



**HOUSING COMMISSION AGENDA**

**Regular Meeting: May 14, 2014**

Time: 8:00 a.m.

Nidus Court Recreation Room, 2020 Nidus Court, Union City, CA 94587

*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 8, 2014** 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.*

<b>1. CALL TO ORDER / ROLL CALL</b>	<b><u>PAGE</u></b>
<b>2. CLOSED SESSION</b> <i>Conference with Legal Counsel – Anticipated Litigation Initiation of Litigation Pursuant to Subdivision (c) of Section 54956.9 (one case)</i>	
<b>3. APPROVAL OF THE MINUTES OF THE APRIL 9, 2014 MEETING</b>	<b>ACTION 2</b>
<b>4. PUBLIC COMMENT</b> On matters not on the Agenda	
<b>5. NEW BUSINESS</b>	
5-1. Recognize Carol Alves as HACA's Shining Star	<b>PRESENTATION 7</b>
5-2. Audit for the Fiscal Year Ended June 30, 2013	<b>ACTION 9</b>
5-3. Resolution Amending Capitalization Policy	<b>ACTION 15</b>
5-4. Adjustments to Salaries and Benefits for Management Employees	<b>ACTION 20</b>
5-5. Quarterly Investment Portfolio for the Quarter Ended March 31, 2014	<b>INFORMATION 23</b>
5-6. Budget Status Report	<b>INFORMATION 25</b>
5-7. Program Activity Report	<b>INFORMATION 28</b>
<b>6. COMMITTEE REPORTS</b>	
<b>7. COMMISSIONER REPORTS</b>	
<b>8. COMMUNICATIONS</b>	
<b>9. ADJOURNMENT</b>	

**MINUTES**  
**April 9, 2014**

**HOUSING COMMISSION MINUTES  
REGULAR MEETING: APRIL 9, 2014,  
NIDUS RECREATION ROOM, 2020 NIDUS COURT, UNION CITY, CA 94587**

**SUMMARY ACTION MINUTES**

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

**Call to Order**

Vice Chairperson Biddle called the meeting to order at 8:00 a.m.

**Roll Call**

Present: Cmsrs. Asher, Biddle, Cashmere, Gacoscos, Haddock, Iosefa, Natarajan, Peixoto, and Steiner.

Entered after Roll Call: Cmr. Reed

Excused: Cmsrs. Apodaca and Gerry

**2. CLOSED SESSION**

*Conference with Legal Counsel – Anticipated Litigation*

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

*Contract Negotiations with SEIU Local 1021 and the Housing Authority of the County of Alameda*

*Labor Negotiations Pursuant to Government Code 54957.6*

The Commission adjourned into a closed session at 8:01 a.m. and reconvened in regular session at 8:54 a.m. Chairperson Reed reported that there were no reportable actions taken during the closed session.

**3. APPROVAL OF THE MINUTES OF THE FEBRUARY 19, 2014 COMMISSION MEETING**

Recommendation: Approve the minutes of the February 19, 2014 meeting as presented.

Motion/Second: Natarajan/Biddle.

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

**4. PUBLIC COMMENT - On matters not on the agenda.**

None.

**5. NEW BUSINESS**

**5-1. RESOLUTION NO. 01-14 APPROVING A MEMORANDUM OF UNDERSTANDING WITH SEIU LOCAL 1021**

*Christine Gouig, Executive Director, stated that the resolution number for this item that is shown in the agenda packet is incorrect and noted for the record that the correct resolution number is 01-14.*

Ms. Gouig reported that HACA and SEIU Local 1021 (SEIU) have come to an agreement on a Memorandum of Understanding (MOU) and gave an overview of the labor negotiations. Charla Freckmann, Human Resources Analyst, presented the staff report. Ms. Freckmann recognized the efforts of the SEIU bargaining team, distributed copies of the list of changes to the language of certain sections in the MOU to the Commission and to the public, and explained the changes.

Recommendation: Adopt Resolution No. 01-14 approving a Memorandum of Understanding with SEIU Local 1021 for June 7, 2013 – June 4, 2015.

Public Comment: Patti Maddon, HACA Housing Inspector, commented on health benefits for employees. Cheri Keeling, HACA Eligibility Technician, commented on the labor negotiations and the MOU. Santos Quintero, SEIU Local 1021 representative, commented on the labor negotiations and the MOU.

Commission Discussion: Cmr. Natarajan thanked all who participated in the labor negotiations and acknowledged the efforts of the HACA management team and Housing Commission.

Motion/Second: Natarajan/Biddle.

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

## **CONSENT**

*Chairperson Reed called for a motion to move items 5-2., 5-3., 5-6. and 5-7. to a Consent Calendar. She explained that action items placed on a Consent Calendar will be enacted by one motion and noted that discussion of any item placed on the Consent Calendar will take place at the request of any Housing Commissioner or any person in the audience.*

*Cmr. Natarajan made a motion to move items 5-2., 5-3., 5-6. and 5-7. to a Consent Calendar. The motion was seconded by Cmr. Biddle. Ayes: All.*

### **CONSENT CALENDAR**

**5-2. ACTION: RESOLUTION NO. 02-14 ADOPTING THE ANNUAL PUBLIC HOUSING AGENCY PLAN FOR THE JULY 1, 2014-JUNE 30, 2015 FISCAL YEAR**

**5-3. ACTION: RESOLUTION NO. 03-14 APPROVING UPDATE TO THE UTILITY ALLOWANCE SCHEDULE**

Motion/Second: Natarajan/Gacoscos.

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

**5-6. INFORMATION: BUDGET STATUS REPORT**

**5-7. INFORMATION: PROGRAM ACTIVITY REPORT**

#### **5-4. ACTION: 2014-2015 BUDGET/AUDIT/NEGOTIATING COMMITTEE**

Christine Gouig presented the staff report. The Commission discussed the appointments to the Budget/Audit/Negotiating Committee for the fiscal year July 1, 2014 – June 30, 2015. Cmr. Biddle and Steiner volunteered to serve another term on the Budget/Audit/Negotiating Committee. Chairperson Reed suggested that the Commission re-appoint Cmr. Gerry, who was not present at the meeting, to the Committee as well and if needed, make adjustments later if Cmr. Gerry is not able to serve.

Recommendation: Appoint Cmr. Biddle, Gerry and Steiner to the Budget/Audit/Negotiating Committee for the July 1, 2014 – June 30, 2015 fiscal year.

Motion/Second: Natarajan/Asher

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

**5-4. ACTION: 2014 SCHOLARSHIP COMMITTEE**

Christine Gouig presented the staff report. The Commission discussed the appointments to the 2014 HACA Scholarship Committee. Cmr. Asher, Cashmere and Gacoscos volunteered to serve. Cmr. Natarajan suggested re-appointing Cmr. Apodaca, who was not present at the meeting, to the 2014 Scholarship Committee and volunteered to serve as an alternate if Cmr. Apodaca is not able to serve.

Recommendation: Appoint Cmr. Apodaca, Asher, Cashmere, Gacoscos, and, as an alternate, Cmr. Natarajan to the 2014 HACA Scholarship Committee.

Motion/Second: Asher/Cashmere.

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

**6. COMMITTEE REPORTS**

None.

**7. COMMISSIONER REPORTS**

Cmr. Peixoto reported on his attendance at the 2014 NAHRO Legislative Conference in Washington, D.C. Mr. Dion acknowledged the work that Ms. Gouig and the California Association of Housing Authorities (CAHA) did on the briefing paper that was distributed at the meetings with the representatives in Washington, D.C. Ms. Gouig commented that housing authorities are making progress in advocating for regulatory relief. She indicated that staff will distribute the CAHA briefing paper at the next meeting.

**8. COMMUNICATIONS**

Ms. Gouig announced that the Pacific Southwest Regional Council of NAHRO will be holding its annual Spring Conference on May 5-6, 2014 at the Crowne Plaza Hotel in Burlingame and invited the Commissioners to attend.

**9. ADJOURNMENT**

There being no further business, Cmr. Reed adjourned the meeting at 9:22 a.m.

Respectfully submitted,

Melissa Taesali  
Executive Assistant

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Christine Gouig  
Executive Director/Housing Commission Secretary

**Approved:**

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Ursula Reed  
Housing Commission Chairperson

# **NEW BUSINESS**

**May 14, 2014**

**HOUSING AUTHORITY OF ALAMEDA COUNTY**

**AGENDA STATEMENT**

Meeting: May 14, 2014

Subject: Recognize Carol Alves as HACA's Shining Star for May - October 2014

Exhibits Attached: None

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**BACKGROUND**

In 2006 the Housing Authority created a Communications Committee composed of staff from all departments. The Committee created an "Employee of the Quarter" recognition program to acknowledge exceptional individual contributions of HACA employees. At the end of 2011 the Committee decided to revamp the program to allow more time for chosen employees to enjoy their recognition. The Committee re-named the award "HACA's Shining Star" and extended the recognition period to six months, so there will be two Shining Stars per year.

**DISCUSSION**

The Housing Authority is privileged to have on its staff Carol Alves, an Administrative Clerk in the Procurement and Purchasing Department. Her selection was announced at an all-staff meeting held on April 22. Those who nominated Carol recognized her for her outstanding work in the following categories: 1) Acknowledgement from Co-workers and 2) Problem Solving. Some of the comments made by those who nominated Carol were:

*"Carol's innovative ideas have helped to streamline the process for invoice processing. This may sound insignificant; however, the ability of the Procurement Department to meet the special needs, projected timelines and last minute rush orders is predicated on the development of strong business relationships with our vendors... on several occasions, Carol has gone 'above and beyond' to keep the department running smoothly..."*

*"Carol has been responsive to questions, purchase requests and overall assistance with purchasing related tasks... Carol is very pleasant to work with and is willing to help out a co-worker when needed..."*

*"I am constantly going to Carol with questions about various things related to our operations. Many times she could rightfully say to me, 'I don't know' or 'Go ask so and so' because some of the questions that I ask her deal with things that fall outside of her daily responsibilities but she has never turned me away empty-handed. She takes the initiative to research files, hunt down documents, etc. until she either has answers for me or she shares great information that I can use to easily figure out what needs to be done. We are very lucky to have her!"*

*"Carol has always helped me since Day-1 when I came on board at HACA. I have come to her for many questions, concerns, answers, and she has continuously delivered each and every time. I have watched her work with the staff requesting supplies, and she has constantly*

*provided excellent outstanding service and prompt support to the other HACA teams, which is appreciated. I personally value the quality service provided by Carol and I know that we all are proud to have her as part of our team!"*

Staff recommends that your Housing Commission recognize Carol Alves as "HACA's Shining Star" for May-October 2014.



**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**

**AGENDA STATEMENT**

Meeting: May 14, 2014

Subject: Audit for the Fiscal Year Ending June 30, 2013

Exhibits Attached: Attachment A: Audit Reports, Letters to the Board of Commissioners and Certificate of Actual Modernization Cost

Recommendation: Accept Reports

Financial Statement: None

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**BACKGROUND**

The Housing Authority's (HACA) audit for the fiscal year ending June 30, 2013 was completed by the auditors, Patel & Associates, on March 21, 2014.

Patel & Associates performed a "single audit," as HACA received over \$500,000 of federal funding during the fiscal year; 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 second year of operation 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 opine that HACA's financial statements at the fiscal year ending June 30, 2013 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.

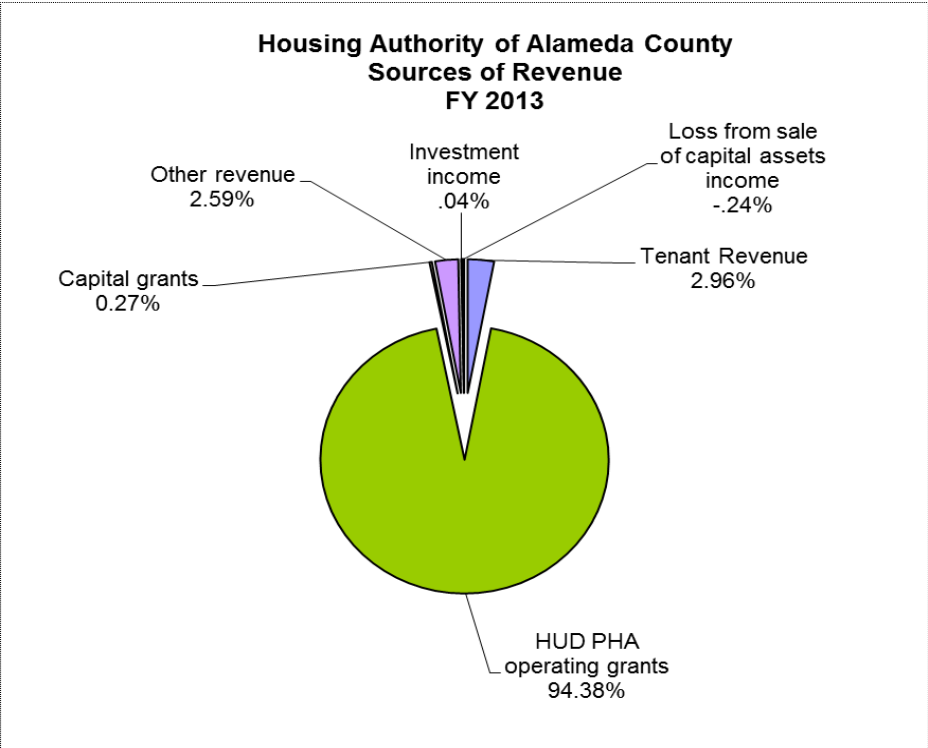
The *Statement of Net Position* presents information about HACA's financial and capital resources (assets) and its obligations to creditors (liabilities), and is similar to a balance sheet.

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

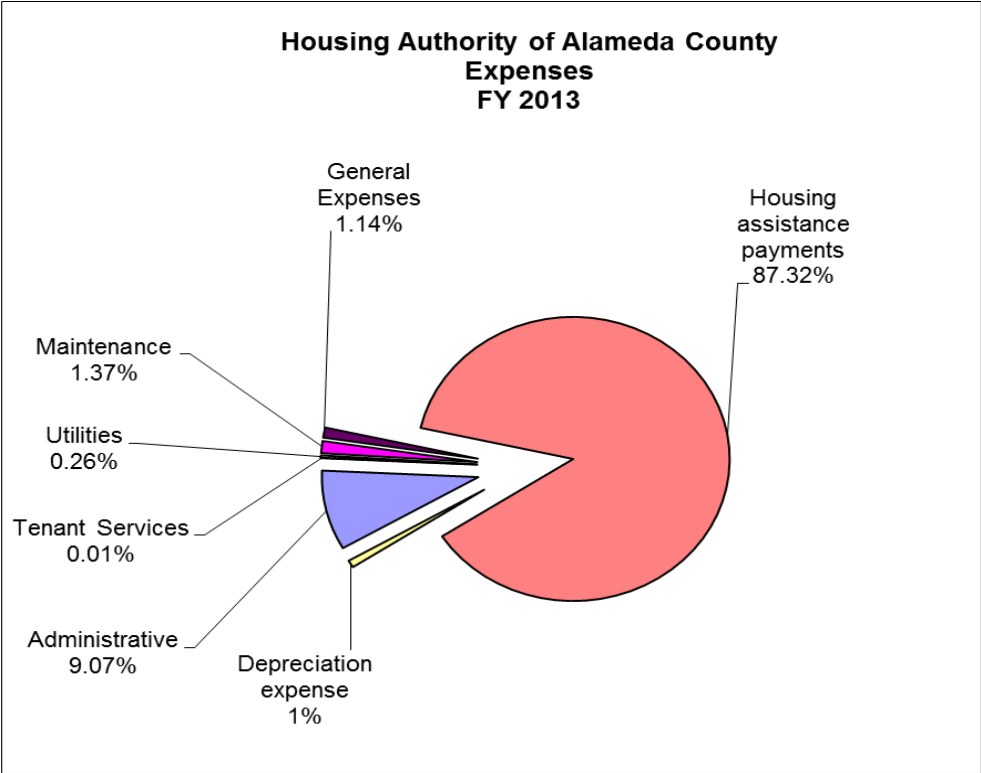
- ❖ Total assets were \$47.21 million.
- ❖ Total liabilities were \$1.70 million.
- ❖ Total assets exceeded total liabilities by \$45.51 million (net position) and consist of the following:
  - \$9.50 million are invested in capital assets. This includes land, building and improvements, and furniture and equipment net of accumulated depreciation.
  - \$19.17 million are restricted net position and include \$11.00 million of restricted monies received from the net proceeds of the disposition of Arroyo Vista that was loaned to the redeveloper of the site. The remainder is \$8.17 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 and *cannot* be used for operations.
  - \$16.84 million are unrestricted net position and include 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 7 shows total revenue of \$87.50 million compared to \$87.85 million in 2012, a decrease of \$0.35 million.
  - HUD provided 95% of HACA's total revenue (\$82.81 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 \$1.56 million less than the previous year.
  - Rental revenue increased by 67% 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 Section 8 project-based vouchers.



❖ Total expenses were \$87.38 million compared to \$87.70 million in 2012, a decrease of \$0.32 million. The decrease in Administration costs was due primarily to negotiated and non-negotiated administrative salary and benefit cost reductions. The largest program expenditure as reflected in the chart was for HAP.



Audited Financial Statements (pages 11-13 and 29-31)

Patel & Associates 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 29 shows the individual funds that make up the total.

The Low Rent Public Housing program has a total net position of \$14.07 million, which includes net restricted assets of \$11 million and net unrestricted assets of \$1.42 million.

The Housing Choice Voucher program has a total net position of \$10.38 million, which includes net restricted assets of \$8.17 million and net unrestricted assets of \$2.19 million.

The Housing Development Fund has a balance of \$14.29 million.

PACH has assets of \$4.09 million, liabilities of \$0.35 million and a net position of \$3.74 million.

Park Terrace has a balance of \$1.44 million and Ocean Avenue has \$1.41 million.

Pages 12 and 30 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 \$21,344 and a loss on the disposition assets including 100 units to PACH of \$766,219.

The HCV program had a net loss of \$178,551 (which is a combination of an income of \$108,247 due to funding received in excess of HAP payments made and an operating loss of \$286,798).

The Housing Development Fund had a net loss of \$234,969.

PACH had a net operating income of \$252,905 for the 12-month leasing operations for 58 units and about 8 months leasing operations for 100 units.

Park Terrace had a net income of \$63,787 and Ocean Avenue a net income of \$14,161.

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 33-37)*, 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 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 38)

Patel & Associates 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 39-43) – There were no financial statement findings. While there were no *material* non-compliance issues identified, there are three significant deficiencies reported under the federal award findings and questioned costs for the HCV program with regard to eligibility and housing quality standards. These are:

1. Late annual re-examinations for 3 of the 40 sample files reviewed and inaccurate tenant income and HAP payments in 3 of the 25 sample files.

Response: The proration of the Admin Fee to only 69% of eligibility has impeded and will continue to impede production of re-examinations until Congress increases it to a reasonable level. The housing software, which failed to pass the current HAP payment into the rent share calculation and which does not allow an automated check of rent share errors (we have to do it manually and can do so for only a sample of our 7,300 units), is being replaced (the contract award should come before your Commission in August/September).

2. Late annual HQS inspections in 2 of the 25 units sampled.

Response: Enhancements to the inspection component of our housing software did not work as planned, impacting the scheduling and noticing, and the freezing of an Admin Clerk position due to the 69% Admin Fee proration has resulted in one less clerk able to schedule and follow-up on inspections.

3. Failure to follow-up on failed HQS inspection items within the required 30 days for 5 of the 25 units sampled.

For several months, our software for tracking and monitoring the deficiencies in failed inspections stopped functioning, requiring staff to manually review all inspections. This work began as soon as the tracking tool malfunctioned and continued for many months.

It took more time to clear the repairs than allowed by HUD regulation but in each case the deficiencies have been cured, the HAP has been abated or the contract terminated. New housing software should correct this problem.

The prior year finding regarding timely re-examinations has been partially implemented (page 43).

Management Letter (Attachment A)

There were two recommendations from the auditor to further strengthen internal control:

1. Bank Reconciliation – added the preparer and reviewer/approver signature lines as suggested.
2. Capitalization Policy for Bulk Purchase – a separate capitalization threshold level has been developed and included as a separate agenda item today.

Actual Modernization Cost Certificate

**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) for review and approval for audit. After audit verification, HUD approves the AMCC.

The AMCC for the Capital Fund program, prepared by Patel & Associates as part of the audit of our fiscal year June 30, 2013 and covering the Capital Fund grants awarded to HACA in calendar year 2012, is attached.

The auditor determined that the total cost was \$235,378, 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 AMCC now closes the grant.

**RECOMMENDATION**

Staff recommends that your Commission accept the audited financial statements and reports for all HACA programs for the fiscal year ended June 30, 2013 and approve the AMCC.

## HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

### AGENDA STATEMENT

Meeting: May 14, 2014

Subject: Capitalization and Depreciation Policy

Exhibits Attached:                   - Resolution No. 04-14  
  - Revised Policy

Recommendation:                   Adopt Resolution

Financial Statement:               None

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### BACKGROUND

A capitalization policy is used to set a threshold above which qualifying expenditures are recorded as fixed assets and below which they are charged to expense. On September 11, 1996, your Commission adopted a Capitalization Policy for the purpose of determining and recording expendable and non-expendable property purchased or acquired in connection with the development and operation of the housing programs administered by HACA. The policy was revised on September 11, 2002, 1) increasing the threshold from \$1,000 or more to \$3,000 or more and 2) adding a depreciation policy. In its most recent audit Patel & Associates, our auditor, recommended that HACA implement a bulk purchase capitalization policy and staff has amended the existing Capitalization Policy in order to do so.

### DISCUSSION and ANALYSIS

The cost of property, equipment and other tangible capital assets is essentially a long-term prepayment of an expense in advance of the use of the asset. The cost is prorated over that asset's life as depreciation expense. Capitalization threshold and useful life policies affect whether and how the costs of acquiring property, furniture and equipment are capitalized and allocated (expensed) through depreciation to the period benefiting from such assets. They are critical to the fair presentation of an agency's financial position and results of operations.

Under Generally Accepted Accounting Principles (GAAP), capitalization of an asset is based upon two accounting concepts: the matching principle and materiality. The matching principle aims to assign costs to the proper period. In the case of tangible capital assets, this is done through depreciation to recognize the use of the asset and can only occur if the asset is capitalized and not totally expensed when placed in service. The concept of materiality provides relief from capitalizing and tracking assets that is immaterial to an entity's financial statements.

A bulk purchase policy refers to capitalization guidelines to be followed when acquiring significant quantities of similar assets in bulk at one time, where the individual unit price falls below the capitalization threshold. This is generally an exception to the capitalization policy that occurs when purchasing a material amount of like assets. Not doing so could result in recording a large amount of expenses that impact net income and distort the financial statements from year to year.

HACA is revising its Capitalization Policy to address one-time purchases of similar assets, which include the acquisition and replacement of blocks of assets (but do not include replacement of individual assets as part of a normal maintenance program). If 1) identical items are purchased together, and 2) the value of each individual item is lower than the capitalization threshold of \$3,000, and 3) the anticipated useful life is more than five years, and 4) the total value of the bulk purchase (includes purchase cost, installation cost and all other costs to bring the item into service) is \$150,000 or more, the purchase will be capitalized (see 1.2.C in the attached Policy).

#### **RECOMMENDATION**

Staff recommends that your Commission adopt the resolution approving the amended Capitalization Policy.



**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**

**RESOLUTION NO. 04-14**

**APPROVING AMENDMENTS TO THE HOUSING AUTHORITY'S CAPITALIZATION POLICY**

**WHEREAS**, a Capitalization Policy is used to set a threshold to determine whether qualifying assets are recorded as fixed assets or are charged to expense; and

**WHEREAS**, on September 11, 1996, the Housing Authority of the County of Alameda ("HACA") Housing Commission adopted Resolution No. 31-96 to approve HACA's Capitalization Policy; and

**WHEREAS**, on September 11, 2002, the HACA Housing Commission adopted Resolution No. 23-02 to increase the threshold amount as well as to add a Depreciation Policy; and

**WHEREAS**, HACA's Capitalization Policy requires further amendment to include a bulk purchase policy for the purpose of addressing one-time purchases of similar assets where the individual unit price falls below the capitalization threshold;

**NOW, THEREFORE, BE IT RESOLVED**, that the Housing Commission of the Housing Authority of the County of Alameda does hereby approve the amended Capitalization Policy as presented at this meeting.

**PASSED, APPROVED AND ADOPTED** by the Housing Commission of the Housing Authority of the County of Alameda on this \_\_\_\_\_ day of \_\_\_\_\_ 2014 by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**EXCUSED:**

**ABSENT:**

\_\_\_\_\_  
Ursula Reed  
Housing Commission Chairperson

**Attest:**

\_\_\_\_\_  
Christine Gouig  
Executive Director/Housing Commission Secretary

**Adopted:** \_\_\_\_\_

# Housing Authority of the County of Alameda

## Capitalization and Depreciation Policy

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### 1.1 PURPOSE

The purpose of this Capitalization Policy is to determine, distinguish and record materials and non-expendable equipment and personal property purchased or acquired in connection with the development, management, and maintenance of public housing developments owned or operated by the Housing Authority.

### 1.2 DEFINITION

- A. If the initial cost of a piece of equipment and/or other personal property is three thousand dollars (\$3,000.00) or more and the anticipated useful life of said equipment or property is more than five (5) years, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure. The cost of a capital asset includes all costs associated with its acquisition, including delivery and installation costs.
- B. If the initial cost of the piece of equipment and/or personal property is less than three thousand dollars (\$3,000.00), or its useful life is less than five (5) years regardless of cost, the same shall be treated and recorded as expendable property and chargeable to current expenses.
- C. When similar assets are acquired in bulk, the individual items purchased may be capitalized and depreciated over their useful life, provided the following criteria are met:
  - (1) identical items are purchased together; and
  - (2) the cost of each individual item is less than \$3,000; and
  - (3) the useful life is more than five (5) years; and
  - (4) the total cost is \$150,000 or more.
- D. For the purposes of this Policy, “capital assets” includes both purchased assets and assets acquired under capital leases where the lease satisfies the criteria for classification as a lease-to-own arrangement.
- E. Costs associated with the initial acquisition of custom data-processing software, meeting the criteria in A above and expected to provide future benefits, are capitalized until the software is substantially complete and ready for productive use. Later modifications that enhance the service potential of the software are considered betterments and are capitalized and depreciated from the time they

are ready for productive use. Training, maintenance and other continuing support costs associated with the software are expensed as incurred.

- F. The Executive Director, or his/her designee, is authorized and directed to determine whether each piece of equipment or other personal property that is acquired by the Housing Authority in connection with the development, management and maintenance of properties owned or operated by the Housing Authority, shall be classified as material or non-expendable, as defined in A, B and C above. The Executive Director is further directed to ensure that the determination is documented in the appropriate records of the Housing Authority and retained for the information and guidance of its personnel and for audit purposes.

### 1.3 USEFUL LIFE OF ASSETS AND DEPRECIATION

Housing Authority management has the responsibility to estimate useful or service lives and residual values of depreciable (capitalized) assets. The following useful lives will be used in the calculation of depreciation.

CAPITAL ASSET CATEGORY	USEFUL LIFE-YEARS
Buildings	27.5 years
Building Improvements	10 years
Dwelling Structure	10 years
Non-dwelling Structure	10 years
Dwelling and Non-dwelling Equipment	5 years
Furniture, Machinery and Equipment	5 years
Computer Hardware	5 years
Computer Software	5 years
Telecommunication Equipment	5 years

For depreciation purposes, the salvage value of assets is estimated to be immaterial and, therefore, assets shall be depreciated at 100% of cost. All depreciable assets shall be depreciated over their useful life using the straight-line method with a half-year convention, whereby one-half year of depreciation will be recorded in the year of acquisition and the other half in the final year of its useful life.

### 1.4 DISPOSAL OF FIXED ASSETS

Disposals of fixed assets may occur by sale, trade-in, destruction, donation, loss or abandonment. The difference between the net proceeds on disposal of a tangible capital asset and the net book value of the asset should be accounted for as revenue or loss in the income statement.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**

**AGENDA STATEMENT**

Meeting: May 14, 2014

Subject: Adjustments to Management Salaries, Benefits and Furlough Days

Exhibits Attached: None

Recommendation: Adopt Recommended Adjustments

Financial Statement: The cost of reinstating management benefits and reducing the number of mandatory furlough days to four is approximately \$38,225; the cost of a management COLA will not be known until a survey is completed

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**BACKGROUND**

For the past several fiscal years it has been necessary for HACA to implement various reductions in benefits and salary freezes for all employees in order to balance the budget in light of HUD funding reductions. HACA has typically made decisions regarding management employee reductions separate from the represented employees and subsequent to the settlement of union negotiations. At your March 2014 meeting your Commission approved a successor Memorandum of Understanding (MOU) with SEIU Local 1021 for the term of June 7, 2013 through June 4, 2015. That MOU contained provisions with respect to: (1) four unpaid furlough days, (2) a 2.5% cost of living adjustment, and (3) the thawing of the previously-imposed wage freeze and elevation into the step an employee would have been in absent the freeze.

Subsequent to your Commission’s approval of the MOU, the Executive Director met with the management staff to discuss restoration of certain benefits, matching of furlough days, merit increases and cost of living adjustments. Below are the provisions that were agreed to by the parties and the Executive Director recommends that your Commission approve them.

**DISCUSSION and ANALYSIS**

1. Unpaid Furlough Days

HACA has typically maintained a practice of parity between represented staff and management staff as to the number of furlough days. For example, at the December 2012 Housing Commission meeting, you authorized the Executive Director to develop a schedule of unpaid furlough days for management employees and five furlough days were agreed to by the managers. However, the MOU that your Commission approved at your March 2013 meeting required only three unpaid furlough days for represented employees, so at your April 2013 meeting you authorized the Executive Director to reduce the number of unpaid furlough days for managers to three and to make adjustments as appropriate for employees who had already taken more than three.

Similarly, at your December 2013 Housing Commission meeting, you authorized the Executive Director to develop a schedule of unpaid furlough days for management employees and again

five furlough days were agreed to by the managers. The MOU that your Commission approved at your March 2014 meeting required only four unpaid furlough days for represented employees. The Executive Director recommends that you authorize her to reduce the furlough days for management employees to four and to make adjustments as appropriate for employees who have already taken more than four. As is the case with represented employees, one of the furlough days will be created by not earning a floating holiday for the Fourth of July.

## 2. Cafeteria Plan

HACA's Personnel Rules provide for a management benefit in the form of a cafeteria plan with a taxable and non-taxable component. This cafeteria plan has been part of HACA's management compensation since 1991 but was suspended in 2012 as a cost savings measure. It is now being recommended that the cafeteria plan be reinstated as follows:

### a. Personnel Rule 3.17.12 Taxable Benefit

Personnel Rule 3.17.12 provides for an \$800/year *taxable* benefit. This benefit is administered on a calendar year basis and is not constrained by IRS regulations because the benefit is taxed. As such, staff recommends that this benefit be reinstated for calendar year 2014 commencing July 1, 2014, and thereafter normally commencing with the beginning of every calendar year. This benefit is used for reimbursement of job-related expenses such as membership dues in professional organizations, tools and technology (typically, computers), mass transit expenses, health and wellness programs and professional publications/subscriptions.

### b. Personnel Rule 3.17.9 Non-taxable Benefit

Personnel Rule 3.17.9 provides for a \$1500/year *non-taxable* benefit, which is also administered on a calendar year basis but *is* regulated by the IRS Code. As such, employees can only participate in this benefit at the commencement of the benefit plan year. Therefore, it is recommended that the reinstatement of this benefit be deferred until January 1, 2015, the beginning of the next plan year. Thereafter, participation will commence regularly with the beginning of every calendar year in accordance with IRS regulations. This benefit is used for uninsured medical expenses, payment of the dependent coverage premium under the life insurance plan and dependent care expenses. Now that HACA has a voluntary medical Flexible Spending Account (FSA) program for all employees, both management and represented, this component of the cafeteria plan will be administered in accordance with the rules for the FSA program.

## 3. Salaries

Consistent with the wage freezes that were negotiated in the previous MOUs covering represented staff, a freeze applying to all forms of salary increases was also applied to management staff. HACA's Management Compensation Policy provides for annual cost of living adjustments, merit increases and a comparability review of management positions every three years. Cost of living adjustments and merit increases for management employees have been frozen since June 2011 and the last comparability review of management positions was conducted in 2009.

It is now being recommended that these components of the Management Compensation Policy be reinstated as follows:

a. Cost of Living Adjustment

The annual cost of living adjustment for management employees is not negotiated with the employees. Instead, it is determined by surveying the cost of living adjustments granted to management employees in the established HACA comparability pool (i.e., nearby housing authorities and local governments), calculating the average of those adjustments and applying them to both the employee salaries and to HACA's management salary range structure. HACA staff usually conducts the survey in the summer or fall of each year because many public agencies resolve their union negotiations and adopt their annual budgets prior to granting management employee increases, so their cost of living adjustments are not known until July/August. Staff recommends that the practice of annually surveying the comparability pool for management cost of living adjustments be restored; the survey results and a recommendation will be brought back to you for your approval.

b. Merit Increases

Merit increases for management employees are administered on a fiscal year basis and are determined by HACA's pay for performance plan for managers and the management salary range structure as contained in the Management Compensation Policy. Consistent with the wage freeze for represented employees, merit increases for management employees have also been frozen (with the exception approved by your Commission for those management employees whose salaries were not yet at the control point within the applicable range). Management merit increases have been subject to a freeze since June 2011. Staff recommends resuming the merit increase cycle with the 2014/2015 Fiscal Year.

c. Equity/Comparability Survey

The Housing Authority's Management Compensation Policy was originally adopted by the Housing Commission in 1986, reviewed and revised in 2003 and again in 2009. One component of this policy includes a triennial comparability survey comparing HACA's management positions to similar positions within an established comparability pool. The survey is done to insure that HACA management positions are assigned a pay range at the median (middle) rate of comparable positions within the pool or are tied to another classification internally whose pay range has been assigned through the survey process. The last management comparability review was conducted in 2009. Staff recommends resuming the practice of reviewing management positions every three years. Staff will issue a Request for Proposal for a consultant to do the review.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**

**AGENDA STATEMENT**

Meeting: May 14, 2014

Subject: Quarterly Investment Portfolio Report

Exhibits Attached: Investment Portfolio Report for Quarter ended March 31, 2014

Recommendation: Receive Report

Financial Statement: \$16,920,211 Invested at an Average Monthly Yield ranging from 0.06% to 0.26% (excluding FSS Escrow Participant Accounts)

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**BACKGROUND**

Public Agencies are required to file an investment policy with their governing boards and to provide quarterly financial reports on the status of the Agency's investments and to certify to their compliance with the approved investment policy.

**DISCUSSION AND ANALYSIS**

The investment portfolio report that is attached reflects the investments at March 31, 2014 for each program that HACA administers.

The Housing Choice Voucher program has a total investment of \$4,999,693, which is 30% of the total investment portfolio. The amounts available for investment continue to decrease as HUD transitions to the cash management process and the re-establishment of HUD-held program reserves.

The Housing Development Fund has a total investment of \$9,200,746, which is 54% of the total investment portfolio. Approximately 73% of its portfolio is in the State of California Local Agency Investment Fund (LAIF). Progress payments for the building remodel will decrease the amount available for future reinvestments.

The Public Housing program has a total investment of \$999,932, which is 6% of the total investment portfolio.

PACH, Ocean Avenue and Park Terrace investments are 3%, 1% and 6% of the total investment, respectively.

The FSS Participant Escrow Accounts are maintained in a savings account, in accordance with HUD regulations, at Union Bank.

Housing Authority of Alameda County  
Investment Portfolio  
For the Quarter ended March 31, 2014

PROGRAM NAME	TYPE OF ACCOUNT	AMOUNT	INTEREST RATE	MATURITY DATE
HCV	Union Bank N.A. Commercial Paper	\$ 2,999,830.00	0.06000%	5/1/14
	Union Bank N.A. Commercial Paper	\$ 1,999,863.33	0.06000%	5/1/14
Conventional	Union Bank N.A. Commercial Paper	\$ 999,931.67	0.06000%	5/1/14
PACH	Union Bank N.A. Commercial Paper	\$ 499,965.83	0.06000%	5/1/14
Ocean Avenue	Union Bank N.A. Commercial Paper	\$ 219,977.27	0.06001%	5/1/14
Park Terrace	Union Bank N.A. Commercial Paper	\$ 999,896.67	0.06001%	5/1/14
Housing Dev Fund	State of CA - Local Agency Investment Fund	\$ 6,700,916.82	0.26000%	
	Union Bank N.A. Commercial Paper	\$ 2,499,829.17	0.06000%	5/1/14
<b>TOTAL</b>		<b>\$ 16,920,210.76</b>		

The above investment portfolio is in compliance with the policy approved by the Housing Commission.

  
\_\_\_\_\_  
Christine Gould  
Executive Director

5-1-14  
Date



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

**Housing Authority of Alameda County**  
**HOUSING CHOICE VOUCHER**  
**Administrative Budget Status Report FYE 2013-2014**  
**March 2014**

<b>FY 2014 - HCV OPERATING BUDGET</b>	<b>Budgeted @ 3/31/2014</b>	<b>Actual @ 3/31/2014</b>	<b>OVER (UNDER)</b>	<b>PROJECTED TO 6/30/14</b>	<b>SCH. NO.</b>	<b>2013 BUDGET</b>	<b>2014 BUDGET</b>	<b>DIFFERENCE</b>
<b>INCOME</b>								
Investment Income	2,700	1,455	(1,245)	1,940	A1	3,600	3,600	0
Misc. Income	259,500	264,228	4,728	334,759	A1	208,000	346,000	138,000
Administrative Fee Income	4,937,198	4,679,532	(257,666)	6,394,336	A	6,905,311	6,582,930	(322,381)
<b>TOTAL INCOME</b>	<b>5,199,398</b>	<b>4,945,214</b>	<b>(254,183)</b>	<b>6,731,036</b>		<b>7,116,911</b>	<b>6,932,530</b>	<b>(184,381)</b>
<b>EXPENSES</b>								
<b>Administration</b>								
Salaries	(2,893,120)	(2,804,827)	88,294	(3,646,275)	B-1&2	(4,362,145)	(3,857,494)	504,651
Other Admin.	(985,124)	(908,048)	77,076	(1,210,731)	C-1&2	(1,161,477)	(1,313,499)	(152,022)
<b>Total</b>	<b>(3,878,245)</b>	<b>(3,712,875)</b>	<b>165,370</b>	<b>(4,857,006)</b>		<b>(5,523,622)</b>	<b>(5,170,993)</b>	<b>352,629</b>
<b>General</b>								
Insurance	(136,755)	(104,201)	32,553	(138,935)	E	(201,590)	(182,340)	19,250
Employee Benefits	(1,504,423)	(1,555,921)	(51,498)	(2,074,561)		(2,224,694)	(2,005,897)	218,797
Miscellaneous	0	0	0	0		0	0	0
<b>Total</b>	<b>(1,641,177)</b>	<b>(1,660,122)</b>	<b>(18,945)</b>	<b>(2,213,496)</b>		<b>(2,426,284)</b>	<b>(2,188,237)</b>	<b>238,047</b>
<b>Total Routine Expenses</b>	<b>(5,519,422)</b>	<b>(5,372,997)</b>	<b>146,425</b>	<b>(7,070,502)</b>		<b>(7,949,906)</b>	<b>(7,359,229)</b>	<b>590,676</b>
<b>Capital Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	D2	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXPENSES</b>	<b>(5,519,422)</b>	<b>(5,372,997)</b>	<b>146,425</b>	<b>(7,070,502)</b>		<b>(7,949,906)</b>	<b>(7,359,229)</b>	<b>590,676</b>
Income (Deficit) Unfunded 2012 FSS (1/2 year) - Use of Reserve						(158,607)		
Income (Deficit) UNSPECIFIED BUDGET REDUCTION						(674,387)	(426,699)	
<b>NET INCOME (DEFICIT)</b>	<b>(320,024)</b>	<b>(427,783)</b>	<b>(107,758)</b>	<b>(339,466)</b>		<b>(832,994)</b>	<b>(426,699)</b>	<b>406,295</b>

Unrestricted Net Assets @ 6/30/13  
Projected Income (Deficit) @ 6/30/14  
Projected Unrestricted Net Assets @ 6/30/14

\$ 2,478,875  
(339,466)  
\$ 2,139,409

**Housing Authority of Alameda County  
PUBLIC HOUSING  
Budget Status Report FYE 2013-2014  
March 2014**

FY 2014 - PH OPERATING BUDGET	YTD BUDGET 3/31/2014	YTD ACTUALS 3/31/14	OVER/ (UNDER) BUDGET	Projected to 6/30/14	SCH. NO.	2013 BUDGET	2014 BUDGET	Difference
<b>INCOME</b>								
Dwelling Rentals	292,909	242,057	(50,852)	322,743	A-1	533,610	390,545	(143,065)
Office Rental (Mission Blvd-net)	35,016	0	(35,016)	0	A	0	46,688	46,688
Investment Income	1,650	1,088	(562)	1,450	A	2,200	2,200	0
Misc. Income	53,438	56,435	2,997	75,246	A-1	135,764	71,250	(64,514)
Transfer of Reserves from Ocean Ave				0		500,000		(500,000)
Operating Subsidy	154,481	400,564	246,082	205,974	A-1	380,579	205,974	(174,605)
Asset Reposition Fee	138,928	0	(138,928)	185,237	A-1	199,020	185,237	(13,783)
Capital Grant	22,169	0	(22,169)	29,559	A-1	258,378	29,559	(228,819)
<b>TOTAL INCOME</b>	<b>698,591</b>	<b>700,143</b>	<b>1,551</b>	<b>820,210</b>		<b>2,009,551</b>	<b>931,454</b>	<b>(1,078,096)</b>
<b>EXPENSES</b>								
<b>Administration</b>								
Salaries	(169,663)	(168,345)	1,318	(218,848)	B-1& 2	(233,093)	(226,217)	6,876
Other Admin.	(21,622)	(36,375)	(14,752)	(48,500)	C-1	(116,368)	(28,830)	87,538
Total	(191,285)	(204,719)	(13,434)	(267,347)		(349,461)	(255,047)	94,414
<b>Tenant Services</b>								
Resident Managers	(4,125)	(1,000)	3,125	(5,500)		(5,500)	(5,500)	0
Recreation	(5,625)	0	5,625	(7,500)		(7,500)	(7,500)	0
Total	(9,750)	(1,000)	8,750	(13,000)		(13,000)	(13,000)	0
<b>Utilities</b>								
Water	(37,561)	(26,883)	10,677	(35,845)		(74,000)	(50,081)	23,919
Electricity	(14,250)	(9,760)	4,490	(13,013)		(19,000)	(19,000)	0
Gas	(1,050)	(1,082)	(31)	(1,442)		(2,600)	(1,400)	1,200
Sewage	(19,800)	(10,734)	9,066	(14,312)		(47,600)	(26,400)	21,200
Total	(72,661)	(48,459)	24,204	(64,612)		(143,199)	(96,881)	46,318
<b>Maintenance</b>								
Salaries	(52,487)	(55,333)	(2,845)	(71,933)	B-2	(69,983)	(69,983)	(0)
Materials	(38,957)	(19,740)	19,217	(26,319)	D	(63,960)	(51,942)	12,018
Contract Costs	(276,613)	(368,946)	(92,333)	(341,928)	D	(594,158)	(368,818)	225,340
Total	(368,057)	(444,019)	(75,961)	(440,180)		(728,101)	(490,743)	237,357
<b>General</b>								
Insurance	(30,811)	(24,601)	6,212	(32,801)	E	(80,712)	(41,081)	39,631
Tax-In Lieu Of	(22,025)	(22,024)	1	(29,366)		(39,041)	(29,366)	9,675
Employee Benefits	(115,518)	(68,533)	46,985	(91,377)		(154,569)	(154,024)	545
Collection Loss	(750)	0	750	0		(1,000)	(1,000)	0
Miscellaneous	(750)	0	750	0		(1,000)	(1,000)	0
Total	(169,854)	(115,158)	54,697	(153,544)		(276,322)	(226,472)	49,850
Total Routine Expenses	(811,607)	(813,354)	(1,745)	(938,683)		(1,510,083)	(1,082,143)	427,940
Capital Expenditure-exterior renovation of Emery Glen						(500,000)		500,000
<b>TOTAL EXPENSES</b>	<b>(811,607)</b>	<b>(813,354)</b>	<b>(1,745)</b>	<b>(938,683)</b>		<b>(2,010,083)</b>	<b>(1,082,143)</b>	<b>927,940</b>
<b>NET INCOME (DEFICIT)</b>	<b>(113,016)</b>	<b>(113,211)</b>	<b>(194)</b>	<b>(118,474)</b>		<b>(533)</b>	<b>(150,689)</b>	<b>(150,156)</b>

Unrestricted Net Assets @ 6/30/13  
 Projected Income/(Deficit) @ 6/30/14  
 Projected Unrestricted Net Assets @ 6/30/14

\$1,378,834  
(118,474)  
\$1,260,360

# **PROGRAM ACTIVITY** **REPORT**

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**

**AGENDA STATEMENT**

Meeting: May 14, 2014

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 May 1, 2014, the Section 8 Housing Choice Voucher program had 6,119 units under contract. The fiscal year-to-date lease-up average is 99.14% units. The budget authority use average through March 2014 is 103.8%.
- **Program Utilization:** As of May 1, 2014, the average HAP subsidy was \$1,041 and the average tenant-paid rent portion was \$418 for an average Contract Rent of \$1,459.
  - ❖ As of May 1, 2014, HACA had 127 outgoing billed portability contracts (i.e., HACA voucher holders who are housed in another housing authority’s jurisdiction).
  - ❖ As of May 1, 2014, HACA billed other housing authorities, primarily the Oakland Housing Authority, for 1,139 incoming portability contracts. 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.
- **Fraud / Debt Recovery:** HACA retained \$4,695.71 in fraud and debt recovery payments for the month of March 2014. A total of \$42,633.57 was retained over the last six months.
- **Landlord Rental Listings:** As of May 1, 2014, there were 1,643 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 12 active properties listed as of May 1, 2014.

**FAMILY SELF SUFFICIENCY (FSS)**

The FSS Department received a record-breaking 28 applications for this year’s HACA scholarship program. The Scholarship Committee will be meeting soon to review those applications and plans to make awards at the August Commission meeting.

HUD has published this year's Notice of Funding Availability (NOFA) for FSS Program Coordinators. HACA is eligible to submit an application to renew its four current positions. FSS staff will submit our application by the May 29 deadline. HUD announced that, beginning next year, it intends to rate and rank applicants based on their FSS participants' increased earned income as increasing earned income is a primary goal of the FSS program.

### **PUBLIC HOUSING**

- **Occupancy:** As of May 1, 2014, the Public Housing program had 67 of 72 units leased and had a 92.55% fiscal year-to-date lease up rate.

HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
Section 8 Contract and HAP Report for the month of: **April 2014**

City	Certificates		Vouchers		April 2014 TOTAL		April 2013	April 2012
	Number	HAP*	Number	HAP**	Number	HAP		
Albany	0	\$0	32	\$33,280	32	\$33,280	36	39
Castro Valley	11	\$9,691	217	\$225,680	228	\$235,371	238	247
Dublin	2	\$1,762	359	\$373,360	361	\$375,122	335	301
Emeryville	6	\$5,286	114	\$118,560	120	\$123,846	113	114
Fremont	28	\$24,668	1,217	\$1,265,680	1,245	\$1,290,348	1,328	1,426
Hayward	115	\$101,315	2,287	\$2,378,480	2,402	\$2,479,795	2,557	2,577
Newark	3	\$2,643	249	\$258,960	252	\$261,603	278	282
Pleasanton	4	\$3,524	122	\$126,880	126	\$130,404	134	160
San Leandro	18	\$15,858	1,498	\$1,557,920	1,516	\$1,573,778	1,457	1,423
San Lorenzo	2	\$1,762	229	\$238,160	231	\$239,922	231	222
Union City	5	\$4,405	814	\$846,560	819	\$850,965	854	769
<b>TOTALS</b>	<b>194</b>	<b>\$170,914.00</b>	<b>7,138</b>	<b>\$7,423,520.00</b>	<b>7,332</b>	<b>\$7,594,434.00</b>	<b>7,561</b>	<b>7,560</b>

*\*Based on an average April Housing Assistance Payment (HAP) of \$881 per certificate contract.*

*\*\*Based on an average April Housing Assistance Payment (HAP) of \$1040 per voucher contract.*

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**Section 8 Average Contract Rent Report for the Month of: April 2014**

<b>City</b>	<b>Number of HAP Contracts</b>	<b>Average Contract Rent</b>	<b>Average HAP Paid by HACA</b>	<b>Average Rent Paid by Family</b>	<b>Average Family-Paid Rent as a Percentage of Average Contract Rent</b>
Albany	31	\$1,317	\$1,024	\$293	22%
Castro Valley	215	\$1,385	\$970	\$415	30%
Dublin	358	\$1,618	\$1,225	\$393	24%
Emeryville	113	\$1,233	\$863	\$370	30%
Fremont	1,231	\$1,591	\$1,122	\$470	30%
Hayward	2,301	\$1,384	\$989	\$395	29%
Newark	251	\$1,833	\$1,302	\$530	29%
Pleasanton	122	\$1,372	\$974	\$397	29%
San Leandro	1,492	\$1,379	\$989	\$390	28%
San Lorenzo	228	\$1,700	\$1,249	\$451	27%
Union City	734	\$1,650	\$1,167	\$483	29%

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



**DEBT COLLECTIONS****2013-2014  
FYE 06/30/14**

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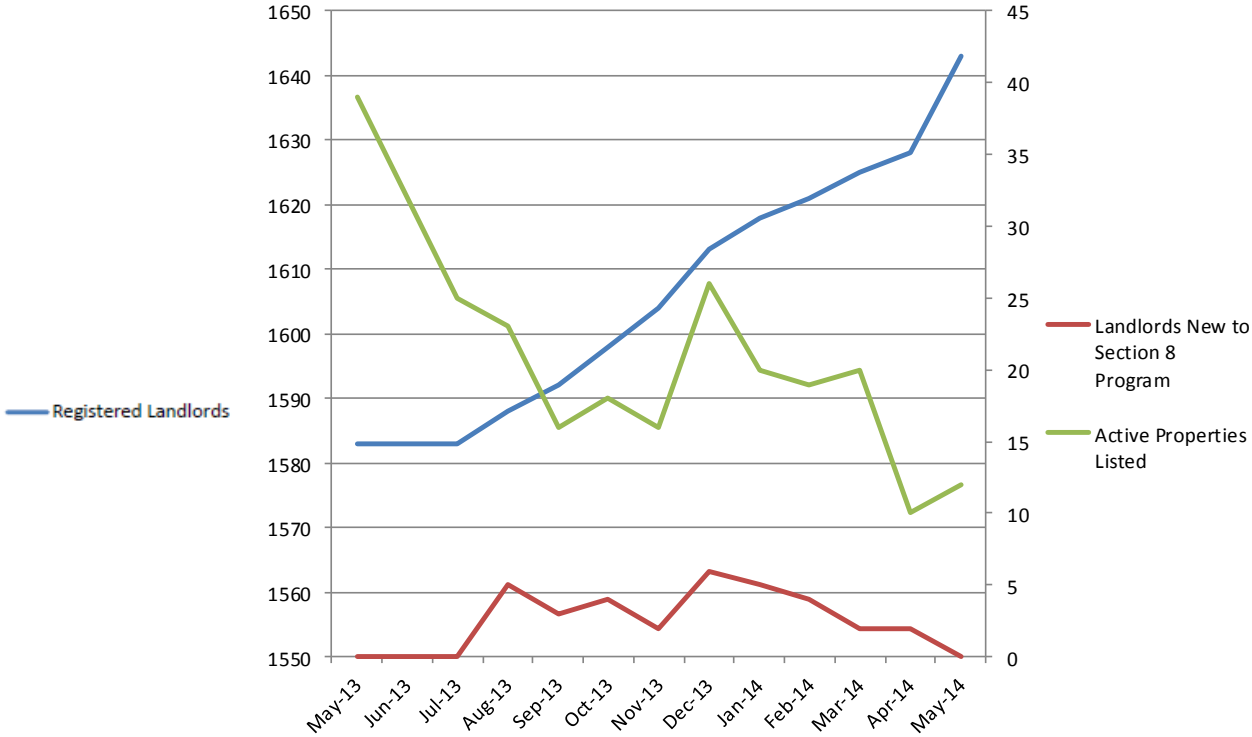
	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	GRAND TOTALS
<i>DAMAGE CLAIMS</i>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$100.00				<b>\$100.00</b>
<i>FRAUD REPAYMENTS</i>	\$1,738.00	\$2,321.84	\$555.05	\$27,855.45	\$1,145.16	\$2,273.22	\$1,569.75	\$5,094.28	\$ 4,695.71				<b>\$47,248.46</b>
<b>TOTALS</b>	<b>\$1,738.00</b>	<b>\$2,321.84</b>	<b>\$555.05</b>	<b>\$27,855.45</b>	<b>\$1,145.16</b>	<b>\$2,273.22</b>	<b>\$1,569.75</b>	<b>\$5,094.28</b>	<b>\$4,795.71</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$47,348.46</b>

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# Landlord Rental Listing Report

## Monthly

	5/31/2013	7/1/2013	8/5/2013	9/3/2013	10/1/2013	11/1/2013	12/2/2013	1/2/2014	2/3/2014	3/3/2014	4/1/2014	5/1/2014
<b>Registered Landlords</b>	1583	1583	1588	1592	1598	1604	1613	1618	1621	1625	1628	1643
<b>Landlords New to Section 8 Program</b>	0	0	5	3	4	2	6	5	4	2	2	0
<b>Active Properties Listed</b>	39	25	23	16	18	16	26	20	19	20	10	12





**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 2, 2014

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<b>Program Summary</b>	<b>April 2014</b>
Total Clients Under Contract:	138
Graduates:	1
Escrow Disbursed:	\$18,910.83
Ports In:	0
Ports Out:	0
Terminations:	1
New Contracts:	8

### **FSS PROGRAM NEWS:**

#### **2014 HACA Scholarship Program**

Twenty-eight FSS participants and/or household members submitted their applications for the 2014 HACA scholarship. This is a record number of FSS participant applications for a scholarship program year.

#### **FSS Outreach and Marketing**

The FSS program has a newly-designed flyer that will be used for all upcoming outreach as it relates to the MDRC study. With assistance from our IT department, HACA's website has been updated with current FSS information as well.

#### **Workshops**

Saturday, April 19, 2014, Safe America Credit Union gave a free Credit Report / Credit Scores and Identity Theft workshop. During this workshop, participants learned:

- How to get a free copy of a credit report
- How to dispute items on a credit report for free
- Three steps to building an excellent credit score
- The inside scoop on credit scores – what you do that helps or hurts your credit score

## **2015 FSS NOFA**

HUD published the 2015 Notice of Funding Availability (NOFA) for the Family Self-Sufficiency program. FSS staff will work with Senior Administrative Analyst, Jennifer Cado, to complete the application for submission by the May 29 deadline.

## **Next FSS Orientations**

- Wednesday, May 21, 2014  
10:00 a.m. to 12:00 p.m.
- Thursday, May 22, 2014  
6:00 p.m. to 8:00 p.m.

## **Upcoming Workshops**

- Safe America
  - Money Management/Budgeting and Checking Accounts  
Saturday, May 17, 2014  
10:00 a.m. to 12:00 p.m.
- Unity Council
  - Homeownership  
Saturday, June 28, 2014  
10:00 a.m. to 12:00 p.m.

**Referrals=** Case Management = 54

# **ATTACHMENT A**

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

We have audited the financial statements of the business-type activities of Housing Authority of the County of Alameda (the "Authority") for the year ended June 30, 2013. 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 December 9, 2013. 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 2013, 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013. This statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

*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 estimate affecting the financial statements were:

- 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 the disposition of 100 low rent public housing units to Preserving Alameda County Housing, Inc. in Note 15.
- The disclosure of note receivable in the amount of \$11 million from Eden Dougherty, LLP in Note 14.

*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 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, professional standards define a disagreement with management as 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 21, 2014.

#### *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, 2013, we have two audit findings for Bank Reconciliation Review and Capitalization Policy for Bulk Purchase and non-compliance in Housing Choice Voucher Program in the areas of eligibility, housing quality standards inspection and enforcement. These findings are included and explained in the audit reports and the separately issued Management Letter.

*Other Matters*

With respect to the supplementary information accompanying the financial statements, 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.

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.

*Patricia A. Andrews*  
Oakland, California  
March 21, 2014




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**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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 **Patel &**  
**Associates**  
Certified Public Accountant

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**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**

**JUNE 30, 2013**

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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, 2013, 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, 2013, 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013.

## ***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 21, 2014, 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.

*Palmieri Associates*  
Oakland, California  
March 21, 2014

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2013**

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 \$47.21 million and total liabilities were \$1.70 million.

The assets of the Authority exceeded its liabilities at the close of the fiscal year (FY) by \$45.51 million (net position). Of that amount, \$9.50 million was invested in capital assets; \$19.17 million was considered restricted and \$16.84 million was considered unrestricted and may be used to meet the Authority's ongoing obligations. The Authority's FY 2013 total net position increased by \$0.12 million (0.26%) compared to the FY 2012 balance of \$45.39 million.

Total revenues, excluding Housing Assistance Payments-Portability in, decreased by approximately \$0.35 million (0.40%) during 2013, and were \$87.50 million and \$87.85 million for 2013 and 2012, respectively. The decrease was due in large part to the reduction of funding provided by HUD.

Total expenses, excluding Housing Assistance Payments-Portability in, decreased by approximately \$0.32 million (.36%). Total expenses were \$87.38 million and \$87.70 million for 2013 and 2012, 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 2013, PACH had total assets of \$4.09 million, total liabilities of \$0.35 million and net position of \$3.74 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.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2013**

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

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2013**

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		Change	%
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012		
Current and other assets	\$ 26.63	\$ 26.78	\$ 0.08	\$ -	\$ 26.71	\$ 26.78	\$ (0.07)	0%
Non-current assets	11.00	11.00	-	-	11.00	11.00	-	0%
Capital assets	5.49	6.35	4.01	3.05	9.50	9.40	0.10	1%
<b>Total assets</b>	<b>43.12</b>	<b>44.13</b>	<b>4.09</b>	<b>3.05</b>	<b>47.21</b>	<b>47.18</b>	<b>0.03</b>	<b>0%</b>
Current liabilities	1.57	1.50	0.11	0.23	1.68	1.73	(0.05)	-3%
Noncurrent liabilities	(0.22)	(0.25)	0.24	0.30	0.02	0.05	(0.03)	-60%
<b>Total liabilities</b>	<b>1.35</b>	<b>1.25</b>	<b>0.35</b>	<b>0.53</b>	<b>1.70</b>	<b>1.78</b>	<b>(0.08)</b>	<b>-4%</b>
Net position:								
Invested in capital assets	5.49	6.35	4.01	3.05	9.50	9.40	0.10	1%
Restricted	19.17	19.17	-	-	19.17	19.17	-	0%
Unrestricted	17.11	17.35	(0.27)	(0.53)	16.84	16.82	0.02	0%
<b>Total net position</b>	<b>\$ 41.77</b>	<b>\$ 42.87</b>	<b>\$ 3.74</b>	<b>\$ 2.52</b>	<b>\$ 45.51</b>	<b>\$ 45.39</b>	<b>\$ 0.12</b>	<b>0%</b>

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

Current and other assets decreased by approximately \$0.07 million because of lower amounts of cash and cash equivalents and investments.

Non-current assets did not change from last year and includes the Notes Receivable from Eden Dougherty, LLP for a total amount of \$11 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 decreased by approximately \$0.08 million primarily due to decreases in accounts payable – other, accrued compensated absences and other liabilities.

Total net position increased by \$0.12 million and were \$45.51 million and \$45.39 million (see note 15) in 2013 and 2012, respectively. Table 2 presents details on the change in Net Position.



**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2013**

Net Position Invested in Capital Assets (e.g., land, buildings and improvements, furniture and equipment) increased by approximately \$0.10 million and were \$9.50 million and \$9.40 million in 2013 and 2012, respectively. The increase was primarily due to capitalized repairs and improvements to units.

Restricted Net Position balance remained the same and was \$19.17 million as of June 30, 2013 and includes \$11.00 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 \$8.17 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.

Unrestricted Net Position increased by \$0.02 million and was \$16.84 million as of June 30, 2013 and may be used to meet the Authority's ongoing obligations to clients and creditors.

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

	The Authority		PACH		TOTAL		Change	%
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012		
<b>Revenues</b>								
Rental revenue – tenant	\$ 0.68	\$ 1.18	\$ 1.91	\$ 0.37	\$ 2.59	\$ 1.55	\$ 1.04	67%
Operating subsidies and grants	82.81	84.37	-	-	82.81	84.37	(1.56)	-2%
Gain (loss) on disposition of capital assets	(0.98)	(2.81)	0.77	2.81	(0.21)	-	(0.21)	n/a
Investment income	0.04	0.06	-	-	0.04	0.06	(0.02)	-33%
Other revenue	2.27	1.87	-	-	2.27	1.87	0.40	21%
Subtotal	84.82	84.67	2.68	3.18	87.50	87.85	(0.35)	0%
Housing Assistance Payments-Portability in	21.23	20.75	-	-	21.23	20.75	0.48	n/a
Total revenues	106.05	105.42	2.68	3.18	108.73	108.60	0.13	0%
<b>Expenses</b>								
Administrative	7.41	8.69	0.51	0.21	7.92	8.90	(0.98)	-11%
Tenant service	-	0.01	0.01	-	0.01	0.01	-	0%
Utilities	0.15	0.22	0.08	0.01	0.23	0.23	-	0%
Maintenance	0.79	1.04	0.42	0.20	1.21	1.24	(0.03)	-2%
General	0.40	0.64	0.03	0.00	0.43	0.64	(0.21)	-33%
Housing Assistance Payments	76.29	75.90	-	-	76.29	75.90	0.39	1%
Other	0.56	-	-	-	0.56	-	0.56	n/a
Depreciation	0.32	0.54	0.41	0.24	0.73	0.78	(0.05)	-6%
Subtotal	85.92	87.04	1.46	0.66	87.38	87.70	(0.32)	0%
Housing Assistance Payments-Portability in	21.23	-	-	-	21.23	20.75	0.48	n/a
Total expenses	107.15	87.04	1.46	0.66	108.61	108.45	0.16	0%
Net Income (Loss) – Change in Net Position	\$ (1.10)	\$ (2.37)	\$ 1.22	\$ 2.52	\$ 0.12	\$ 0.15	\$ (0.03)	-20%

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

Total revenues decreased by approximately \$0.35 million (.40%) and total expenses decreased by approximately \$0.32 million (.36%) from a year ago.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2013**

HUD provided 95% and 96% of the Authority's revenue in 2013 and 2012, respectively. 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 decreased by 2% from the previous year. The HCV Program received \$1.56 million less funding from HUD compared to last year. Rental revenue increased by 67% 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.

Administration costs decreased by \$0.98 million due primarily to administrative salary and benefit negotiated cost reductions. Office and legal expenses were lower as well.

The component unit, PACH, started operations in September 2011. Revenue and expenses account for the 12-month leasing operations for 58 units and about 8 months leasing operations for 100 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, 2013, the Authority had \$9.50 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 \$0.10 million or 1% from the end of last year.

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

	The Authority		PACH		TOTAL		Change	%
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012		
Land and land rights	2.17	2.45	1.42	1.14	\$ 3.59	\$ 3.59	\$ -	0%
Buildings and improvements	10.13	13.87	9.85	5.15	19.98	19.02	0.96	5%
Furniture and equipment	1.20	1.47	-	-	1.20	1.47	(0.27)	-18%
Construction in progress	0.11	-	-	-	0.11	-	0.11	n/a
Accumulated depreciation	(8.12)	(11.44)	(7.26)	(3.24)	(15.38)	(14.68)	(0.70)	5%
<b>Total</b>	<b>\$ 5.49</b>	<b>\$ 6.35</b>	<b>\$ 4.01</b>	<b>\$ 3.05</b>	<b>\$ 9.50</b>	<b>\$ 9.40</b>	<b>\$ 0.10</b>	<b>1%</b>

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2013**

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>The Authority</u>	<u>PACH</u>	<u>TOTAL</u>
Beginning balance, July 1, 2012	\$ 6.35	\$ 3.05	\$ 9.40
Additions	(0.31)	1.38	1.07
Deductions (disposition)	(0.27)	-	(0.27)
Depreciation expense	(0.28)	(0.42)	(0.70)
<b>Total</b>	<b>\$ <u>5.49</u></b>	<b>\$ <u>4.01</u></b>	<b>\$ <u>9.50</u></b>

**Debt Outstanding**

As of year-end, the Authority had no debt (bonds, notes, etc.) outstanding. The component unit, PACH, had an outstanding indebtedness of \$249,354, including interest of \$11,667.

**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 enacted in prior years and expected to continue in future periods create challenges that need to be addressed.

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. To continue providing affordable housing assistance with less reliance on HUD operating and capital grants, the Authority has disposed of most of its 230 Public Housing units to PACH. The Authority was funded for 58 replacement vouchers which it project based in 2012.

The Authority submitted another disposition application to HUD to dispose of all 100 of its Public Housing units designated for elderly or disabled tenants in December 2010. That application was approved by HUD in February 2012. The Authority was funded for 100 replacement vouchers which it project based as well. The disposition of the units to PACH was completed in November 2012.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2013**

The need for affordable housing in Alameda County has historically 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 a number of years, 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.

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, recessionary, and employment trends, which can affect resident incomes and therefore 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**

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, 1489 Salmon Way, Hayward, California 94544.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<u>Primary Government Business-Type Activities</u>
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 13,717,901
Short term investments (Note 2)	3,998,837
Accounts receivable - other	667,436
Prepaid and other assets	<u>39,730</u>
Total current assets	<u>18,423,904</u>
Restricted assets:	
Cash and cash equivalents (Note 2)	8,284,268
Note receivable (Note 14)	<u>11,000,000</u>
Total restricted assets	<u>19,284,268</u>
Capital assets (Note 4)	24,883,748
Less accumulated depreciation (Note 4)	<u>(15,380,814)</u>
Capital assets, net	<u>9,502,934</u>
Total assets	<u>47,211,106</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	428,848
Accounts payable - HUD	31,850
Accrued compensated absences - current portion (Note 1)	162,926
Deferred revenue (Note 9)	178,336
Tenants security deposits	117,414
Family self sufficient escrows	445,123
Accrued liabilities	295,843
Other liabilities	<u>16,281</u>
Total current liabilities	<u>1,676,621</u>
Noncurrent liabilities:	
Accrued compensated absences - noncurrent portion (Note 1)	<u>26,523</u>
Total noncurrent liabilities	<u>26,523</u>
Total liabilities	<u>1,703,144</u>
Net position:	
Investment in capital assets	9,502,934
Restricted	18,727,339
Unrestricted	<u>17,277,689</u>
Total net position	<u>\$ 45,507,962</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, 2013**

Operating revenues

Rental revenue - tenants	\$ 2,573,313
Housing assistance payments-Portability-in	21,231,821
Other revenues	<u>12,237</u>
Total operating revenues	<u>23,817,371</u>

Operating expenses

Administration	7,921,801
Tenant service	6,707
Utilities	229,422
Ordinary maintenance and operations	1,197,808
General expenses	435,770
Depreciation	727,507
Housing assistance payments-Portability-in	21,231,821
Housing assistance payments	76,292,499
Other expenses	<u>563,118</u>
Total operating expenses	<u>108,606,453</u>

Operating loss (84,789,082)

Non-operating revenues

HUD PHA grants	82,574,675
Capital grants	235,378
Loss from capital assets	(210,169)
Other revenue	2,267,270
Investment income	<u>38,753</u>
Total non-operating revenues	<u>84,905,907</u>

Income before transfers 116,825

Equity transfer (Note 13) 294

Change in net position 117,119

Net position, beginning of the year 45,390,843

Net position, end of the year \$ 45,507,962

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, 2013**

Cash flows from operating activities:	
Cash collected from:	
Dwelling rental	\$ 2,581,217
Other revenue	12,237
Cash paid for	
Housing assistance payments	(75,864,135)
Administrative expenses	(2,196,700)
Employee expenses	(5,809,655)
Tenant services	(6,707)
Utility expenses	(229,422)
General expenses	(1,001,497)
Maintenance expenses	<u>(1,330,772)</u>
Net cash used by operating activities	<u>(83,845,434)</u>
Cash flows from non capital & related financing activities:	
Other revenue received	2,353,468
Payment of property taxes-receivable from County	(134,388)
Interfund payments	(729,026)
Interfund receipts	729,026
Grant revenue received	<u>82,321,490</u>
Net cash provided by non capital financing activities	<u>84,540,570</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets, net	(1,063,799)
Proceeds from disposition of capital assets, net	<u>24,738</u>
Net cash used by capital and related financing activities	<u>(1,039,061)</u>
Cash flows from investing activities:	
Proceeds from investment maturities	3,175,947
Interest received from investments less accrued interest	<u>24,604</u>
Net cash provided by investing activities	<u>3,200,551</u>
Net increase in cash and cash equivalents	2,856,626
Cash and cash equivalents at the beginning of the year	<u>19,145,543</u>
Cash and cash equivalents at the end of the year	\$ <u><u>22,002,169</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (84,789,082)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Equity transfer in/out	294
Depreciation expense	727,507
Decrease in accounts receivable - HUD	420,186
Increase in in accounts receivable - other	(5,220)
Increase in accounts receivable - tenants	(6,714)
Increase in prepaid expenses	(34,853)
Increase in accounts payable	113,154
Decrease in accounts payable-other	(77,744)
Increase in accounts payable - HUD	22,650
Decrease in accrued compensated absences	(26,317)
Decrease in accrued compensated absences-noncurrent	(22,131)
Increase in deferred revenue	73,938
Decrease in FSS escrow	(119,686)
Increase in other current liabilities	13,147
Decrease in accrued liabilities	(148,887)
Increase in tenant security deposit	<u>14,324</u>
Net cash (used)/provided by operating activities	\$ <u><u>(83,845,434)</u></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, 2013**

**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 Shelter Plus 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.

On March 23, 2011, the Authority formed Preserving Alameda County Housing, Inc. (PACH), a non-profit public benefit support corporation and a component unit as defined by GASB 14. PACH was organized under the Nonprofit Public Corporation Law for the purpose of acquiring, owning, leasing, rehabilitating and operating affordable housing units and to serve as a support corporation for the Authority. PACH functions as an integral part of the Housing Authority and its operations are blended with that of the Authority. The financial information for PACH is presented in the supplementary information to the financial statements.

**(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 VASH (Veterans Affairs Supportive Housing) 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.

**Shelter Plus 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, 2 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.

**Statement of Net Position** – The Statement of Net Position is designed to display the financial position of the Authority. Fund equity is reported as net position and is broken down into three categories defined as follows:

- **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.

(e) **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.

**(f) 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.

**(g) 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

**(h) 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.

**(i) 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.

(j) **Accrued Compensated Absences**

Accumulated vacation benefits are recorded as liabilities on the books of the Authority. The total liability for the Authority is \$189,449 based on year-end hourly rates. Of this total amount, \$162,926 is the current portion, and \$26,523 is the non-current portion.

(k) **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.

(l) **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.

(m) **Deferred Revenues**

Deferred 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, 2013 are classified on the Statement of Net Position as follows:

Unrestricted - cash, cash equivalents and investments:	
Deposits with financial institution	\$ 13,717,551
Short term investments	3,998,787
Cash on hand	400
 Restricted cash, cash equivalents and investments for tenant security deposits, family self-sufficiency escrow, and capital fund program:	
Deposits with financial institution	<u>8,284,268</u>
 Total cash, cash equivalents and investments	<u>\$ 26,001,006</u>

The Authority had the following cash, cash equivalents and investments at June 30, 2013:

Cash and cash equivalents:	
Deposits with financial institution	\$ 4,086,065
Commercial papers	10,717,346
State of California Local Agency Investment Fund (LAIF)	7,198,408
Cash on hand	400
Short term investments:	
Commercial papers	<u>3,998,787</u>
Total cash, cash equivalents and investments	\$ <u>26,001,006</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, 2013, 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, 2013, an account was maintained in the name of the Authority for \$7,198,408, 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	\$ 12,832	\$ 5,950
Housing Choice Voucher	539,490	205,316
Shelter Plus Care		471,279
Moderate Rehabilitation	16,367	
Choice	165,000	62,202
PACH	4,385	581
Ocean Avenue		8,178
Housing Development Fund	13,774	1,822
Other State and Local	3,480	
	<u>\$ 755,328</u>	<u>\$ 755,328</u>

	<u>Long-term Note Receivable*</u>	<u>Long-term Note Payable*</u>
PACH	\$	\$ 237,687
Housing Development Fund	<u>237,687</u>	<u>237,687</u>
	<u>\$ 237,687</u>	<u>\$ 237,687</u>

On July 20, 2011, Housing Development Fund entered into a promissory note with PACH to support the rehabilitation of disposed units. The note matures on August 1, 2016 and covers a line of credit in the principal amount of \$1,000,000 with interest accruing at 5% per annum on the amount drawn. At June 30, 2013, the outstanding balance on note was \$237,687.



**NOTE 4: CAPITAL ASSETS**

Capital asset activities for the year ended June 30, 2013 were as follows:

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Capital assets not being depreciated:				
Land and land rights	\$ 3,588,497	\$	\$	\$ 3,588,497
Construction in progress		116,220		116,220
Total capital assets not being depreciated	3,588,497	116,220		3,704,717
Capital assets being depreciated:				
Building and improvements	19,026,850	942,951		19,969,801
Furniture and equipment	1,469,988	37,380	(298,138)	1,209,230
Total capital assets being depreciated	20,496,838	980,331	(298,138)	21,179,031
Less: accumulated depreciation for:				
Buildings and improvements	(13,749,960)	(679,700)		(14,429,660)
Furniture and equipment	(933,826)	(47,807)	30,479	(951,154)
Total accumulated depreciation	(14,683,786)	(727,507)	30,479	(15,380,814)
Total capital assets being depreciated, net	5,813,052	252,824	(267,659)	5,798,217
Total capital assets, net	\$ 9,401,549	\$ 369,044	\$ (267,659)	\$ 9,502,934

Depreciation expense for the year ended June 30, 2013 was \$727,507.

A summary of enterprise funds capital assets at June 30, 2013 is shown below:

**Capital Assets**

Land and land rights	\$ 3,588,497
Construction in progress	116,220
Buildings and improvements	19,969,801
Furniture and equipment	<u>1,209,230</u>
 Total capital assets	 24,883,748
 Less: Accumulated depreciation	 <u>(15,380,814)</u>
 Net capital assets	 \$ <u><u>9,502,934</u></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, 2013, accounts payable to others included \$36,609 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, 2012 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, 2012, is as follows:

Retirees and beneficiaries currently receiving benefits	8,400
Active members	10,584
Inactive members	<u>1,814</u>
Total	<u><u>20,798</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 22.24 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, 2013 was \$952,289.

**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, 2012 is as follows:

Total assets	\$	<u>32,875,384</u>
Total liabilities		9,307,327
Minority interest		10,380
Member's equity		<u>23,557,677</u>
Total liabilities and equity	\$	<u>32,875,384</u>
Total revenues	\$	7,321,709
Total expenses		<u>9,816,099</u>
Expenses in excess of revenues		(2,489,824)
Minority interest in income of subsidiary		4,566
Member's equity at beginning of year		<u>26,047,501</u>
Member's equity at end of year	\$	<u>23,557,677</u>

**NOTE 9: DEFERRED REVENUE**

The changes in the Authority's deferred revenue account for the year ended June 30, 2013, were as follows:

Balance at the beginning of year	\$	20,180
Increases		<u>158,156</u>
Balance at the end of the year	\$	<u>178,336</u>

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

Operating transfers in/(out) for the year ended June 30, 2013 consisted of the following:

	Low Rent Public <u>Housing</u>	Capital Fund <u>Program</u>	Total <u>Transfers</u>
Low Rent Public Housing	\$ 73,079	\$ -0-	\$ 73,079
Capital Fund Program	<u>-0-</u>	<u>(73,079)</u>	<u>(73,079)</u>
Total transfers	<u>\$ 73,079</u>	<u>\$ (73,079)</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, 2012, 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, 2012, is as follows:

Total assets	\$ 23,541,211
Total liabilities	16,612,551
Net position	6,928,660
Total liabilities and net position	\$ 23,541,211
Operating revenues and non-operating revenues	\$ 4,386,310
Operating expenses	6,513,868
Net decrease in net position	(2,127,558)
Net position, beginning of year	9,056,218
Net position, end of year	\$ 6,928,660

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, 2013 was approximately \$126,730. 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 \$294 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 on each June 1 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%. At June 30, 2013, the Authority had note receivable from the Borrower in the amount of \$11,000,000.

**NOTE 15: PROPERTY SALES TO PACH**

In October 2009, the Authority submitted to HUD an application for the disposition of 58 of its low rent public housing units with the plan to convert them to Section 8 Project-Based Vouchers. The entire 58 units were disposed to PACH between September 2011 and June 2012.

On December 30, 2010, the Authority submitted to HUD another application for the disposition of an additional 26 dwelling buildings containing 100 of its low rent public housing units with the plan to convert them to Section 8 Project-Based Vouchers. The disposition application was approved on February 14, 2012. On September 4, 2012 and November 1, 2012, the 100 public housing units were sold to PACH for \$1. For fiscal year ended June 30, 2013, realized gain and loss from this disposition for PACH and low rent public housing were \$769,446 and (\$769,446), respectively.

**NOTE 16: EVALUATION OF SUBSEQUENT EVENTS**

The Authority has evaluated subsequent events through March 21, 2014, 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, 2013**

Assets	Low Rent Public Housing	Housing Choice Vouchers	Housing Development Fund	Shelter Plus Care	Mod Rehab	PACIFIC	Ocean Avenue	Choice	Park Terrace	Other State & Local	Total
<b>Current assets:</b>											
Cash and cash equivalents (Note 2)	\$ 1,538,327	\$ 3,057,653	\$ 7,372,825	\$	\$	\$	\$ 718,407	\$	\$ 1,010,889	\$	\$ 13,717,901
Short term investments (Note 2)			3,998,837								3,998,837
Accounts receivable - other	3,688	5,722	149,841	482,633		15,000	10,110		171	271	667,436
Prepaid and other assets	132	36,344				3,204					39,730
Due from other funds (Note 3)	12,832	539,490	13,774		16,367	4,335		165,000	360	3,120	755,328
Total current assets	1,575,029	3,639,209	11,535,277	482,633	16,367	22,589	728,517	165,000	1,011,220	3,391	19,170,232
<b>Restricted assets:</b>											
Cash and cash equivalents (Note 2)	36,882	8,172,462	8,905			57,114	3,581		5,324		8,284,268
Note receivable (Note 14)	11,000,000										11,000,000
Total restricted assets	11,036,882	8,172,462	8,905			57,114	3,581		5,324		19,284,268
<b>Capital assets (Note 4)</b>											
Capital assets	6,191,855	125,677	4,941,372			11,270,719	1,310,434		873,691	170,000	24,883,748
Less accumulated depreciation (Note 4)	(4,533,912)	(109,464)	(2,416,430)			(7,259,645)	(618,556)		(443,807)		(15,380,814)
Capital assets, net	1,657,943	16,213	2,524,942			4,011,074	691,878		429,884	170,000	9,502,934
<b>Other non-current assets:</b>											
Note receivable - interfund (Note 3)			217,687								217,687
Total non-current assets			217,687								217,687
<b>Total assets</b>	14,270,854	11,827,884	14,306,811	482,633	16,367	4,090,777	1,423,976	165,000	1,446,428	173,391	48,204,121
<b>Liabilities</b>											
<b>Current liabilities:</b>											
Accounts payable	10,515	386,361	7,824	9,018	1,681	6,461	105	6,046	837		428,848
Accounts payable - HUD		15,889			14,686					1,275	31,850
Accrued compensated absences - current portion (Note 1)	19,660	143,266									162,926
Accrued compensated absences - current portion (Note 1)		79,248		2,316				96,752			176,336
Deferred revenue (Note 9)	36,882					69,527	3,581		5,124	2,100	117,414
Tenant security deposits		445,123				32,506	1,916			16	445,123
Family self sufficient escrows	115,307	142,079	3,902								295,943
Accrued liabilities	4,680	6,528	5,073								16,281
Other liabilities											
Due to other funds (Note 3)	5,950	205,316	1,822	471,279		581	8,178	62,202			755,328
Total current liabilities	192,994	1,423,810	18,621	482,633	16,367	100,075	13,780	165,000	6,278	3,391	2,431,949
<b>Noncurrent liabilities:</b>											
Note payable - interfund (Note 3)											
Note payable - interfund (Note 3)	3,201	23,322				237,687					237,687
Accrued compensated absences - noncurrent portion (Note 1)											
Total noncurrent liabilities	3,201	23,322				237,687					264,210
<b>Total liabilities</b>	196,195	1,447,132	18,621	482,633	16,367	346,762	13,780	165,000	6,278	3,391	2,696,159
<b>Net position:</b>											
Investment in capital assets	1,638,943	16,213	2,524,942			4,011,074	691,878		429,884	170,000	9,502,934
Restricted	11,000,000	7,727,339									18,727,339
Unrestricted	1,415,716	2,637,200	11,763,248			(267,059)	718,318		1,010,266		17,277,689
Total net position	14,074,659	10,380,752	14,288,190			3,744,015	1,410,196		1,440,150	170,000	45,507,962

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, 2013**

	Low Rent Public Housing	Housing Choice Vouchers	Housing Development Fund	Shelter Plus Care	Mod Rehab	PACH	Ocean Avenue	Choice	Park Terrace	Other State & Local	Totals
<b>Operating revenues</b>											
Rental revenue - tenants	\$ 457,625	\$ 21,231,821	\$ 44,529	\$ 74,038	\$ 123,409	\$ 1,899,706	\$ 68,382	\$ 135,000	\$ 12,600	\$ 12,600	\$ 2,573,313
Housing assistance payments-Portability-in						6,212	425				21,231,821
Other revenues	5,600										12,237
Total operating revenues	463,225	21,231,821				1,905,918	68,807	135,000	12,600		23,817,371
<b>Operating expenses</b>											
Administration	340,540	6,754,337	44,529	74,038	123,409	514,640	26,497	33,782	10,024		7,921,801
Tenant service	2,847					3,860					6,707
Utilities	91,753		53,483			75,508	7,412		1,266		229,422
Ordinary maintenance and operations	606,383		109,443			418,660	21,668		1,599		1,197,808
General expenses	76,107	328,576				29,992	949				435,770
Depreciation	157,648	15,298	74,222			415,001	35,726				727,507
Housing assistance payments-Portability-in		21,231,821									21,231,821
Housing assistance payments		73,945,580		1,365,798	98,1121						76,292,499
Other expenses								563,118			563,118
Total operating expenses	1,275,278	102,275,612	281,677	1,439,836	1,104,530	1,456,761	94,252	102,495	12,894		108,606,453
Operating (loss)/gain	(812,053)	(81,043,791)	(281,677)	(1,439,836)	(1,104,330)	449,157	(25,445)	(663,118)	(294)		(84,789,082)
<b>Non-operating revenues</b>											
HUD PHA grants	626,371	79,403,938		1,439,836	1,104,530						82,574,675
Capital grants	235,378										235,378
Gain (loss) from capital assets (Note 15)	(766,219)		(213,396)			769,446					(210,169)
Other revenue	103,123	1,438,071	159,667				2,894	563,118	397		2,267,270
Investment income	2,146	7,933	26,215				986		1,273		38,253
Total non-operating revenues	200,999	80,845,942	(27,514)	1,439,836	1,104,530	769,446	3,880	563,118	1,670		84,905,907
Income/(loss) before transfers	(611,054)	(193,849)	(309,191)			1,218,603	(21,565)		34,175	(294)	116,825
Equity transfer (Note 13)										294	294
Change in net position	(611,054)	(193,849)	(309,191)			1,218,603	(21,565)		34,175		117,119
Net position at the beginning of year	14,685,713	10,574,601	14,597,381			2,525,412	1,431,761		1,405,975	170,000	45,390,843
Ending net position	14,074,659	10,380,752	14,288,190			3,744,015	1,410,196		1,440,150	170,000	45,507,962

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, 2013**

	Levoment Public Housing	Housing Choice Vouchers	Housing Development Fund	Shelter Plus Care	Mod Rehab	PACII	Ocean Avenue	Choices	Park Terrace	Other State & Local	Total
<b>Cash flows from operating activities:</b>											
Cash collected from:											
Dwelling rental	\$ 421,946	\$	\$	\$	\$	\$ 1,950,519	\$ 59,240	\$	\$ 136,618	\$ 12,894	\$ 2,581,217
Other revenue	5,600					6,212	425				12,237
<b>Cash paid for:</b>											
Housing assistance payments	(73,940,660)			(1,359,679)	(563,796)	(514,640)	(26,497)		(33,782)	(10,029)	(75,864,135)
Administrative expenses	(29,686)		(47,994)	(74,098)	(123,409)	(3,860)					(2,196,709)
Employee expenses	(374,393)										(5,809,653)
Tenant services	(4,847)										(6,707)
Utility expenses	(91,753)		(53,483)			(75,508)	(7,412)			(1,366)	(229,421)
General expenses	(76,107)					(31,186)	(949)				(1,001,497)
Maintenance expenses	(599,621)		(109,443)			(536,610)	(23,102)				(1,330,772)
Net cash (used)/provided by operating activities	(736,861)	(81,041,133)	(210,920)	(1,433,717)	(687,205)	794,927	1,705	(563,633)	31,777	(384)	(83,845,133)
<b>Cash flows from non capital &amp; related financing activities:</b>											
Other revenue received	103,123	1,440,787	159,667				2,894	644,999	397	1,601	2,353,468
Payment of property taxes receivable from County			(134,386)								(134,386)
Inherited payments	(9,010)	(84,012)			(417,325)	(69,211)	2,231	(143,565)	(2,815)	(2,385)	(729,026)
Inherited receipts	84,767	60,600	24,718	482,444	1,104,530			62,202	5,895	1,168	729,026
Grant revenue received	861,749	79,405,938		951,273							83,351,490
Net cash (used)/provided by non capital financing activities	1,040,629	80,821,316	49,997	1,433,717	687,205	(69,911)	10,125	563,633	3,475	384	84,540,570
<b>Cash flows from capital and related financing activities:</b>											
Acquisition of capital assets, net	(291,469)		(161,349)				(8,430)		8,323		(1,063,799)
Proceeds from disposition of capital assets, net	1,228		62,313								24,738
Loan to Component Unit											
Net cash (used)/provided by capital and related financing activities	(289,241)		(99,036)				(8,430)				(1,039,061)
<b>Cash flows from investing activities:</b>											
Proceeds from investment maturities	505,627		2,670,320								3,175,947
Interest received from investments less accrued interest	2,175	6,835	13,562				930		1,102		24,604
Net cash provided by investing activities	507,802	6,835	2,683,882				930		1,102		3,200,551
Net (decrease)/increase in cash and cash equivalents	523,529	(212,972)	2,445,433			51,449	4,710		44,677		2,896,626
Cash and cash equivalents at the beginning of the year	1,071,880	11,413,087	4,936,292			3,665	712,278		971,336		19,145,543
Cash and cash equivalents at the end of the year	1,595,209	11,200,115	7,381,725			57,114	721,988		1,016,013		22,002,169
<b>Reconciliation of operating loss to net cash used in operating activities:</b>											
Operating gain (loss)	\$ (812,053)	\$ (81,043,791)	\$ (281,677)	\$ (1,439,836)	\$ (1,104,530)	\$ 490,157	\$ (25,445)	\$ (563,118)	\$ 32,505	\$ (294)	\$ (84,769,082)
Adjustments to reconcile operating loss to net cash used in operating activities:											
Equity transfer in/out										294	294
Depreciation expense	157,648	15,208	74,222			415,001	35,726		29,612		727,407
Decrease in accounts receivable		15,212	(2,888)		404,974						420,186
(Increase)/Decrease in accounts receivable - HUD	10,107				310						(5,220)
(Increase)/Decrease in accounts receivable - other											(6,714)
(Increase)/Decrease in prepaid expenses	(14,330)	171,764							1,618		(94,805)
Increase/(Decrease) in accounts payable	(67,192)		6,021	6,119	(2,645)					14	113,154
Decrease in accounts payable - other											(77,744)
Increase in accounts payable - HUD		7,964									22,650
Decrease in accrued compensated absences	(2,781)	(23,616)									(26,317)
Decrease in accrued compensated absences-noncurrent	(964)	(21,167)									(22,131)
Increase/(Decrease) in deferred revenue			(5,310)								75,938
Decrease in PPS escrow		(119,666)									(119,666)
Increase in other current liabilities	4,680		5,073				566				13,147
Increase/(Decrease) in accrued liabilities	23,369	442,268	(7,149)				(810)				(148,887)
Increase/(Decrease) in tenant security deposit	(33,679)										14,324
Net cash (used)/provided by operating activities	\$ (736,861)	\$ (81,041,133)	\$ (210,920)	\$ (1,433,717)	\$ (687,205)	\$ 794,927	\$ 1,705	\$ (563,633)	\$ 31,777	\$ (384)	\$ (83,845,133)

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, 2013**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development :			
Low Rent Public Housing	14.850a		\$ 626,371
Public Housing Capital Fund Program	14.872		235,378
Section 8 - Moderate Rehabilitation	14.856		1,104,530
Housing Choice Vouchers	14.871		<u>79,403,938</u>
Subtotal Direct Programs			81,370,217
Pass-Through Program From:			
Alameda County Housing and Community Development - Shelter Plus Care	14.238	N/A	<u>1,439,836</u>
Total U.S. Department of Housing and Urban Development			<u>82,810,053</u>
Total Expenditures of Federal Awards			<u>\$ 82,810,053</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, 2013. 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.

**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 as of and for the year ended June 30, 2013, 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 21, 2014.

**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 weaknesses or significant deficiencies. 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 Housing Authority of the County of Alameda'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 through 2013-003.

### **The Housing Authority of the County of Alameda's Response to Finding**

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.

*Pamela A. Brown*  
Oakland, California  
March 21, 2014

**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 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, 2013. 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, 2013.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 through 2013-003. 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 deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2013-001 through 2013-003 that we consider to be significant deficiencies.

The Authority's responses 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 responses were 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.

*Palmieri Accountants*  
Oakland, California  
March 21, 2014



**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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

***Financial Statements***

Type of auditor's report issued:	<i>Unmodified</i>
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:	<i>Unmodified</i>
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
14.856	Section 8 - Moderate Rehabilitation

Dollar threshold used to distinguish between type A and type B programs:	\$2,484,302
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, 2013**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**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)**

***Criteria or specific requirement:***

This is a repeat of our prior year comment. The Authority is required to conduct an annual reexamination of family income and composition on an annual basis and in an accurate manner. The Authority is also required to submit current forms HUD-50058 for each family to HUD.

***Condition:***

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

In the case of two out of 25 tenant files selected for our testing, reported family annual income was inaccurate. Although correct upfront income information was available in the file, data entry errors caused the information from the previous recertification to be brought forward incorrectly.

In the case of three out of the same 25 tenant files, inaccurate HAP payment was identified due to malfunction of the automated process for determining HAP and rent share.

Further, in the case of three out of 40 tenant files selected, we noted that the Authority did not conduct the tenant annual reexamination and accordingly failed to submit forms HUD-50058 for these families in a timely manner.

***Questioned Costs:***

We are unable to determine the questioned cost.

***Effect:***

Late and inaccurate submission of forms HUD-50058 prevents HUD from obtaining proper income information through its monthly and quarterly computer matching program and also may result in ineligible payments and/or assistance on behalf of the families with an overdue annual reexamination of family income and composition.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

***Cause:***

The conditions were caused by the Authority's dependence on a software application with limited functionality and on internal controls and supervision that were not adequate to ensure that the Authority is consistently in full compliance with program eligibility requirements.

***Recommendation:***

We recommend that the Authority implement more effective policies and procedures and housing-industry-tested software with enough capability to ensure consistent fully-accurate determination of income eligibility and calculation of tenant rent payment. The policy and procedure should also ensure that tenant annual re-examinations conducted and forms HUD-50058 are submitted for each family to HUD in a timely and accurate manner.

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

The Authority is keenly aware of the inadequacy of the software we currently use. We are in the process of procuring new software that we anticipate will significantly increase accuracy and efficiency.

With regard to the two out of 25 files where the audit revealed that family income was inaccurate, it is relevant that, prior to the beginning of this Independent Auditor audit, staff initiated quality assurance audits of rent share calculation which uncovered data entry errors. As a result, a decision was made to implement a manual summary sheet to be completed prior to data entry to consolidate composition and information and serve to check accuracy. The Authority simply did not have the financial or staff resources to conduct an audit of 100% of the files. It clearly was not able to identify and correct the two cited files.

Regarding the three of the 25 tenant files having inaccurate HAP payments, the Authority's software failed to pass the current payment standards into the rent share calculation. The Authority's payment standards became effective October 1, 2012. The software issue was discovered and fixed in January, 2013. Staff continues to monitor the housing software periodically to ensure this does not occur in the future.

Regarding the issue of three out of 40 files where annual recertifications were not performed in a timely manner, the Authority concurs that it is not current in processing recertifications. Staff continues to struggle with the number and complexity of recertifications, including mandatory interim recertifications. Reduced administrative fee funding, prorated to only 69% of formula eligibility, has required staffing reductions that have impeded timely completion of the work and will likely continue to do so until the proration is increased to a realistic level. As a housing authority administering one of the highest proportions of billed portability contracts in the nation, reductions in the administrative fee funding formula disproportionately impact HACA because of the effect of the billed portability contract penalty.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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)**

***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 two out of 25 units selected for our testing, we noted that the Authority did not conduct the annual HQS inspection until two and five months, respectively, after the required inspection dates.

***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:***

None.

***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:***

Conducting annual inspections in a timely manner is a priority for the Authority. The Authority concurs that it was not current with all HQS inspections at the time of audit. The inspections component of the Authority's software has undergone significant modifications and intended enhancements over the past year with overall results adversely impacting the inspections process (scheduling, appointment notifications, deficiencies notifications, follow up on the deficiencies, and submitting the HUD-50058).

Staff continues to work with fewer staff assigned to the Inspections Team due to budget shortfalls directly related to administrative fee funding prorated at only 69% of formula eligibility. The Authority anticipates that new software that it is about to procure will provide far more robust inspections capability.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**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)**

***Criteria or specific requirement:***

For units under HAP contract that fail to meet HQS, the Authority must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified extension approved by the Authority. If the owner does not correct the cited HQS deficiencies within the specified correction period, the Authority must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract.

***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.

***Effect:***

Failed HQS inspections were not properly tracked.

***Questioned Costs:***

We are unable to determine the questioned cost.

***Cause:***

An error occurred during the fiscal year under audit in the Authority's information system used to track the HQS enforcement. Staff at the Authority had to manually follow up with the failed HQS inspections, which delayed HQS enforcement.

***Recommendation:***

We recommend the Authority evaluate its internal controls, including its information system, to ensure that the Authority is in compliance with all applicable requirements.

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

For several months, the Authority's software for tracking and monitoring the deficiencies in failed inspections stopped functioning, requiring the Authority to manually review all inspections conducted over a period of several months. This work began as soon as the tracking tool malfunctioned and continued for many months. The Authority has been working on this project on an on-going basis. In addition, the Authority's Inspections Team saw cutbacks in staffing due to reductions in administrative fee funding. It took more time to clear the repairs than allowed by regulation but in each case the deficiencies have been cured, the HAP has been abated or the contract terminated.

The Authority anticipates that new software that it is about to procure will provide far more robust inspections capability.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013**

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

**Finding 2012-1: Eligibility**  
**Federal Agency: Department of Housing and Urban Development**  
**Program Affected: Housing Choice Voucher Program (CFDA # 14.871)**

Implemented.  
Partially implemented. See  
current year finding 2013-  
001

**Condition:**

In the prior year, we noted in the case of 3 out of 25 tenant files selected for our testing, an inaccurate HAP payment was identified. In the case of 4 out of the same 25 tenant files, the Authority did not conduct the tenant annual reexamination and accordingly failed to submit forms HUD-50058 for these families in a timely manner.

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**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**STATEMENT OF ACTUAL PROJECT COST AND FUNDING**  
**THE CAPITAL FUND PROJECT -**  
**PROJECT NO. CA39P06750112**

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 **Patel &**  
**Associates**  
Certified Public Accountant

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HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA

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**INDEPENDENT AUDITOR'S REPORT**

**Report on the Statement**

We have audited the Housing Authority of the County of Alameda's (the Authority) Statement of Actual Project Cost and Funding (the Statement), through June 30, 2013, pertaining to the Development of the Authority, Project No. CA39P06750112, and the related notes, which collectively comprise the Statement as listed in table of contents.

***Management's Responsibility for the Statement***

Management is responsible for the preparation and fair presentation of the Statement 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 an opinion on the Statement 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 Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, 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 Statement 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 Statement.

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

***Opinion***

In our opinion, the Statement referred to above present fairly, in all material respects, the actual cost of the above project of the Authority, through June 30, 2013, on the basis of accounting described in Note 2 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Patel & Associates*  
Oakland, California  
March 21, 2014

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA**  
**HAYWARD, CALIFORNIA**  
**STATEMENT OF ACTUAL PROJECT COST AND FUNDING**  
**THE CAPITAL FUND PROJECT -**  
**PROJECT NO. CA39P06750112**

Project funding		
HUD grant	\$	<u>235,378</u>
Project cost		
Operations	\$	73,079
Dwelling structure		91,121
Non-dwelling equipment		<u>71,178</u>
Total cost	\$	<u><u>235,378</u></u>

Notes:

- (1) The distribution of cost by major cost accounts as shown on the Statement of Actual Project Cost and Funding is in agreement with the Authority's records.
- (2) All development work in connection with the Project has been completed.
- (3) All development costs have been paid and all related liabilities have been discharged through payment.
- (4) The Authority did not incur any budget overruns.

**HOUSING AUTHORITY OF THE COUNTY OF ALAMEDA  
HAYWARD, CALIFORNIA  
NOTES TO STATEMENT OF ACTUAL PROJECT COST AND FUNDING**

**NOTE 1: ORGANIZATION**

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 two 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.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Statement of Actual Project Cost and Funding has been prepared in conformity with the accounting and reporting standards prescribed by HUD in the Audit Guide for Auditing Development Costs of HUD Projects. These standards differ in some respects from U.S. generally accepted accounting principles mainly due to the following additional HUD accounting and reporting principles:

- (a) Costs are to be exclusive of kickbacks, rebates or trade discounts. For this project, there were no kickbacks, rebates or trade discounts.
  
- (b) Financing charges are limited to the lesser of amounts actually paid, or amounts approved by HUD. For this project, there were no financing charges paid.

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, 2013, 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 21, 2014 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. **Bank Reconciliation Review**

**Finding:**

Although we were advised that all bank reconciliations are approved by a responsible employee, no indication of such review was evident on the reconciliations selected for review.

**Recommendation:**

We recommend that:

- The reconciliations be signed and dated by employees preparing them. The reviewer should also sign indicating that the reconciliations were reviewed and approved. Preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.
- The reconciliations be signed by an individual other than the preparer as an indication of approval. Doing so would take little additional time and might even prevent time from being wasted by inadvertent review of reconciliations that had already been reviewed.

**Response:**

We concur with the finding and have, as of March 17, 2014, implemented the recommendation to add preparer and reviewer signature lines to the bank reconciliation form that we currently use. The current procedure already involves preparation by the Accountant of the monthly bank reconciliations of all HACA and PACH accounts. The current procedure also already has the Finance Director reviewing the reconciliations and investigating any discrepancies and correcting them in a timely manner.

**2. Capitalization Policy for Bulk Purchase**

**Finding:**

A bulk purchase policy generally refers to capitalization guideline when acquiring significant quantity of small similar items at one time, where the individual unit price falls under the original threshold. The Authority does not have a bulk purchase policy and currently expenses all the bulk purchases regardless of the aggregated amount involved, which could result in distortion of financial statements.

**Recommendation:**

We recommend the Authority to develop a separate capitalization threshold level for bulk purchases.

**Response:**

We concur that the Authority should develop a separate capitalization threshold level for bulk purchases. A recommendation to the Board of Commissioners will be forthcoming to expand the Housing Authority's current Capitalization Policy to include bulk purchases of similar items that have an aggregate value of \$3,000 or more. The total cost will be captured as a fixed asset regardless of the individual price of the items and subsequently depreciated over the asset's estimated useful life, with no salvage value, using the half-year convention straight-line method of depreciation.

*Pamela Asouvalis*  
Oakland, California  
March 21, 2014