

**HOUSING AUTHORITY
OF THE CITY OF ALAMEDA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
FINANCIAL STATEMENTS
JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the
City of Alameda
Alameda, California

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Alameda, California, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the City of Alameda, California's, management. 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 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Alameda, California, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the Housing Authority of the City of Alameda, California's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the 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 basis 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 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Alameda, California's financial statements as a whole. The accompanying supplementary information which includes the Schedule of Expenditures of Federal Awards and the Financial Data Schedule are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements of the Housing Authority of the City of Alameda, California. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basis financial statements taken as a whole.

Wallace Rowe & Associates

September 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Housing Authority of the City of Alameda (the Authority) we offer readers of the Authority's financial statements this narrative, overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented in this report.

The financial statements for the fiscal year 2012 are being issued in the format prescribed by the provisions of Government Accounting Standards Board Statement Number 34 (or GASB 34), which requires the Authority to provide this overview of its financial statements for the fiscal year. Please read it in conjunction with the Basic Financial Statements.

The Housing Authority of the City of Alameda primarily provides housing assistance to low income families and individuals. The primary sources of funding are through governmental grants received from the U.S. Department of Housing and Urban Development ("HUD"), and rent collections from its owned units.

The following management discussion and analysis (MD&A) will discuss the results of the authority's operations. Key financial information for the current fiscal year will be compared with those of the prior year.

Financial Highlights

- As stated above, the two primary sources of revenue are governmental grants and rents collected from owned units. These combined amounts totaled \$33,742,095 in fiscal year 2012 as compared to \$32,349,931 in fiscal year 2011.
- The assets of the Authority exceeded its liabilities at June 30, 2012 by \$29,695,360, as opposed to \$27,389,804 at June 30, 2011.
- Total assets at June 30, 2012 were \$67,933,916. Of this, \$21,981,372 represents current assets, \$45,952,544 are non-current assets consisting of \$13,720,286 of notes receivable and \$32,232,258 invested in capital assets, net of accumulated depreciation.
- Cash, cash equivalents, and investment balances for the fiscal year 2012 were \$15,350,108, representing an increase of \$2,411,049 over the prior year's balance of \$12,939,059.
- Operating revenues for the fiscal year 2012 were \$34,178,289 and operating expenses were \$31,316,711.
- Additions to fixed assets for the fiscal year amounted to \$1,051,171. There were no fixed assets either sold or otherwise disposed of during fiscal year 2012. Fixed assets are reflected at cost, less accumulated depreciation.
- Expenditures of Federal Awards amounted to \$25,090,410.
- The major program expenditure, as reflected on the Statement of Revenues, Expenses, and Changes in Net Assets, was for Housing Assistance Payments.
- Total expenditures for Housing Assistance payments were \$23,365,830 for the fiscal year 2012. This reflects an increase of \$640,953 from fiscal year 2011 balance of \$22,724,877.
- Long term liabilities decreased by \$382,637 from June 30, 2011 to June 30, 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of a Statement of Net Assets, Statement of Changes in Net Assets, Statement of Cash Flows and Notes to the Financial Statements.

Fund Financial Statements. 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. Some programs are required to be established by the United States Department of Housing and Urban Development (HUD). However, the Authority also administers other programs to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other moneys. All of the funds of the Authority are classified as an enterprise housing fund as a result of GASB 34.

Enterprise funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. The focus of enterprise funds is on income measurement, which together with the maintenance of equity is an important financial indication.

The *Statement of Net Assets* presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Changes in Net Assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* presents the change in the Authority's cash and cash equivalents during the most recent fiscal year.

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

Supplemental Information

The schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The schedule of Federal Awards can be found in the Supplemental Information section of this report.

Financial Analysis

As we noted earlier, the Authority uses funds to help it control and manage money for particular purposes. A portion of the Authority's net assets reflect the investment in capital assets (e.g. land, buildings and improvements, furniture, equipment and machinery). The Authority uses these capital assets to provide services to clients; consequently, these assets are not available for future spending.

As indicated in the Financial Highlights, the net assets of the Authority increased during the fiscal year. The Authority receives subsidies and administrative fees to operate the Housing Choice Voucher program. During the fiscal year HUD once again notified Public Housing Authorities of the method in which the subsidies would be calculated.

Debt

The long-term debt includes mortgage loans and notes payable. We present more detail about our long-term liabilities in Note 5 to the financial statements.

Economic Factors

The Authority is primarily dependent upon HUD for the funding of operations. Therefore, the Authority is affected more by the federal budget than by state or local economic conditions. Changes in HUD subsidy affects the number of households that can be assisted under these federally funded programs on an ongoing basis. Due to the increasing need for affordable housing, it appears that funds received under these programs will be fully utilized.

Budgetary Highlights

An agency-wide budget was prepared for the fiscal year ended June 30, 2012. The budget was primarily used as a management tool. Budgets are prepared in accordance with the accounting procedures prescribed by the applicable funding agency and revised during the year as appropriate.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
COMPARATIVE STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Enterprise Fund</u>		<u>Percentage</u>
	<u>2012</u>	<u>2011</u>	<u>Change</u>
Assets			
Current Assets	\$ 21,981,372	\$ 13,196,243	66.6%
Notes receivable	13,720,286	243,109	5,543.7
Capital Assets (net of accumulated depreciation)	<u>32,232,258</u>	<u>32,334,795</u>	<u>(0.3)</u>
Total Assets	<u>\$ 67,933,916</u>	<u>\$ 45,774,147</u>	<u>48.4%</u>
Liabilities			
Current Liabilities	\$ 22,207,361	\$ 1,970,511	1027.0%
Non-current Liabilities	<u>16,031,195</u>	<u>16,413,832</u>	<u>(2.3)</u>
Total Liabilities	<u>38,238,556</u>	<u>18,384,343</u>	<u>108.0</u>
Net Assets			
Invested in Capital Assets, net of related debt	15,885,439	15,613,155	1.6
Restricted Assets	2,563,377	2,267,987	13.0
Unrestricted Assets	<u>11,246,544</u>	<u>9,508,662</u>	<u>18.3</u>
Total Net Assets	<u>\$ 29,695,360</u>	<u>\$ 27,389,804</u>	<u>8.4%</u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
COMPARATIVE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	<u>Enterprise Fund</u>		<u>Percentage</u>
	<u>2012</u>	<u>2011</u>	<u>Change</u>
<u>Operating Revenues</u>			
Grants	\$ 30,647,144	\$ 29,390,234	4.3%
Rents	3,094,951	2,959,697	4.6
Other	<u>436,194</u>	<u>249,207</u>	<u>75.0</u>
Total Operating Revenues	<u>34,178,289</u>	<u>32,599,138</u>	<u>4.8</u>
<u>Operating Expenses</u>			
Administration	3,268,169	3,147,282	3.8
Utilities	556,437	541,663	2.7
Maintenance	2,425,928	2,415,993	0.4
Tenant services	122,593	117,600	4.2
Protective services	210,000	210,000	0.0
General	214,047	215,327	(0.60)
Housing Assistance Payments	23,365,830	22,724,877	2.8
Depreciation	<u>1,153,707</u>	<u>1,080,454</u>	<u>6.8</u>
Total Operating Expenses	<u>31,316,711</u>	<u>30,453,196</u>	<u>2.8</u>
Operating Income (Loss)	<u>2,861,578</u>	<u>2,145,942</u>	<u>33.3</u>
<u>Non-Operating Revenue (Expenses)</u>			
Investment Income	60,350	53,212	13.4
Interest Expense	(616,372)	(624,550)	(1.3)
Gain on Acquisition of Capital Assets	<u>-</u>	<u>1,750,939</u>	
Net Non-Operating Revenue (Loss)	<u>(556,022)</u>	<u>1,179,601</u>	<u>(147.1)</u>
Increase (decrease) in net assets	2,305,556	3,325,543	(30.7)
Net Assets, Beginning of Year	<u>27,389,804</u>	<u>24,064,261</u>	<u>13.8</u>
Net Assets, End of Year	<u>\$ 29,695,360</u>	<u>\$ 27,389,804</u>	<u>8.4%</u>

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation for its business-type activities as of June 30, 2012 was \$32,232,258 as reflected below. Additional information for the Authority's capital assets are found in Note 4 to the financial statements.

CAPITAL ASSETS (Net of Accumulated Depreciation) JUNE 30,

	<u>2012</u>	<u>2011</u>	<u>Percentage Change</u>
Non-Depreciable Assets:			
Land	\$ 13,412,054	\$ 13,412,054	0.0%
Depreciable:			
Buildings and improvements	18,771,539	18,851,844	(0.4)
Equipment	<u>48,665</u>	<u>70,897</u>	<u>(31.4)</u>
Total	<u>\$ 32,232,258</u>	<u>\$ 32,334,795</u>	<u>(0.3)%</u>

Requests for information

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Manager at the Housing Authority of the City of Alameda, 701 Atlantic Avenue, Alameda, CA 94501.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	<u>Enterprise Fund</u> <u>Housing</u>
<u>ASSETS</u>	
Current Assets:	
Cash and investments (Note 3)	\$ 15,350,108
Due from other governments	6,378,226
Tenant accounts receivable (net of allowance for doubtful accounts)	79,637
Accounts receivable - other	48,527
Interest receivable	31,304
Prepaid expenses	84,735
Inventory	<u>8,835</u>
Total current assets	<u>21,981,372</u>
Notes receivable	13,720,286
Capital assets, net of accumulated depreciation of \$18,689,102 (Note 4)	<u>32,232,258</u>
Total noncurrent assets	<u>45,952,544</u>
Total assets	<u><u>\$ 67,933,916</u></u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable-vendors	\$ 443
Interest payable	718,744
Tenant security deposits	488,876
Accrued liabilities	620,735
Deferred revenue (Note 11)	19,874,717
Notes payable - current	396,560
Compensated absences	<u>107,286</u>
Total current liabilities	<u>22,207,361</u>
Long term debt (Note 5)	
Compensated absences	80,936
Notes payable	<u>15,950,259</u>
Total noncurrent liabilities	<u>16,031,195</u>
Total liabilities	<u><u>38,238,556</u></u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	15,885,439
Restricted	2,563,377
Unrestricted	<u>11,246,544</u>
Total Net Assets	<u><u>\$ 29,695,360</u></u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Operating Revenues</u>	
Grants	\$ 30,647,144
Rents	3,094,951
Other	<u>436,194</u>
Total operating revenues	<u>34,178,289</u>
<u>Operating Expenses</u>	
Administration	3,268,169
Utilities	556,437
Maintenance	2,425,928
Tenant services	122,593
Protective services	210,000
General	214,047
Housing assistance payments	23,365,830
Depreciation	<u>1,153,707</u>
Total operating expenditures	<u>31,316,711</u>
Operating income (loss)	<u>2,861,578</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment income	60,350
Interest expense	<u>(616,372)</u>
Net non-operating revenue (expenses)	<u>(556,022)</u>
Change in net assets	2,305,556
Net assets, beginning of year	<u>27,389,804</u>
Total net assets, ending	<u>\$ 29,695,360</u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Cash flows from operating activities:</u>	
Cash received from grants	\$ 30,646,760
Cash received from rents	3,083,337
Other cash receipts	415,422
Cash payments to suppliers, consultants, and landlords	(29,398,083)
Cash payments to employees	(409,114)
Net cash provided (used) in operating activities	<u>4,338,322</u>
<u>Cash flows from capital and related financing activities:</u>	
Acquisition of fixed assets	(1,051,171)
Principal paid on capital debt	(374,821)
Interest paid on capital debt	(563,286)
Net cash (used) by capital and related financing activities	<u>(1,989,278)</u>
<u>Cash flows from investing activities:</u>	
Interest received	<u>62,005</u>
Net cash provided by investing activities	<u>62,005</u>
Net increase (decrease) in cash	2,411,049
Cash at beginning of year	<u>12,939,059</u>
Cash at end of year	<u>\$ 15,350,108</u>
<u>Reconciliation of operating income (loss) to net cash</u> <u>provided (used) by operating activities:</u>	
Operating income (loss)	\$ 2,861,578
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,153,707
Changes in assets and liabilities:	
Increase in accounts receivable	(32,386)
Increase in due from other governments	(384)
Decrease in prepaid expenses	53,764
Decrease in inventories	811
Increase in accounts payable	52
Increase in tenants' security deposits payable	24,820
Increase in compensated absences	32,270
Increase in other accrued liabilities	244,090
Net cash used by operating activities	<u>\$ 4,338,322</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - DEFINITION OF REPORTING ENTITY

The Housing Authority of the City of Alameda (the Authority) was established on August 8, 1940 by a resolution of the City of Alameda City Council. The Authority is governed by a seven member Board of Commissioners which are appointed by the Alameda, California City Council. Two members of the Board of Commissioners are participants in programs administered by the Commission. The members of the Commission are selected to serve for either two or four year terms.

During the year ended June 30, 2012, the Authority did not exercise oversight responsibility over any other organizations. The financial statements present information for the activities of only that portion of funds and account groups of the Housing Authority of the City of Alameda. These financial statements do not present information of any other component unit or department of the City of Alameda.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB 34 requires that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and Statement of Activities display information about the primary government (the Authority). These statements include the financial activities of the overall Authority. These statements distinguish between the *governmental and business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties. There were no governmental type activities for the Authority for fiscal year 2012.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Authority and for each function of the Authority's governmental activities (if such activities were to exist). Direct expenses are those that are specifically associated with a program or function and, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to the operations of a particular program. Revenues that are not classified as program revenues are presented as general revenues. Revenues such as operating grants, rents, and other miscellaneous fees are recorded as operating revenues. Revenues such as investment earnings are recorded as non-operating revenues.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 2 (continued)

Fund Financial Statements: The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. There are no governmental fund types for this Authority.

Fiduciary Funds: The Private Purpose Trust Fund accounts for assets held in trust for the benefit of individuals, private organizations, and other governments.

B. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when related cash flows take place.

Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary Fund Types

Proprietary funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

Fiduciary Fund Types

Fiduciary funds are unlike all other types of funds, reporting only assets and liabilities. So fiduciary funds cannot be said to have a measurement of focus. Since they do not report equity, they cannot present an operating statement reporting changes in equity. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Fixed Assets

Fixed assets are valued at historical cost. Contributed general fixed assets are recorded at fair market value at the time received. Interest expense incurred during the development period is capitalized.

Fixed assets include all land and site improvements thereon; all dwelling and non-dwelling structures, including fixtures permanently attached thereto or installed in a fixed position; and all items of nonexpendable equipment acquired and held for the projects. It also includes items of expendable equipment paid for from funds provided for the development of the projects.

Maintenance, minor repairs and replacements are recorded as expenses; extraordinary replacements of property resulting in property betterments are charged to the property accounts.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 2 (continued)

Depreciation is charged to operations using the straight-line method based on the estimated useful life of the related asset. The estimated useful lives of the various asset categories are as follows:

Buildings	40 years
Improvements	15 years
Equipment and vehicles	5 to 10 years

D. Receivables

All receivables are reported at their gross value tenants' accounts receivable which will be reduced by an allowance for doubtful accounts if such an amount is considered applicable.

E. Income Taxes

The Authority is exempt from Federal Income and California Franchise Taxes.

F. Encumbrances

Encumbrance accounting is not employed by the Authority.

G. Inventories

Inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventory consists of expendable maintenance supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories on hand at the fiscal year end are reported as assets.

H. Employee Leave Benefits

Regular full-time employees earn from 10 to 25 vacation days per year, depending upon their length of employment. Each employee also earns 12 sick leave days per year. Unused annual leave may be accumulated not to exceed 10 days in addition to that accrued in the current calendar year. Unused sick leave will be allowed to accumulate, however, no sick leave is paid to the employee upon his termination from the Authority. An employee terminating employment shall be paid for any accumulated annual leave at their current hourly rate of pay.

I. Operating and Non-Operating Revenues and Expenses

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 essential equal values. Non-operating revenues such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, housing assistance payments to landlords, and depreciation on capital assets. Expenses not meeting this definition are reported as non-operating expenses.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 2 (continued)

J. Grant Restrictions

The Authority has received loans and grants from the U.S. Department of Housing and Urban Development to build and improve housing projects. The grants require that only individuals and families that meet various income, age and employment standards be housed or aided.

K. Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued, which was September 28, 2012.

Note 3 - CASH AND INVESTMENTS

A. Policies

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the authority ahead of general creditors of the institution.

The Authority and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the Authority employs the Trust Department of a bank as the custodian of certain managed investments, regardless of their form.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of those adjustments in income for that fiscal year.

Cash and cash equivalents are considered to be liquid assets for purposes of measuring cash flows.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 3 (continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agency agreements. Cash and investments as of June 30, 2012 are as follows:

Cash and cash equivalents	\$ 14,658,568
Investments with trustees	<u>691,540</u>
Total cash and investments	<u>\$ 15,350,108</u>

The \$14,658,568 of cash and equivalents reflects \$1,589,323 maintained on deposit in banks, \$250 of petty cash, and \$13,068,995 deposited in the State of California Local Agency Investment Fund (LAIF). Of the amounts deposited into banks and certificates of deposit, \$250,000 is covered by federal deposit insurance. The remaining \$1,339,223 as previously stated is required by California law to be collateralized by governmental securities with a market value of 110% of the deposit or with first trust deed mortgages with a value of 150% of the uninsured amount.

The \$691,540 of investments with trustees reflects amounts held by trust departments of various Authority lending agencies. These amounts will be used for future rehabilitation and operating costs of the Authority's multifamily projects. Investments are carried at fair value.

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

The Authority's investment policy and the California Government Code allow the Authority to invest in the following, provided rating of the issuers are acceptable to the Authority; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Authority's investment policy where the Authority's Investment Policy is more restrictive.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment One Issuer</u>
Repurchase Agreements	N/A	N/A	N/A	N/A
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	N/A	N/A
U.S. Treasury Bonds, Notes & Bills	N/A	N/A	N/A	N/A
U.S. Agency & U.S. Government	N/A	N/A	N/A	N/A
Bankers acceptances	270 Days	N/A	40%	30%

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 3 (continued)

Negotiable Certificates of Deposit	N/A	AA	30%	N/A
Time Certificates of Deposit	N/A	N/A	30%	N/A
Medium Term Corporate Notes	5 Years	N/A	30%	N/A
Money Market Mutual Funds	N/A	AAA	20%	N/A
County Agency Investment fund	Upon Demand	N/A	30%	N/A
Reverse Repurchase Agreements	N/A	N/A	N/A	N/A

D. Investments authorized by Debt Agreements and Governmental Grants

The Authority must maintain required amounts of cash and investments or fiscal agents under terms of certain debt issues and governmental grants. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Authority fails to meet its obligations under these debt issuances or governmental grants. The California Government Code requires these funds to be invested in accordance with Authority policies, bond indentures or State Statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum in Investment In One Issuer</u>
For U.S. Department of Housing and Urban Development Funds				
Repurchase Agreements	N/A	N/A	No Limit	No Limit
U.S. Government Obligations & Agencies	No Limit	N/A	No Limit	No Limit
State Obligations	N/A	N/A	No Limit	No Limit
Commercial Paper	N/A	N/A	No Limit	No Limit
Bankers acceptances	270 Days	N/A	40%	30%
Certificates of Deposit	N/A	N/A	30%	No Limit
Time Deposits	N/A	N/A	No Limit	No Limit
Qualified Financial Institution				
General Obligations	Upon Demand	AAA	No Limit	No Limit
Money Market Mutual Funds	N/A	AAA	20%	No Limit
U.S. Treasury Bills, Notes and Bonds	No Limit	N/A	No Limit	No Limit

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 3 (continued)

For Non U.S. Department of
Housing and Urban
Development Funds

Prime Commercial Paper	180 Days	Highest Rating	15%	30%
Medium Term Notes	5 Years	A	30%	N/A
City of Alameda Bonds	N/A	N/A	No Limit	No Limit
State of California Obligations	N/A	N/A	No Limit	No Limit
U.S. Government Obligations and Agencies	N/A	N/A	No Limit	No Limit
Bankers Acceptances	270 Days	N/A	40%	30%
Certificates of Deposit	N/A	N/A	30%	No Limit
Repurchase Agreements	N/A	N/A	No Limit	No Limit
Money Market Mutual Funds	N/A	N/A	No Limit	No Limit
Trust Indentures	N/A	N/A	No Limit	No Limit
Mortgage & Equipment Lease Obligations	5 Years	AA	30%	No Limit

E. Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Authority's investments (including investments held by bond trustees) to market rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>One to Five Years</u>	<u>More Than Five Years</u>	<u>Total</u>
U.S. Treasury Notes and Bills	\$ 691,540	\$ -	\$ -	\$ 691,540
Local Agency Investment Fund	13,068,995	-	-	13,068,995
Total Investments	<u>\$ 13,760,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,760,535</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 3 (continued)

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2012 for each Authority investment type as provided by Standard and Poor's except as noted:

<u>Investment Type</u>	
Not Rated:	
Local Agency Investment Fund	\$ 13,068,995

G. Concentration of Credit Risk

The Authority is required to disclose investments that represent a concentration of five percent or more of investments in any issuer, held by individual Authority Funds in the securities of issuers other than U.S. Treasury securities, mutual funds and external investment pools. At June 30, 2012 there were no investments of this type.

Note 4 - FIXED ASSETS

The following is a summary of the Authority's changes in fixed assets for the fiscal year ended June 30, 2012:

	<u>Balance 7/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/12</u>
Land	\$ 13,412,054	\$ -	\$ -	\$ 13,412,054
Buildings & Improvements	36,160,985	1,051,171	-	37,212,156
Equipment	<u>297,150</u>	<u>-</u>	<u>-</u>	<u>297,150</u>
	<u>\$ 49,870,189</u>	<u>\$ 1,051,171</u>	<u>\$ -</u>	50,921,360
Less accumulated Depreciation				<u>(18,689,102)</u>
Fixed assets, net				<u>\$ 32,232,258</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 5 - LONG-TERM DEBT

Following is a summary changes in long-term debt for the year ended June 30, 2012:

	Balance 7/1/11	Additions	Deletions	Balance 6/30/12	Current Portion
ARCS Comm. Co. L.P.	\$ 6,189,550	\$ -	\$ 122,697	\$ 6,066,853	\$ 130,051
Greystone Financial	8,120,990	-	234,034	7,886,956	247,408
Notes Payable – City of Alameda	1,083,578	-	1,338	1,082,240	1,353
Note Payable – County of Alameda	942,650	-	-	942,650	-
Notes Payable - Other	384,872	-	16,752	368,120	17,748
Compensated Absences	<u>155,952</u>	<u>32,270</u>	<u>-</u>	<u>188,222</u>	<u>-</u>
	<u>\$ 16,877,592</u>	<u>\$ 32,270</u>	<u>\$ 374,821</u>	<u>\$ 16,535,041</u>	<u>\$ 396,560</u>

The following is a schedule of debt payment requirements to maturity for long-term obligations other than compensated absences:

Year Ending June 30	Principal	Interest	Total Payments
2013	\$ 396,560	\$ 602,798	\$ 999,358
2014	419,508	584,334	1,003,842
2015	443,785	584,334	1,028,119
2016	469,469	544,156	1,013,625
2017	496,640	522,315	1,018,955
2018-2022	2,949,179	2,237,313	5,186,492
2023-2027	3,881,089	1,469,086	5,350,175
2028-2032	4,060,619	520,596	4,581,215
2033-2037	1,336,941	49,555	1,386,496
2038-2042	46,846	-	46,846
2043-2047	41,221	-	41,221
2048-2052	33,638	-	33,638
2053-2057	828,628	-	828,628
2058-2062	-	-	-
2063-2067	<u>942,696</u>	<u>1,933,741</u>	<u>2,876,437</u>
	<u>\$ 16,346,819</u>	<u>\$ 9,048,228</u>	<u>\$ 25,395,047</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 5 (continued)

The deed of trust note dated April 1, 2005 of \$6,800,000 for the Parrot Village and Eagle Village Apartments with ARCS Commercial Co. L.P. accrues interest at a variable rate based upon the weekly short term bond reset rate. The note requires annual payments of principal and interest in amounts at least totaling \$340,016. The note matures April 15, 2035. The outstanding balance on the note at June 30, 2012 was \$6,066,853.

Four other notes are secured by deeds of trust on six properties located throughout the City of Alameda. These notes were issued during the fiscal years ended June 30, 1997 and June 30, 2004. The notes have interest rates ranging from 5.05% to 6.72% per annum and require annual principal and interest payments totaling \$37,298. These notes have a balance owing of \$368,120 as of June 30, 2012.

Issued during the fiscal year ended June 30, 1997 were two deferred loans from the City of Alameda. These loans were issued for \$518,600 and carry no interest rate. They are secured by deeds of trust on nine properties located in Alameda, California. One of the notes is deferred until January 1, 2027. The combined balances outstanding on these notes at June 30, 2012 was \$512,240.

A promissory note agreement for \$570,000 was entered into with the City of Alameda on June 18, 1998. This note bears interest at 3% per annum. Both interest and principal payments on this loan are deferred until the note's due date of June 30, 2057.

The mortgage note payable to Greystone Servicing Corporation was entered into on August 25, 1998. It is payable in monthly installments of \$56,705, including principal and interest at 5.57%. Final payment is due February 1, 2031. The outstanding balance on this loan at June 30, 2012 was \$7,886,956.

The Authority entered into two separate note payable agreements with the County of Alameda. One of the notes for \$536,400 was entered into on March 15, 2012 and the other note for \$380,000 was entered into on September 1, 2009. Both of these notes bear interest at 3% per annum. Principal and interest are payable throughout the term of these loans if there are "Residual Receipts" as defined by the loan agreements. A final payment is due on the outstanding loans principal and accrued interest on the earlier of (1) the date of transfer of the properties, (2) the date of any defaults on the loans, (3) July 30, 2067. The combined outstanding balances on these loans at June 30, 2012 was \$916,400.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 5 (continued)

The Authority assumed a loan payable originally entered into by the Filipino American Community Services Agency payable to the County of Alameda. The principal balance assumed and outstanding at June 30, 2012 is \$26,250. This note bears no interest. However, if this note is not paid when due the note will bear interest at 7% per annum for each day the note is not paid in full. The note is payable upon sale or transfer of the property whose deed of trust secures the note.

Note 6 - COMPENSATED ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused vacation leave up to a maximum of their annual accrual rate plus 10 days. This leave will be used in future periods or paid to employees upon separation from the Authority. Accrued vacation leave has been valued by the Authority and has been recorded at \$188,222 as of June 30, 2012.

It is the Authority's policy to permit employees to accumulate earned but unused sick leave, however, the value of unused sick leave is not payable upon separation from the Authority.

Note 7 - OPERATING LEASE

The Authority on March 14, 2003 entered into a lease agreement with the Resources for Community Development (RCD) to lease land to RCD until March 14, 2078. Total rental income for the year ended June 30, 2012 under the lease agreement was \$1.

At June 30, 2012, the future rental income required under the lease for the land is as follows:

Fiscal Year	
<u>Ending</u>	
2013	1
2014	1
2015	1
2016	1
2017	1
Thereafter	<u>60</u>
	<u>\$ 65</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 8 - PENSION PLAN

Public Employees Retirement System

Plan Description: Effective April 22, 2012 the Authority became a member of the California Public Employees Retirement System (PERS), a cost sharing multiple-employer defined pension plan administered by PERS. The PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and the Housing Authority. The PERS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. That report may be obtained from their executive office, 400 "P" Street, Sacramento, California, 95814.

Funding Policy and Annual Pension Cost: Plan members are required to contribute 7% of their annual covered salary, and the Housing Authority of the City of Alameda is required to contribute at an actuarially determined rate. The current rate for the Authority is 12.447% of covered payroll. The contribution requirements of plan members and the Housing Authority of the City of Alameda are established by resolutions and contracts of the Housing Authority and may be amended by PERS. The Housing Authority's contributions to PERS for the fiscal year ended June 30, 2012 were as follows:

Trend Analysis

<u>Plan</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
Regular employees	6/30/12	\$ 60,000	0%	\$ 60,000

The above pension costs reflect only the Employer's required contributions (normal cost) and exclude the required employee contributions.

Prior to April 22, 2012 workers at the Authority were employees of the City of Alameda, California and participated in the City's retirement plan. Information pertaining to this retirement plan is included in the annual financial report for the City of Alameda.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 9 - JOINT POWERS AGREEMENTS

Workers' Compensation Insurance

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, 2011, 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 for the year ended December 31, 2011, is as follows:

Total assets	\$ 22,820,914
Total liabilities	(13,764,696)
Total net assets	<u>\$ 9,056,218</u>
Total revenues	\$ 4,859,639
Total expenses	(8,892,349)
Net decrease in net assets	<u>\$ (4,032,710)</u>

CHWCA had \$13,152,596 of unpaid claims and claim adjustment expenses outstanding at December 31, 2011. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

Property and Liability Insurance

The Authority participates in a joint venture under a joint powers agreement (JPA) with the Housing Authorities Risk Retention Pool (HARRP). HARRP was formed to provide property and liability insurance coverage for member housing authorities. At December 31, 2011 there were 86 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2011 is as follows:

Total assets	\$ 32,768,241
Total liabilities	(6,705,607)
Minority interest	(15,133)
Total net assets	<u>\$ 26,047,501</u>
Total revenues	\$ 6,481,035
Total expenses	(7,268,446)
Minority income	(5,116)
Net increase (decrease) in net assets	<u>\$ (792,527)</u>

HARRP had \$2,228,699 in outstanding claims liabilities at December 31, 2011. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 10 - CONTINGENT LIABILITIES

Federal Grants

The Authority has received funds from various federal, state, 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 amount, 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 11 - SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California.

The Bill provides that upon dissolution of a redevelopment agency another unit of local government will agree to serve as the "successor agency" to hold the assets of the prior redevelopment agency until they are distributed to other units of state and local governments. On January 4, 2012 the Housing Authority of the City of Alameda's Board of Commissioners elected to become the Successor Agency for the Low and Moderate Income Housing Assets for the former Community Improvement Commission of the City of Alameda.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for all the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 11 (continued)

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due the Authority are valid enforceable obligations payable by the successor agency under the requirements of the Bill. The Authority's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial Authority that would resolve this issue unfavorably to the Authority.

In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the funds of the Community Improvement Commission of the City of Alameda. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in the financial statements of the Housing Authority of the City of Alameda.

At June 30, 2012 the Authority had received \$19,874,717 of assets to be used to pay enforceable obligations of the prior Community Improvement Commission of the City of Alameda. These amounts are reflected as deferred revenues on the Statement of Net Assets for the Authority at June 30, 2012.

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Housing and <u>Urban Development (HUD)</u>		
Direct Programs:		
Section 8 Housing Choice Vouchers	14.871	\$ 24,886,755
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	<u>203,655</u>
Total federal expenditures, all U.S. Department of Housing and Urban Development		<u>\$ 25,090,410</u>

This statement was prepared on the accrual basis of accounting.

The accompanying Independent Auditors' Report and notes are an integral part of this statement.

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**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***

To the Board of Commissioners
Housing Authority of the
City of Alameda
Alameda, California

We have audited the financial statements of the Housing Authority of the City of Alameda, California, as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012. 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.

Internal Control Over Financial Reporting

Management of the Housing Authority of the City of Alameda, California is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Housing Authority of the City of Alameda's internal control over financial reporting 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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Alameda, California's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Alameda, California's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the Board of Commissioners, others within the entity, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Wallace Rowe & Associates

September 28, 2012

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
Housing Authority of the
City of Alameda
Alameda, California

Compliance

We have audited the Housing Authority of the City of Alameda, California's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Housing Authority of the City of Alameda, California's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Alameda, California's management. Our responsibility is to express an opinion on the Housing Authority of the City of Alameda, California's compliance based on our audit.

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 material 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 Housing Authority of the City of Alameda, California'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. Our audit does not provide a legal determination of the Housing Authority of the City of Alameda, California's compliance with those requirements.

In our opinion, the Housing Authority of the City of Alameda, California complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of the Housing Authority of the City of Alameda, California is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of the City of Alameda, California's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report 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 Housing Authority of the City of Alameda, California'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and is not intended and should not be used by anyone other than these specified parties.

Wallace Rowe & Associates

September 28, 2012

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

The audit report for the fiscal year ended June 30, 2011, contained one audit finding regarding errors noted in the calculation of the individual housing assistance payments for participants in the Housing Choice Voucher Program. This finding did not continue to exist during the fiscal year ended June 30, 2012.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	no
Noncompliance material to financial statements?	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	yes
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a)?	no
Identification of major programs:	
Section 8 Vouchers Cluster Programs:	
Section 8 Housing Choice Vouchers	14,871
Dollar threshold to distinguish between Type A and Type B programs	\$ 752,712
Auditee qualified as low risk auditee?	yes
Section II - Financial Statement Findings	no
Section III - Federal Award Findings	no

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)
ALAMEDA, CA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2012

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.149 Rent Supplements_R ental Housing for Lower Income Families	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$80,648	\$50,872	\$735,310		\$64,920	\$931,750		\$931,750
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted		\$292,053	\$435,996	\$255,545			\$983,594		\$983,594
114 Cash - Tenant Security Deposits			\$154,519	\$334,627			\$489,146		\$489,146
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash		\$372,701	\$641,387	\$1,325,482	\$0	\$64,920	\$2,404,490		\$2,404,490
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects									
124 Accounts Receivable - Other Government		\$911		\$6,377,315			\$6,378,226		\$6,378,226
125 Accounts Receivable - Miscellaneous		\$6,629		\$30,186			\$36,815		\$36,815
126 Accounts Receivable - Tenants			\$2,774	\$91,541			\$94,315		\$94,315
126.1 Allowance for Doubtful Accounts - Tenants			\$0	\$-14,678			\$-14,678		\$-14,678
126.2 Allowance for Doubtful Accounts - Other		\$0		\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery		\$173,703					\$173,703		\$173,703
128.1 Allowance for Doubtful Accounts - Fraud		\$-161,991					\$-161,991		\$-161,991
129 Accrued Interest Receivable		\$1,705	\$259	\$29,339			\$31,304		\$31,304
120 Total Receivables, Net of Allowances for Doubtful Accounts		\$20,958	\$3,033	\$6,513,703	\$0	\$0	\$6,537,694		\$6,537,694
131 Investments - Unrestricted		\$358,495	\$182,503	\$10,750,794			\$11,291,792		\$11,291,792
132 Investments - Restricted		\$1,653,826					\$1,653,826		\$1,653,826
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets			\$32,853	\$51,882			\$84,735		\$84,735
143 Inventories				\$8,835			\$8,835		\$8,835
143.1 Allowance for Obsolete Inventories				\$0			\$0		\$0
144 Inter Program Due From									
145 Assets Held for Sale									
150 Total Current Assets		\$2,405,960	\$859,776	\$18,650,696	\$0	\$64,920	\$21,981,372		\$21,981,372

161 Land				\$2,159,925	\$11,252,129			\$13,412,054		\$13,412,054
162 Buildings				\$11,980,740	\$19,664,268			\$31,645,008		\$31,645,008
163 Furniture, Equipment & Machinery - Dwellings								\$297,150		\$297,150
164 Furniture, Equipment & Machinery - Administration			\$40,125	\$55,602	\$201,423					
165 Leasehold Improvements				\$406,445	\$5,160,703			\$5,567,148		\$5,567,148
166 Accumulated Depreciation			\$40,125	\$6,194,880	\$12,454,097			\$18,689,102		\$18,689,102
167 Construction in Progress										
168 Infrastructure										
169 Total Capital Assets, Net of Accumulated Depreciation			\$0	\$8,407,832	\$23,824,426	\$0	\$0	\$32,232,258		\$32,232,258
170 Notes, Loans and Mortgages Receivable - Non-Current										
171 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due										
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets										
176 Investments in Joint Ventures										
180 Total Non-Current Assets			\$0	\$8,407,832	\$37,544,712	\$0	\$0	\$45,952,544		\$45,952,544
190 Total Assets			\$2,405,980	\$9,267,608	\$56,195,408	\$0	\$54,920	\$67,933,916		\$67,933,916
311 Bank Overdraft										
312 Accounts Payable <= 90 Days				\$443				\$443		\$443
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable					\$27,726			\$27,726		\$27,726
322 Accrued Compensated Absences - Current Portion			\$28,752	\$20,492	\$58,042			\$107,286		\$107,286
324 Accrued Contingency Liability										
325 Accrued Interest Payable					\$718,744			\$718,744		\$718,744
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government										
341 Tenant Security Deposits				\$154,249	\$334,627			\$488,876		\$488,876
342 Deferred Revenues			\$1,783	\$31,064	\$19,889,807			\$19,922,654		\$19,922,654
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds				\$247,408	\$149,152			\$396,560		\$396,560
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities										
346 Accrued Liabilities - Other			\$106,728	\$132,406	\$305,938			\$545,072		\$545,072
347 Inter Program - Due To										
348 Loan Liability - Current										
310 Total Current Liabilities			\$137,263	\$566,062	\$21,484,036	\$0	\$0	\$22,207,361		\$22,207,361

351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$7,639,548	\$8,310,711		\$15,950,259	\$15,950,259
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current	\$21,692	\$15,459	\$43,785			\$80,936	\$80,936
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$21,692	\$7,655,007	\$8,354,496	\$0	\$0	\$16,031,195	\$16,031,195
300 Total Liabilities	\$158,955	\$8,241,069	\$29,838,532	\$0	\$0	\$38,238,556	\$38,238,556
508.1 Invested in Capital Assets, Net of Related Debt		\$520,876	\$15,364,563			\$15,885,439	\$15,885,439
511.1 Restricted Net Assets	\$1,871,836	\$435,696	\$255,545			\$2,563,377	\$2,563,377
512.1 Unrestricted Net Assets	\$375,189	\$69,667	\$10,736,768	\$0	\$64,920	\$11,246,544	\$11,246,544
513 Total Equity/Net Assets	\$2,247,025	\$1,026,539	\$26,366,876	\$0	\$64,920	\$29,695,360	\$29,695,360
600 Total Liabilities and Equity/Net Assets	\$2,405,980	\$9,267,608	\$56,195,408	\$0	\$64,920	\$87,933,916	\$87,933,916

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)
ALAMEDA, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2012

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	Supplements, Rental Housing for Lower Income Families	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$1,336,402	\$1,759,549			\$3,094,951		\$3,094,951
70400 Tenant Revenue - Other			\$8,195	\$41,613			\$49,808		\$49,808
70500 Total Tenant Revenue	\$0	\$0	\$1,344,597	\$1,800,162	\$0	\$0	\$3,144,759		\$3,144,759
70600 HUD PHA Operating Grants		\$24,886,755			\$0	\$203,655	\$25,090,410		\$25,090,410
70610 Capital Grants									
70710 Management Fee									
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue									
70800 Other Government Grants			\$1,051,228	\$4,505,506			\$5,556,734		\$5,556,734
71100 Investment Income - Unrestricted		\$723	\$1,266	\$51,129			\$53,120		\$53,120
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery		\$33,914					\$33,914		\$33,914
71500 Other Revenue		\$186,015	\$14,125	\$149,366		\$2,964	\$352,472		\$352,472
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted		\$7,230					\$7,230		\$7,230
70000 Total Revenue	\$0	\$25,114,637	\$2,411,218	\$6,506,165	\$0	\$206,619	\$34,238,639		\$34,238,639
91100 Administrative Salaries		\$911,224	\$285,896	\$646,228		\$38,600	\$1,881,948		\$1,881,948
91200 Auditing Fees		\$8,457	\$6,911	\$17,303			\$32,677		\$32,677
91300 Management Fee									
91310 Book-keeping Fee									
91400 Advertising and Marketing									
91500 Employee Benefit contributions - Administrative		\$310,552	\$97,339	\$228,587			\$637,078		\$637,078

91600 Office Expenses		\$43,951	\$22,016	\$27,975			\$93,954
91700 Legal Expense		\$11,902	\$4,829	\$13,126			\$29,857
91800 Travel		\$6,606	\$2,802	\$6,006			\$15,414
91810 Allocated Overhead							
91900 Other		\$337,892	\$45,420	\$193,929		\$577,241	\$577,241
91000 Total Operating - Administrative	\$0	\$1,630,594	\$465,615	\$1,133,160	\$0	\$38,600	\$3,268,169
92000 Asset Management Fee							
92100 Tenant Services - Salaries		\$35,825	\$21,715	\$42,446		\$99,986	\$99,986
92200 Relocation Costs				\$455		\$455	\$455
92300 Employee Benefit Contributions - Tenant Services		\$1,493	\$434	\$849		\$2,776	\$2,776
92400 Tenant Services - Other			\$900	\$18,476		\$19,376	\$19,376
92500 Total Tenant Services	\$0	\$37,318	\$23,049	\$62,226	\$0	\$122,593	\$122,593
93100 Water		\$1,703	\$45,275	\$129,630		\$176,608	\$176,608
93200 Electricity		\$7,934	\$45,749	\$70,354		\$124,037	\$124,037
93300 Gas		\$623	\$19,644	\$42,090		\$62,557	\$62,557
93400 Fuel							
93500 Labor							
93600 Sewer		\$479	\$33,439	\$159,317		\$193,235	\$193,235
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$0	\$10,939	\$144,107	\$401,391	\$0	\$556,437	\$556,437
94100 Ordinary Maintenance and Operations - Labor			\$275,665	\$578,391		\$854,056	\$854,056
94200 Ordinary Maintenance and Operations - Materials and Other		\$4,253	\$62,890	\$133,765		\$200,908	\$200,908
94300 Ordinary Maintenance and Operations Contracts		\$21,321	\$265,767	\$729,832		\$1,016,920	\$1,016,920
94500 Employee Benefit Contributions - Ordinary Maintenance			\$94,443	\$196,075		\$290,518	\$290,518
94000 Total Maintenance	\$0	\$25,574	\$698,765	\$1,638,063	\$0	\$2,362,402	\$2,362,402
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs		\$19,880	\$35,298	\$154,822		\$210,000	\$210,000
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$19,880	\$35,298	\$154,822	\$0	\$210,000	\$210,000
96110 Property Insurance			\$16,174	\$30,974		\$47,148	\$47,148
96120 Liability Insurance		\$3,063	\$2,269	\$12,862		\$18,194	\$18,194
96130 Workmen's Compensation		\$12,614	\$21,042	\$45,535		\$79,191	\$79,191

96140 All Other Insurance			\$7,219	\$39,180	\$7,219	\$47,121	\$47,121
96100 Total Insurance Premiums	\$0	\$16,399	\$96,590	\$78,665	\$0	\$191,654	\$191,654
96200 Other General Expenses							
96210 Compensated Absences							
96300 Payments in Lieu of Taxes							
96400 Bad debt - Tenant Rents		\$7,969	\$14,424		\$22,393	\$22,393	\$22,393
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$0	\$0	\$14,424	\$7,969	\$0	\$22,393	\$22,393
96710 Interest of Mortgage (or Bonds) Payable		\$446,424	\$169,948		\$616,372	\$616,372	\$616,372
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$169,948	\$446,424	\$0	\$616,372	\$616,372
96900 Total Operating Expenses	\$0	\$1,740,704	\$3,670,624	\$1,900,092	\$38,600	\$7,350,020	\$7,350,020
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$23,373,933	\$2,835,541	\$511,126	\$168,019	\$26,888,619	\$26,888,619
97100 Extraordinary Maintenance		\$6,286	\$57,240		\$63,526	\$63,526	\$63,526
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments		\$23,065,866			\$171,405	\$23,237,271	\$23,237,271
97350 HAP Portability-In		\$128,559			\$128,559	\$128,559	\$128,559
97400 Depreciation Expense			\$837,059	\$316,648	\$1,153,707	\$1,153,707	\$1,153,707
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$0	\$24,935,129	\$4,564,923	\$2,223,026	\$210,005	\$31,933,083	\$31,933,083
10010 Operating Transfer In							
10020 Operating Transfer Out							
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							

