, including benefit costs, are shared by the participating entities. An actuarial valuation is performed annually for the system as a whole.

ACERA's financial statements and required supplementary information are audited annually by independent auditors. The audit report and December 31, 2013 financial statements may be obtained by writing to Alameda County Employees' Retirement Association, 475 14<sup>th</sup> Street, Suite 1000, Oakland, CA 94612.

*Plan Membership.* All full time employees appointed to permanent positions are required by statute to enroll in the plan when they are hired.

Membership of ACERA at December 31, 2013, is as follows:

|   |                      |
|---|----------------------|
| Retirees and beneficiaries currently receiving benefits | 8,576                |
| Active members  | 10,867               |
| Inactive members  | <u>1,911</u>         |
| Total   | <u><u>21,354</u></u> |

#### Funding Policy

The employers and members contribute to ACERA based on rates recommended by an independent actuary and adopted by the Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of their date of entry and the actuarially calculated benefits, and are between 5.09 percent and 22.12 percent of their annual covered salary. Member contributions are refundable upon termination from the retirement system.

Alameda County and special districts are required by statute to contribute the amounts necessary to finance the estimated benefits accruing to their employees. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. The Authority's contribution for the fiscal year ended June 30, 2014 was \$993,417.

#### **NOTE 7: CONTINGENCIES**

The Authority has received funds from various Federal and local grant programs. It is possible that at some future date it may be determined that the Authority was not in compliance with applicable grant requirements. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

#### **NOTE 8: RISK MANAGEMENT**

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management pool has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils. Insurance for these perils is underwritten by a housing authority insurance pool: Housing Authorities Risk Retention Pool (HARRP).

HARRP is a Joint Powers Authority organized under the intergovernmental cooperation laws of the states of Washington, Oregon, California, and Nevada, to manage the self-insurance program of housing authorities. The relationship between the Authority and HARRP is not a component unit of the Authority for financial reporting purposes. Through HARRP, the Authority currently maintains general liability coverage for claims up to \$2 million and property insurance for claims up to \$2 million and also business auto, fidelity bonds and errors and omission coverages.

Condensed audited financial information for the year ended December 31, 2013 is as follows:

|  |    |                   |
|--|----|-------------------|
| Total assets   | \$ | <u>30,140,684</u> |
| Total liabilities                                    |    | 10,207,292        |
| Member's equity                                      |    | <u>19,933,392</u> |
| Total liabilities and equity                         | \$ | <u>30,140,684</u> |
| Total revenues                                       | \$ | 7,913,902         |
| Total expenses                                       |    | <u>11,539,422</u> |
| Expenses in excess of revenues                       |    | (3,625,520)       |
| Purchase of Subsidiary Shares from Minority Interest |    | 1,235             |
| Member's equity at beginning of year                 |    | <u>23,557,677</u> |
| Member's equity at end of year                       | \$ | <u>19,933,392</u> |

**NOTE 9: UNEARNED REVENUE**

The changes in the Authority's unearned revenue account for the year ended June 30, 2014, were as follows:

|                                  |    |                |
|----------------------------------|----|----------------|
| Balance at the beginning of year | \$ | 178,336        |
| Increases                        |    | <u>585,397</u> |
| Balance at the end of the year   | \$ | <u>763,733</u> |

**NOTE 10: OPERATING TRANSFERS IN/(OUT)**

Operating transfers in/(out) for the year ended June 30, 2014 consisted of the following:

|                         | Low Rent<br>Public<br><u>Housing</u> | Capital<br>Fund<br><u>Program</u> | Total<br><u>Transfers</u> |
|-------------------------|--------------------------------------|-----------------------------------|---------------------------|
| Low Rent Public Housing | \$ 51,983                            | \$ -0-                            | \$ 51,983                 |
| Capital Fund Program    | <u>-0-</u>                           | <u>(51,983)</u>                   | <u>(51,983)</u>           |
| Total transfers         | \$ <u>51,983</u>                     | \$ <u>(51,983)</u>                | \$ <u>-0-</u>             |

The transfer between the Capital Fund Program and Low Rent Public Housing Program resulted from the closeout of capital projects.

**NOTE 11: RESTRICTED CASH AND INVESTMENTS**

The Authority reports amounts as restricted cash for any security deposits received from tenants at the time of move-in. Those monies will be returned to the tenant upon move-out after all outstanding costs have been deducted. Also, the Authority reports amounts as restricted cash for FSS Escrow balances which are maintained in a separate bank account for tenants who participate in the Family Self Sufficiency Program. These monies are given to the tenant upon graduation from the program or are forfeited by the tenant if they do not graduate. The Authority also restricts net HAP assets in line with HUD requirements. All of these monies are restricted because they can not be used for the day-to-day operations of the Authority.

**NOTE 12: JOINT POWERS AGREEMENT**

The Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2013, there were thirty-three members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information as of and for the year ended December 31, 2013, is as follows:

|   |                      |
|---|----------------------|
| Total assets                                  | \$ <u>23,971,319</u> |
| Total liabilities                             | 16,767,281           |
| Net position                                  | <u>7,204,038</u>     |
| Total liabilities and net position            | \$ <u>23,971,319</u> |
| Operating revenues and non-operating revenues | \$ 4,347,888         |
| Operating expenses                            | <u>4,072,510</u>     |
| Net decrease in net position                  | 275,378              |
| Net position, beginning of year               | <u>6,928,660</u>     |
| Net position, end of year                     | \$ <u>7,204,038</u>  |

The Authority's share of year end assets, liabilities, or retained earnings has not been calculated. The Authority's annual premium is based on covered payroll. Premium paid for the fiscal year ended June 30, 2014 was approximately \$132,452. CHWCA issues a separate comprehensive annual financial report. Copies of this report may be obtained by contacting Bickmore Risk Services, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California, 95833.

**NOTE 13: EQUITY TRANSFER**

The equity transfer of \$8,719 in the Union City Managed Fund is for the shortage between the amount of rent collected and expenses at the property. This amount is a receivable by the Authority from the City of Union City. This arrangement is based upon a property management agreement between the Authority and the City of Union City.

**NOTE 14: NOTE RECEIVABLE**

On March 4, 2011, pursuant to the disposition and development agreement dated June 25, 2007 and with HUD disposition approval, the Dublin Housing Authority (DHA) disposed of all of its public housing units to the Authority which in turn, sold them to Eden Housing, Inc. and Citation Homes. The HUD disposition approval also imposed restrictions on the use of the net proceeds from the disposition. Net proceeds of \$11 million were to be loaned to Eden Dougherty, LLP, the developer of the former Arroyo Vista public housing site, to use for the development of new low-income family and elderly housing units on the site.

On March 4, 2011, the Authority entered into a construction permanent note agreement in the amount of \$11,000,000 with Eden Dougherty, LLP. (the Borrower), which will use the funds on the redevelopment project. The loan is evidenced by the Note, secured by the Regulatory Agreement and the Deed of Trust that encumbers the project to secure repayment of the loan in the form provided by the Authority. The Deed of Trust and the Regulatory Agreement have been recorded against the property in the Office of the Recorder of the County of Alameda. The Note has a term that expires on the date 55 years from the date of project completion, which is determined by the date of issuance of a certificate of occupancy or equivalent. The Borrower shall use Residual Receipts generated by the project to repay the note every 1<sup>st</sup> of June following the completion of project construction. The note bears no interest until the earlier of i) the permanent loan conversion or ii) the third anniversary of the note closing; thereafter, the note shall bear simple annual interest rate not to exceed 3%. The Note was converted to permanent loan on September 27, 2013. At June 30, 2014, the Authority had note receivable and accrued interest receivable from the Borrower in the amount of \$11,000,000 and \$251,116, respectively.

**NOTE 15: BLENDED COMPONENT UNIT**

On March 23, 2011, the authority established under the Nonprofit Public Corporation Law Preserving Alameda County Housing, Inc. (PACH), a not-for-profit affiliate of the Authority for the purpose of acquiring, owning, leasing, rehabilitating and operating affordable housing units and to serve as a support corporation for the Authority.

With HUD approval, PACH acquired 158 disposed units by the Authority for \$2 between September 2011 and November 2012. The following financial statement of PACH is included in the Authority's basic financial statements for fiscal year ended June 30, 2014.

**BLENDED COMPONENT UNIT – STATEMENT OF NET POSITION****ASSETS**

## Current Assets:

|   |    |                |
|---|----|----------------|
| Cash and cash equivalents                 | \$ | 111,410        |
| Restricted cash                           |    | 71,043         |
| Short term investments                    |    | 499,946        |
| Accounts receivable, net                  |    | 17,975         |
| Prepaid expenses and other current assets |    | 3,604          |
| Due from other funds                      |    | 47,923         |
| Total current assets                      |    | <u>751,901</u> |

## Noncurrent Assets:

|   |  |                  |
|---|--|------------------|
| Capital assets, net of accumulated depreciation |  | <u>4,040,410</u> |
| Total noncurrent assets                         |  | <u>4,040,410</u> |
| Total assets                                    |  | <u>4,792,311</u> |

**LIABILITIES**

## Current Liabilities:

|   |  |                |
|---|--|----------------|
| Accounts payable and accrued liabilities                            |  | 81,848         |
| Accrued wages, benefits and current portion of compensated absences |  | 24,243         |
| Tenant security deposits  |  | 71,043         |
| Total current liabilities   |  | <u>177,234</u> |
| Total liabilities   |  | <u>177,234</u> |

**NET POSITION**

|                            |    |                         |
|----------------------------|----|-------------------------|
| Invested in capital assets |    | 4,040,410               |
| Unrestricted net position  |    | <u>574,667</u>          |
| Total net position         | \$ | <u><u>4,615,077</u></u> |

**BLENDED COMPONENT UNIT – STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION**

**OPERATING REVENUES**

|                         |              |
|-------------------------|--------------|
| Tenant rental income    | \$ 2,476,008 |
| Other revenue           | 5,440        |
|                         | <hr/>        |
| Total operating revenue | 2,481,448    |

**OPERATING EXPENSES**

|                          |           |
|--------------------------|-----------|
| Administration           | 573,932   |
| Tenant services          | 375       |
| Utilities                | 109,461   |
| Repairs and maintenance  | 489,758   |
| General expenses         | 20,367    |
| Depreciation expense     | 416,582   |
|                          | <hr/>     |
| Total operating expenses | 1,610,475 |

|                         |               |
|-------------------------|---------------|
| <b>OPERATING INCOME</b> | <hr/> 870,973 |
|-------------------------|---------------|

**NONOPERATING REVENUES (EXPENSES)**

|  |                          |
|--|--------------------------|
| Interest and investment revenue (net)  | <hr/> 89                 |
| Total non-operating revenues           | <hr/> 89                 |
| Change in Net Position                 | 871,062                  |
| Total Net Position – beginning of year | <hr/> 3,744,015          |
| Total Net Position – end of year       | \$ <hr/> <hr/> 4,615,077 |

**NOTE 16: EVALUATION OF SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through March 24, 2015, the date on which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**



**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

|   | Low Rent<br>Public<br>Housing | Housing<br>Choice<br>Vouchers | Housing<br>Development<br>Fund | Continuum<br>of<br>Care | Mod<br>Rehab  | PACH                | Ocean<br>Avenue   | Choice        | Park<br>Terrace     | Other<br>State &<br>Local | Total                |
|---|-------------------------------|-------------------------------|--------------------------------|-------------------------|---------------|---------------------|-------------------|---------------|---------------------|---------------------------|----------------------|
| <b>Assets</b>   |                               |                               |                                |                         |               |                     |                   |               |                     |                           |                      |
| <b>Current assets:</b>                                  |                               |                               |                                |                         |               |                     |                   |               |                     |                           |                      |
| Cash and cash equivalents (Note 2)                      | \$ 580,025                    | \$ 2,646,612                  | \$ 7,058,349                   | \$                      | \$            | \$ 111,410          | \$                | \$            | \$ 64,492           | \$                        | \$ 10,460,888        |
| Short term investments (Note 2)                         | 999,881                       |                               | 999,881                        |                         |               | 499,946             | 174,368           |               | 999,881             |                           | 3,673,957            |
| Accounts receivable - HUD                               |                               | 283,275                       |                                |                         | 7,844         |                     |                   |               |                     |                           | 291,119              |
| Accounts receivable - other                             | 9,261                         | 72,663                        | 2,291.00                       | 494,126                 |               | 17,975              | 20                | 8,773         | 1,167               | 8,720                     | 614,996              |
| Prepaid and other assets                                | 130                           | 12,557                        | 22,746                         |                         |               | 3,604               |                   |               |                     |                           | 39,037               |
| Due from other funds (Note 3)                           | 9,552                         | 647,622                       | 19,205                         |                         | 2,218         | 47,923              | 12                | 24,412        | 1,416               | 1,884                     | 754,244              |
| <b>Total current assets</b>                             | <b>1,598,849</b>              | <b>3,662,729</b>              | <b>8,102,472</b>               | <b>494,126</b>          | <b>10,062</b> | <b>680,858</b>      | <b>174,400</b>    | <b>33,185</b> | <b>1,066,956</b>    | <b>10,604</b>             | <b>15,834,241</b>    |
| <b>Restricted assets:</b>                               |                               |                               |                                |                         |               |                     |                   |               |                     |                           |                      |
| Cash and cash equivalents (Note 2)                      | 37,888                        | 5,131,639                     | 2,100                          |                         |               | 71,043              | 3,242             |               | 4,628               |                           | 5,250,540            |
| Note receivable (Note 14)                               | 11,251,116                    |                               |                                |                         |               |                     |                   |               |                     |                           | 11,251,116           |
| <b>Total restricted assets</b>                          | <b>11,289,004</b>             | <b>5,131,639</b>              | <b>2,100</b>                   |                         |               | <b>71,043</b>       | <b>3,242</b>      |               | <b>4,628</b>        |                           | <b>16,501,656</b>    |
| <b>Capital assets (Note 4)</b>                          | <b>6,923,215</b>              | <b>125,677</b>                | <b>8,946,825</b>               |                         |               | <b>11,716,636</b>   | <b>1,342,735</b>  |               | <b>873,692</b>      | <b>170,000</b>            | <b>30,098,780</b>    |
| Less accumulated depreciation (Note 4)                  | (4,708,810)                   | (118,870)                     | (2,508,956)                    |                         |               | (7,676,226)         | (656,300)         |               | (475,862)           |                           | (16,145,024)         |
| <b>Capital assets, net</b>                              | <b>2,214,405</b>              | <b>6,807</b>                  | <b>6,437,869</b>               |                         |               | <b>4,040,410</b>    | <b>686,435</b>    |               | <b>397,830</b>      | <b>170,000</b>            | <b>13,953,756</b>    |
| <b>Total assets</b>                                     | <b>15,102,258</b>             | <b>8,801,175</b>              | <b>14,542,441</b>              | <b>494,126</b>          | <b>10,062</b> | <b>4,792,311</b>    | <b>864,077</b>    | <b>33,185</b> | <b>1,469,414</b>    | <b>180,604</b>            | <b>46,289,653</b>    |
| <b>Liabilities</b>                                      |                               |                               |                                |                         |               |                     |                   |               |                     |                           |                      |
| <b>Current liabilities:</b>                             |                               |                               |                                |                         |               |                     |                   |               |                     |                           |                      |
| Accounts payable  | 10,050                        | 588,273                       | 9,532                          | 1,158                   | 3,265         | 81,848              | 162               |               |                     | 979                       | 695,267              |
| Accounts payable - HUD                                  |                               | 17,360                        |                                |                         |               |                     |                   |               |                     | 1,275                     | 18,635               |
| Accrued compensated absences - current portion (Note 1) | 22,676                        | 164,391                       |                                |                         |               |                     |                   |               |                     |                           | 187,067              |
| Unearned revenue (Note 9)                               |                               | 725,497                       | 5,051                          |                         |               |                     |                   | 33,185        |                     |                           | 763,733              |
| Tenants security deposits                               | 37,888                        |                               |                                |                         |               | 71,043              | 3,242             |               | 4,628               | 2,100                     | 118,901              |
| Family self sufficient escrows                          |                               | 323,789                       |                                |                         |               |                     |                   |               |                     |                           | 323,789              |
| Accrued liabilities                                     | 81,096                        | 114,665                       | 583,337                        |                         |               | 24,343              | 94                |               | 640                 |                           | 804,175              |
| Other liabilities                                       | 2,222                         | 15,974                        |                                |                         |               |                     |                   |               |                     |                           | 18,196               |
| Due to other funds (Note 3)                             | 30,212                        | 78,588                        | 134,511                        | 492,968                 | 6,797         |                     | 1,954             |               | 2,964               | 6,250                     | 754,244              |
| <b>Total current liabilities</b>                        | <b>184,144</b>                | <b>2,028,537</b>              | <b>732,431</b>                 | <b>494,126</b>          | <b>10,062</b> | <b>177,234</b>      | <b>5,452</b>      | <b>33,185</b> | <b>8,232</b>        | <b>10,604</b>             | <b>3,684,007</b>     |
| <b>Noncurrent liabilities:</b>                          |                               |                               |                                |                         |               |                     |                   |               |                     |                           |                      |
| <b>Total liabilities</b>                                | <b>184,144</b>                | <b>2,028,537</b>              | <b>732,431</b>                 | <b>494,126</b>          | <b>10,062</b> | <b>177,234</b>      | <b>5,452</b>      | <b>33,185</b> | <b>8,232</b>        | <b>10,604</b>             | <b>3,684,007</b>     |
| <b>Net position:</b>                                    |                               |                               |                                |                         |               |                     |                   |               |                     |                           |                      |
| Investment in capital assets                            | 2,214,405                     | 6,807                         | 6,437,869                      |                         |               | 4,040,410           | 686,435           |               | 397,830             | 170,000                   | 13,953,756           |
| Restricted  | 11,251,116                    | 4,821,674                     |                                |                         |               |                     |                   |               |                     |                           | 16,072,790           |
| Unrestricted  | 1,452,593                     | 1,944,157                     | 7,372,141                      |                         |               | 574,667             | 172,190           |               | 1,063,352           |                           | 12,579,100           |
| <b>Total net position</b>                               | <b>\$ 14,918,114</b>          | <b>\$ 6,772,638</b>           | <b>\$ 13,810,010</b>           | <b>\$</b>               | <b>\$</b>     | <b>\$ 4,615,077</b> | <b>\$ 858,625</b> | <b>\$</b>     | <b>\$ 1,461,182</b> | <b>\$ 170,000</b>         | <b>\$ 42,605,646</b> |

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | Low Rent<br>Public<br>Housing | Housing<br>Choice<br>Vouchers | Housing<br>Development<br>Fund | Continuum<br>of<br>Care | Mod<br>Rehab | PACH         | Ocean<br>Avenue | Choice    | Park<br>Terrace | Other<br>State &<br>Local | Interfund<br>Elimination | Total         |
|--|-------------------------------|-------------------------------|--------------------------------|-------------------------|--------------|--------------|-----------------|-----------|-----------------|---------------------------|--------------------------|---------------|
| <u>Operating revenues</u>                  |                               |                               |                                |                         |              |              |                 |           |                 |                           |                          |               |
| Rental revenue - tenants                   | \$ 325,798                    | \$                            | \$ 143,000                     | \$                      | \$           | \$ 2,476,008 | \$ 55,525       | \$        | \$ 131,413      | \$ 12,600                 | \$ (143,000)             | \$ 3,001,344  |
| Other revenues - tenants                   | 4,544                         |                               |                                |                         |              | 5,440        |                 |           |                 |                           |                          | 9,984         |
| Housing assistance payments-Portability-in |                               | 15,868,933                    |                                |                         |              |              |                 |           |                 |                           |                          | 15,868,933    |
| Total operating revenues                   | 330,342                       | 15,868,933                    | 143,000                        |                         |              | 2,481,448    | 55,525          |           | 131,413         | 12,600                    | (143,000)                | 18,880,261    |
| <u>Operating expenses</u>                  |                               |                               |                                |                         |              |              |                 |           |                 |                           |                          |               |
| Administration                             | 353,550                       | 6,545,157                     | 271,443                        | 81,842                  | 124,561      | 573,932      | 527,560         | 48,295    | 36,866          | 10,036                    | (643,000)                | 7,930,242     |
| Tenant service                             | 1,150                         |                               |                                |                         |              | 375          |                 |           |                 |                           |                          | 1,525         |
| Utilities                                  | 61,059                        |                               | 65,714                         |                         |              | 109,461      | 7,425           |           | 73              | 1,258                     |                          | 244,990       |
| Ordinary maintenance and operations        | 416,316                       |                               | 113,139                        |                         |              | 489,758      | 21,955          |           | 41,412          | 10,025                    |                          | 1,092,605     |
| General expenses                           | 84,990                        | 466,750                       | 104,976                        |                         |              | 20,367       | 15,265          |           | 1,161           |                           |                          | 693,509       |
| Depreciation                               | 175,899                       | 9,406                         | 92,526                         |                         |              | 416,582      | 37,743          |           | 32,054          |                           |                          | 764,210       |
| Housing assistance payments-Portability-in |                               | 15,868,933                    |                                |                         |              |              |                 |           |                 |                           |                          | 15,868,933    |
| Housing assistance payments                |                               | 78,152,581                    |                                | 1,377,833               | 996,907      |              |                 |           |                 |                           |                          | 80,527,321    |
| Other expenses                             |                               |                               |                                |                         |              |              |                 | 450,271   |                 |                           |                          | 450,271       |
| Total operating expenses                   | 1,092,964                     | 101,042,827                   | 647,798                        | 1,459,675               | 1,121,468    | 1,610,475    | 609,948         | 498,566   | 111,566         | 21,319                    | (643,000)                | 107,573,606   |
| Operating (loss)/gain                      | (762,622)                     | (85,173,894)                  | (504,798)                      | (1,459,675)             | (1,121,468)  | 870,973      | (554,423)       | (498,566) | 19,847          | (8,719)                   | (500,000)                | (88,693,345)  |
| <u>Non-operating revenues</u>              |                               |                               |                                |                         |              |              |                 |           |                 |                           |                          |               |
| HUD PHA grants                             | 593,020                       | 80,541,059                    |                                | 1,459,675               | 1,121,468    |              |                 |           |                 |                           |                          | 83,715,222    |
| Capital grants                             | 174,068                       |                               |                                |                         |              |              |                 |           |                 |                           |                          | 174,068       |
| Other revenue                              | 586,601                       | 1,022,278                     | 6,908                          |                         |              |              | 2,362           | 498,566   |                 |                           | (500,000)                | 1,616,715     |
| Investment income                          | 252,388                       | 2,443                         | 19,710                         |                         |              | 89           | 490             |           | 1,185           |                           |                          | 276,305       |
| Total non-operating revenues               | 1,606,077                     | 81,565,780                    | 26,618                         | 1,459,675               | 1,121,468    | 89           | 2,852           | 498,566   | 1,185           |                           | (500,000)                | 85,782,310    |
| Income/(loss) before transfers             | 843,455                       | (3,608,114)                   | (478,180)                      |                         |              | 871,062      | (551,571)       |           | 21,032          | (8,719)                   |                          | (2,911,035)   |
| Equity transfer (Note 13)                  |                               |                               |                                |                         |              |              |                 |           |                 | 8,719                     |                          | 8,719         |
| Change in net position                     | 843,455                       | (3,608,114)                   | (478,180)                      |                         |              | 871,062      | (551,571)       |           | 21,032          |                           |                          | (2,902,316)   |
| Net position at the beginning of year      | 14,074,659                    | 10,380,752                    | 14,288,190                     |                         |              | 3,744,015    | 1,410,196       |           | 1,440,150       | 170,000                   |                          | 45,507,962    |
| Ending net position                        | \$ 14,918,114                 | \$ 6,772,638                  | \$ 13,810,010                  | \$                      | \$           | \$ 4,615,077 | \$ 858,625      | \$        | \$ 1,461,182    | \$ 170,000                | \$                       | \$ 42,605,646 |

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

|   | Low-rent<br>Public<br>Housing | Housing<br>Choice<br>Vouchers | Housing<br>Development<br>Fund | Continuum<br>of<br>Care | Mod<br>Rehab   | PACH         | Ocean<br>Avenue | Choice       | Park<br>Terrace | Other<br>State &<br>Local | Interfund<br>Elimination | Total           |
|---|-------------------------------|-------------------------------|--------------------------------|-------------------------|----------------|--------------|-----------------|--------------|-----------------|---------------------------|--------------------------|-----------------|
| Cash flows from operating activities:   |                               |                               |                                |                         |                |              |                 |              |                 |                           |                          |                 |
| Cash collected from:  |                               |                               |                                |                         |                |              |                 |              |                 |                           |                          |                 |
| Dwelling rental   | \$ 320,171                    | \$                            | \$ 143,000                     | \$                      | \$             | \$ 2,466,086 | \$ 65,579       | \$           | \$ 130,363      | \$ 12,600                 | \$ (143,000)             | \$ 2,994,799    |
| Security deposit  | 1,006                         |                               |                                |                         |                | 1,516        |                 |              |                 |                           |                          | 2,522           |
| Other revenue   | 4,544                         |                               |                                |                         |                | 5,440        |                 |              |                 |                           |                          | 9,984           |
| Housing assistance payments-Portability-in  |                               | 16,432,898                    |                                |                         |                |              |                 |              |                 |                           |                          | 16,432,898      |
| Cash paid for:  |                               |                               |                                |                         |                |              |                 |              |                 |                           |                          |                 |
| Housing assistance payments   |                               | (78,273,915)                  |                                | (1,377,833)             | (996,907)      |              |                 |              |                 |                           |                          | (80,648,655)    |
| Housing assistance payments-Portability-in  |                               | (15,868,933)                  |                                |                         |                |              |                 |              |                 |                           |                          | (15,868,933)    |
| Security deposit refund   |                               |                               |                                |                         |                | (339)        |                 |              | (696)           |                           |                          | (1,035)         |
| Administrative expenses   | (380,199)                     | (6,560,237)                   | (270,838)                      | (81,842)                | (124,561)      | (585,999)    | (527,560)       | (48,295)     | (36,866)        | (10,036)                  | 643,000                  | (7,983,433)     |
| Tenant services   | (1,150)                       |                               |                                |                         |                | (375)        |                 |              |                 |                           |                          | (1,525)         |
| Utility expenses  | (61,059)                      |                               | (65,714)                       |                         |                | (109,461)    | (7,425)         |              | (73)            | (1,258)                   |                          | (244,990)       |
| Maintenance expenses  | (421,869)                     |                               | (113,139)                      |                         |                | (447,986)    | (29,955)        |              | (39,819)        | (1,306)                   |                          | (1,054,074)     |
| General expenses  | (84,990)                      | (466,750)                     | 2,234                          |                         |                | (20,367)     | (15,265)        |              | (1,161)         |                           |                          | (586,299)       |
| Other expenses  |                               |                               |                                |                         |                |              |                 | (450,271)    |                 |                           |                          | (450,271)       |
| Net cash (used)/provided by operating activities                                  | (623,545)                     | (84,736,937)                  | (304,457)                      | (1,459,675)             | (1,121,468)    | 1,308,854    | (514,965)       | (498,566)    | 51,748          |                           | 500,000                  | (87,399,011)    |
| Cash flows from non capital & related financing activities:                       |                               |                               |                                |                         |                |              |                 |              |                 |                           |                          |                 |
| Other revenue received  | 586,601                       | 1,022,278                     | 6,908                          |                         |                |              | 2,362           | 498,566      |                 |                           | (500,000)                | 1,616,715       |
| Payment of property taxes-receivable from County                                  |                               |                               | 134,388                        |                         |                |              |                 |              |                 |                           |                          | 134,388         |
| Interfund payments  |                               |                               |                                |                         |                |              |                 |              |                 |                           | 285,214                  | 285,214         |
| Interfund receipts  |                               |                               |                                |                         |                |              |                 |              |                 |                           | (285,214)                | (285,214)       |
| Grant revenue received  | 767,088                       | 80,259,254                    |                                | 1,459,675               | 1,121,468      |              |                 |              |                 |                           |                          | 83,607,485      |
| Net cash (used)/provided by non capital financing activities                      | 1,353,689                     | 81,281,532                    | 141,296                        | 1,459,675               | 1,121,468      |              | 2,362           | 498,566      |                 |                           | (500,000)                | 85,358,588      |
| Cash flows from capital and related financing activities:                         |                               |                               |                                |                         |                |              |                 |              |                 |                           |                          |                 |
| Acquisition of capital assets, net  | (708,886)                     |                               | (3,427,009)                    |                         |                | (445,917)    | (32,301)        |              |                 |                           |                          | (4,614,113)     |
| Loan to Component Unit  |                               |                               | 237,687                        |                         |                | (237,687)    |                 |              |                 |                           |                          |                 |
| Net cash (used)/provided by capital and related financing activities              | (708,886)                     |                               | (3,189,322)                    |                         |                | (683,604)    | (32,301)        |              |                 |                           |                          | (4,614,113)     |
| Cash flows from investing activities:   |                               |                               |                                |                         |                |              |                 |              |                 |                           |                          |                 |
| Proceeds from investment maturities   |                               |                               | 3,998,837                      |                         |                |              |                 |              |                 |                           |                          | 3,998,837       |
| Purchase of investments   | (999,881)                     |                               | (999,881)                      |                         |                | (499,946)    | (174,368)       |              | (999,881)       |                           |                          | (3,673,957)     |
| Interest received from investments less accrued interest                          | 1,327                         | 3,541                         | 32,246                         |                         |                | 35           | 526             |              | 1,240           |                           |                          | 38,915          |
| Net cash provided by investing activities   | (998,554)                     | 3,541                         | 3,031,202                      |                         |                | (499,911)    | (173,842)       |              | (998,641)       |                           |                          | 363,795         |
| Net (decrease)/increase in cash and cash equivalents                              | (977,296)                     | (3,451,864)                   | (321,281)                      |                         |                | 125,339      | (718,746)       |              | (946,893)       |                           |                          | (6,290,741)     |
| Cash and cash equivalents at the beginning of the year                            | 1,595,209                     | 11,230,115                    | 7,381,730                      |                         |                | 57,114       | 721,988         |              | 1,016,013       |                           |                          | 22,002,169      |
| Cash and cash equivalents at the end of the year                                  | \$ 617,913                    | \$ 7,778,251                  | \$ 7,060,449                   | \$                      | \$             | \$ 182,453   | \$ 3,242        | \$           | \$ 69,120       | \$                        | \$                       | \$ 15,711,428   |
| Reconciliation of operating loss to net cash used by operating activities:        |                               |                               |                                |                         |                |              |                 |              |                 |                           |                          |                 |
| Operating gain (loss)   | \$ (762,622)                  | \$ (85,173,894)               | \$ (504,798)                   | (1,459,675)             | (1,121,468)    | \$ 870,973   | \$ (554,423)    | \$ (498,566) | \$ 19,847       | \$ (8,719)                | \$ (500,000)             | \$ (88,693,345) |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                               |                               |                                |                         |                |              |                 |              |                 |                           |                          |                 |
| Equity transfer in  |                               |                               |                                |                         |                |              |                 |              |                 | 8,719                     |                          | 8,719           |
| Depreciation expense  | 175,899                       | 9,406                         | 92,526                         |                         |                | 416,582      | 37,743          |              | 32,054          |                           |                          | 764,210         |
| (Increase)/Decrease in accounts receivable - HUD                                  |                               |                               |                                |                         | (7,844)        |              |                 |              |                 |                           |                          | (7,844)         |
| (Increase)/Decrease in in accounts receivable - other project                     |                               | (62,710)                      |                                |                         |                |              |                 |              |                 |                           |                          | (62,710)        |
| (Increase)/Decrease in in accounts receivable - other                             |                               |                               | 627                            |                         |                | 7,000        |                 | (8,773.00)   |                 |                           |                          | (1,146)         |
| (Increase)/Decrease in in accounts receivable - other government                  |                               |                               |                                | (11,493)                |                |              |                 |              |                 | (8,449)                   |                          | (19,942)        |
| (Increase)/Decrease in accounts receivable - tenants                              | (5,627)                       |                               |                                |                         |                | (9,922)      | 10,054          |              | (1,050)         |                           |                          | (6,545)         |
| (Increase)/Decrease in prepaid expenses   | 50                            | 23,786                        | (22,746)                       |                         |                | (400)        |                 |              |                 |                           |                          | 690             |
| (Increase)/Decrease in inter program-due from                                     | 3,280                         | (108,132)                     | (5,431)                        |                         | 14,149         | (43,538)     | (12)            | 140,588.00   | (1,056)         | 1,236                     | (1,084)                  | 280,664         |
| Increase/(Decrease) in accounts payable   | (465)                         | 216,157                       | 1,708                          | (7,860)                 | 1,584          | 75,387       | 57              | (6,046)      | (837)           | 979                       |                          | (40,085)        |
| Increase/(Decrease) in wages/payroll taxes payable                                | 1,536                         | (41,621)                      |                                |                         |                |              |                 |              |                 |                           |                          | (14,686)        |
| Increase/(Decrease) in accounts payable - HUD                                     |                               |                               |                                |                         | (14,686)       |              |                 |              |                 |                           |                          |                 |
| Increase/(Decrease) in inter program-due to                                       | 24,262                        | (126,728)                     | 132,689                        | 21,689                  | 6,797          | (581)        | (6,223)         | (62,202.00)  | 2,963           | 6,250                     | 1,084                    |                 |
| Increase/(Decrease) in accounts payable - other project                           |                               | (19,574)                      |                                |                         |                |              |                 |              |                 |                           |                          | (19,574)        |
| Decrease in accrued compensated absences  | 3,016                         | 21,125                        |                                |                         |                |              |                 |              |                 |                           |                          | 24,141          |
| Decrease in accrued compensated absences-noncurrent                               | (3,201)                       | (23,322)                      |                                |                         |                |              |                 |              |                 |                           |                          | (26,523)        |
| Increase/(Decrease) in deferred revenue   |                               | 646,249                       | (22)                           | (2,336)                 |                |              |                 | (63,567.00)  |                 |                           |                          | 580,324         |
| Decrease in FSS escrow  |                               | (121,334)                     |                                |                         |                |              |                 |              |                 |                           |                          | (121,334)       |
| Increase/(Decrease) in other current liabilities                                  | (4,680)                       | 1,994                         |                                |                         |                |              |                 |              |                 |                           |                          | (2,686)         |
| Increase/(Decrease) in accrued liabilities  | (55,999)                      | 21,661                        | 990                            |                         |                | 3,504        | (1,822)         |              | 523             | (16)                      |                          | (31,159)        |
| Increase/(Decrease) in accrued interest payable                                   |                               |                               |                                |                         |                | (11,667)     |                 |              |                 |                           |                          | (11,667)        |
| Increase/(Decrease) in tenant security deposit                                    | 1,006                         |                               |                                |                         |                | 1,516        | (339)           |              | (696)           |                           |                          | 1,487           |
| Net cash (used)/provided by operating activities                                  | \$ (623,545)                  | \$ (84,736,937)               | \$ (304,457)                   | \$ (1,459,675)          | \$ (1,121,468) | \$ 1,308,854 | \$ (514,965)    | \$ (498,566) | \$ 51,748       | \$                        | \$ (500,000)             | \$ (87,399,011) |

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

| <u>Federal Grantor/ Pass-Through<br/>Grantor/ Program or Cluster Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Pass-Through<br/>Entity Identifying<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| Department of Housing and Urban Development :                              |                                    |   |                                 |
| Low Rent Public Housing  | 14.850a                            |   | \$ 593,020                      |
| Public Housing Capital Fund Program  | 14.872                             |   | 174,068                         |
| Section 8 - Moderate Rehabilitation  | 14.856                             |   | 1,121,468                       |
| Housing Choice Vouchers  | 14.871                             |   | <u>80,541,059</u>               |
| Subtotal Direct Programs   |                                    |   | 82,429,615                      |
| Pass-Through Program From:   |                                    |   |                                 |
| Alameda County Housing and Community Development -<br>Continuum of Care    | 14.267                             | N/A   | <u>1,459,675</u>                |
| Total Department of Housing and Urban Development                          |                                    |   | <u>83,889,290</u>               |
| Total Expenditures of Federal Awards                                       |                                    |   | <u>\$ 83,889,290</u>            |

N/A: Not Available

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Housing Authority of the County of Alameda under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Housing Authority of the County of Alameda, it is not intended to and does not present the financial position, changes in net position or cash flows of Housing Authority of the County of Alameda.

**Note 2: Summary of Significant Accounting**

Summary of significant accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of federal awards reported on the schedule are recognized when incurred.

**Note 3: Direct and Indirect (Pass-Through) Federal Awards**

Federal awards may be granted directly to the Authority by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The schedule includes both of these types of federal award programs when they occur.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners  
Housing Authority of the County of Alameda  
Hayward, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, of the Housing Authority of the County of Alameda (the Authority) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 24, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

## **The Authority's Response to Findings**

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Oakland, California  
March 24, 2015



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Commissioners  
Housing Authority of the County of Alameda  
Hayward, California

***Report on Compliance for Each Major Federal Program***

We have audited the Housing Authority of the County of Alameda's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Other Matters**

The results of our auditing procedures disclosed instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be significant deficiency.



The Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Oakland, California  
March 24, 2015

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified not considered being material weakness? Yes

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
|--------------------|---|

|        |                         |
|--------|-------------------------|
| 14.871 | Housing Choice Vouchers |
|--------|-------------------------|

|        |                   |
|--------|-------------------|
| 14.267 | Continuum of Care |
|--------|-------------------|

Dollar threshold used to distinguish between type A and type B programs: \$2,516,679

Auditee qualified as low-risk auditee? Yes

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2014-001: Special Testing and Provision. Housing Quality Standards (HQS) Inspection**  
**Federal Agency: Department of Housing and Urban Development**  
**Program Affected: Housing Choice Vouchers Program (CFDA # 14.871)**  
**Continuum of Care (CFDA # 14.267)**

***Criteria or specific requirement:***

The Authority must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections.

***Condition:***

During our testing of tenant files, we came across instances of late HQS inspections as described below:

In the case of one out of 25 units selected for our testing on Housing Choice Vouchers Program, we noted that the Authority was late in annual HQS Unit inspection by one month. In the case of one out of 25 units selected for our testing on Continuum of Care Program, the Authority was late in annual HQS Unit inspection by 16 months after the required inspection date.

***Effect:***

Failure to conduct annual HQS inspections in a timely manner may result in landlords of unqualified units continuing to receive federal rental assistance payments with the risk to their tenants or required routine maintenance unaddressed, which could result in substantial repair costs or serious injury.

***Questioned Costs:***

Undetermined.

***Cause:***

The Authority was late in the annual HQS inspection.

***Recommendation:***

The Authority should conduct annual HQS inspections in a timely manner.

***Views of Responsible Officials and Planned Corrective Actions:***

Although the audit identified one sampled HCV unit that was inspected late, the Authority notes that the inspection was late by only one month. This occurred because in anticipation of changing to biennial HQS inspections as permitted under the 2014 Appropriations Act, the Authority changed the “next inspection date” for one-half of its HCV units so that their inspections would be done in the next year. This caused some inspections that were due immediately to drop off the scheduling software. Staff conducted an audit and found the dropped inspections but in the case of this one unit the inspection could not be scheduled on time at that point.

The audit also identified one unit in the Continuum of Care (Shelter + Care Program) whose HQS inspection was 16 months late. The County of Alameda, not the Authority, is the HUD grantee for the Shelter + Care Program and the County contracts with the Authority to administer a portion of its grant. The late inspection occurred because our housing software was dropping the ‘next inspection date’ for a handful of the Shelter + Care units (we don’t know why). Because the system did not indicate that an inspection was required an inspection was not scheduled. The Authority has corrected this issue and is tracking Shelter + Care inspections manually on a spreadsheet. HQS inspections are now current for the Shelter + Care caseload.

In order to comply with the different program requirements of the HCV, PBV, Mod Rehab, and Continuum of Care (Shelter + Care) programs, staff must employ three different labor-intensive manual scheduling protocols to overcome weaknesses in HACA’s current HQS Inspections software. Staff anticipates that the successful implementation of new software later this calendar year will allow us to avoid future audit findings for late HQS inspections beginning with the FY 2015-16 audit.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2013-001: Eligibility**

**Federal Agency: Department of Housing and Urban Development  
Program Affected: Housing Choice Voucher Program (CFDA # 14.871)**

Implemented.

**Condition:**

During our testing of tenant files in fiscal year 2013, we noted instances of inaccurate and delayed annual reexaminations as described below:

There were situations where reported family annual income was inaccurate. In addition, there were cases, in which inaccurate HAP payment was identified due to malfunction of the automated process for determining HAP and rent share. Further, we noted that there were situations where the Authority did not conduct the tenant annual reexamination and accordingly failed to submit forms HUD-50058 for these families in a timely manner.

**Finding 2013-002: Special Testing and Provision. Housing Quality Standards (HQS) Inspection**

**Federal Agency: Department of Housing and Urban Development  
Program Affected: Housing Choice Voucher Program (CFDA # 14.871)**

Not implemented. See current year finding 2014-001.

**Condition:**

During our testing of tenant files, we came across instances of late HQS inspections where the Authority did not conduct the annual HQS inspection after the required inspection dates.

**Finding 2013-003: Special Testing and Provision. Housing Quality Standards (HQS) Enforcement**

**Federal Agency: Department of Housing and Urban Development  
Program Affected: Housing Choice Voucher Program (CFDA # 14.871)**

Implemented.

**Condition:**

We selected 25 units with failed HQS inspections during the fiscal year under audit from the Authority's failed HQS inspection records. None of the units contained life-threatening deficiencies. During our testing, we noted five of the sample units with repairs for which the owner was responsible, were not followed up within the specified time frame. The files showed evidence that all deficiencies were later cleared, although they were not cleared within the 30 days allowed by regulation.

## *Board & Management Letters*

The Board of Commissioners  
Housing Authority of the County of Alameda  
Alameda, California

We have audited the financial statements of the business-type activities of the Housing Authority of the County of Alameda (the "Authority") for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 14, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2014, except as mentioned below. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The Authority has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

*Estimates:* Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

- Management's estimate of the useful lives of fixed assets have been estimated based on the intended use and are within generally accepted accounting principles guideline.
- Management's estimate of fair value of Note and accounts receivable and consideration of provision of bad debt allowance.
- Management's estimate of accounts payable and accrued liabilities.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

*Disclosures:* Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of note receivable in the amount of \$11 million from Eden Dougherty, LLP in Note 14.
- The disclosure of the blended component unit in Note 15.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit:*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements:*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 24, 2015.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



For the year ended June 30, 2014, we have one finding for non-compliance in Housing Choice Vouchers and Continuum of Care Program in the area of Housing Quality Standards Inspection. This finding is included and explained in the audit report under Finding 2014-001.

We also identified a finding the area of Inappropriate Financial Statements provided for Audit that is identified in a separate Management Letter.

#### *Other Matters*

We applied certain limited procedures to Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual enterprise fund by fund source and Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### *Restriction on Use*

This information is intended solely for the use of the Board of Commissioners and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

*Palmi v. Norwalk, LLP*  
Oakland, California  
March 24, 2015



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To the Board of Commissioners  
Housing Authority of the County of Alameda  
Hayward, California

In planning and performing our audit of the financial statements of Housing Authority of the County of Alameda (the Authority) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Housing Authority of the County of Alameda's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the County of Alameda's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the County of Alameda's internal control.

However, during our audit, we also became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 24, 2015 on the financial statements of Housing Authority of the County of Alameda

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Housing Authority of the County of Alameda's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

**1. Inappropriate Financial Statements Provided for Audit**

**Finding:**

The trial balance provided by the Housing Authority encompasses pre-closing and post-closing financial statements. The manner in which the pre-closing and post-closing is done makes it difficult to track some of the amounts from one closing to another. Reclassification entries are required to enable the financial statements to be accurately stated.

**Recommendation:**

We recommend that the Authority develop and maintain effective procedures to keep track over financial reporting. The particular financial statements provided should meet the following criteria simultaneously:

1. Sum of the net position in each individual fund should agree with audited amount in the year prior.
2. Balance sheet accounts are complete from closure. Balance for each asset and liability account is properly stated and classified representing the actual financial position at the fiscal year end.
3. Income statement accounts are complete with income/expenditure in each fund not to be closed to fund net position. Balance for each revenue and expense account is appropriately stated and represent the accumulated annual effect of financial activities in the account involved.

**Response:**

1. The Authority believes it was in compliance with this comment. The information provided by the Authority *did* show that the sum of net position agreed with the prior year audited amount. This issue was discussed, illustrated and confirmed during a phone conversation between audit personnel and Authority personnel on Wednesday March 18, 2015.
2. The Authority believes it was in compliance with this comment. There were no instances of improperly stated or classified accounts and the actual financial position at the fiscal year end was accurately represented. Audit personnel chose to start with the post-closed balances and to make the adjusting entries to get back to the beginning equity balances. The Authority does not believe this approach was required as it provided both a pre-closed and post-closed balance sheet to audit personnel.
3. The Authority believes it was in compliance with this comment. Information for each revenue and expense account was provided with the balances in each appropriately stated.

The recommendations above do not appear to us to be ones that are addressed to internal controls. Internal controls include a range of activities such as approvals, authorizations, verifications, reconciliations, security of assets and segregation of powers and responsibilities designed to enforce proper recording of income and expenditures and to prevent manipulation of revenues and expenses. The recommendations disregard the fact that the Authority did provide the information required and in an accurate format; rather, they appear to address how to facilitate the audit procedure through better communication of more efficient reporting format.

*Palmieri & Associates, LLP*  
Oakland, California  
March 24, 2015