

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
FINANCIAL STATEMENTS
JUNE 30, 2016**

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INDEPENDENT AUDITORS' REPORT

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

Report on the financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit, 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, 2016, 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.

Auditors' 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 entity'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 entity'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.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Alameda, California, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 and the Schedule of Funding Progress for OPEB on page 39, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 40, and the Schedule of the Authority's Pension Plan Contribution on page 41 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 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 Housing Authority of the City of Alameda, California's basic financial statements. The Schedule of Expenditures of Federal Awards on page 43 is required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards, and the accompanying Financial Data Schedule on pages 45 through 51 required by the U.S. Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Financial Data Schedule 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 Schedule of Expenditures of Federal Awards and the Financial Data Schedule 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 January 19, 2017 on our consideration of the Housing Authority of the City of Alameda, California'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 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 Housing Authority of the City of Alameda, California's internal control over financial reporting and compliance.

Cropper Rowe, LLP

Walnut Creek, California
January 19, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of Alameda's annual financial report presents a discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we furnished in our letter to the Board of Commissioners.

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

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of fiscal year 2016 resulting in a Net Position of \$55,764,313 at June 30, 2016 as opposed to \$31,066,682 at June 30, 2015.
- Total assets and deferred outflows of resources at June 30, 2016 were \$89,819,661. Of this, \$31,676,906 represents current assets, \$55,537,000 represents non-current assets, and \$2,605,755 represents deferred outflows of resources. Total assets and deferred outflows of resources at June 30, 2015 were \$82,358,760.
- Capital assets, net of accumulated depreciation at June 30, 2016 increased by \$3,490,236 from \$33,808,780 at June 30, 2015 to \$37,299,016 at June 30, 2016. Capital assets are reflected at cost, less accumulated depreciation for all purchased capital assets.
- Total liabilities and deferred inflows of resources at June 30, 2016 were \$34,055,348. Of this, \$3,117,095 represents current liabilities, \$29,960,120 represents non-current liabilities, and \$978,133 represents deferred inflows of resources. Total liabilities and deferred inflows of resources decreased from \$51,292,078 at June 30, 2015 to \$34,055,348 at June 30, 2016, a decrease of \$17,236,730.
- Total revenues for the Authority for fiscal year 2016 were \$56,051,784 versus \$36,868,548 for fiscal year 2015; an increase of \$19,183,236. The primary sources of revenue for 2016 were governmental grants, recognition of revenue from predecessor agency, and rents collected from the Authority's owned units. During 2016 \$17,492,110 of assets received from a predecessor redevelopment agency were recognized as revenues.
- Total expenses for the Authority for fiscal year 2016 were \$35,354,153 versus \$34,972,481 for fiscal year 2015; an increase of \$381,672. The major program expenditure, as reflected on the Combined Statement of Revenues, Expenses, and Changes in Net Position, was for housing assistance payments. There was \$23,978,146 of housing assistance payment expenses for fiscal year 2016. This represents an increase of \$996,276 of the \$22,981,870 amount for fiscal year 2015.
- Operating revenues for the Authority for fiscal year 2016 were \$38,357,148 and operating expenses were \$34,163,225. Operating revenues and expenses for fiscal year 2015 were \$36,770,181 and \$33,804,868 respectively.

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 Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows and Notes to the Financial Statements.

Government-Wide Financial Statements

The government-wide financial statements report information of the Authority as a whole, net of inter-program activity.

The *Statement of Net Position* presents information on the Authority's assets and liabilities, with the difference between the two reported as net position. 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 Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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 Housing Authority's cash and cash equivalents during the most recent fiscal year.

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 Position. The focus of enterprise funds is on income measurement, which together with the maintenance of equity, is an important financial indication.

Notes to the Basic Financial Statements

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.

Component Unit

As is more fully described in Note 1.A. the government-wide financial statements includes the financial information of the Island City Development (a California Nonprofit Corporation) a discrete component unit of the Housing Authority of the City of Alameda.

Supplementary Information

The schedule of expenditures of federal awards, the schedule of funding progress for OPEB, the Schedule of Funding Progress for PERS, and the financial data schedule are presented for purposes of additional analysis as required by the Governmental Accounting Standards Board Statements, the Uniform Guidance at 2 CFR 200 Subpart F, and the requirements of the U.S Department of Housing and Urban Development. These schedules can be found in the Supplementary Information sections of this report.

Financial Analysis

The Authority uses funds to help it control and manage money for particular purposes. A portion of the Authority's net position reflects 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.

Budgetary Highlights

An agency-wide budget was prepared for the fiscal year ended June 30, 2016. 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.

Comparative Statement of Net Position

The following table reflects the Statement of Net Position at June 30, 2016 compared to the prior fiscal year. The Authority is engaged only in Business-Type Activities.

Housing Authority of the City of Alameda Comparative Statement of Net Position June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Assets and Deferred Outflows:				
Current Assets	\$ 31,676,906	\$ 34,600,453	\$ (2,923,547)	(8.4)%
Notes receivable	18,237,984	13,558,920	4,679,064	34.5%
Capital Assets (net of accumulated depreciation)	37,299,016	33,808,780	3,490,236	10.3%
Deferred outflows	<u>2,605,755</u>	<u>390,607</u>	<u>2,215,148</u>	567.1%
Total Assets and Deferred Outflows	<u>\$ 89,819,661</u>	<u>\$ 82,358,760</u>	<u>\$ 7,460,901</u>	9.1%
Liabilities and Deferred Inflows:				
Current Liabilities	\$ 3,117,095	\$ 20,542,071	\$ (17,424,976)	(84.8)%
Non-current Liabilities	29,960,120	30,060,103	(99,983)	(0.3)%
Deferred inflows	<u>978,133</u>	<u>689,904</u>	<u>288,229</u>	41.8%
Total Liabilities and Deferred Inflows	<u>34,055,348</u>	<u>51,292,078</u>	<u>(17,236,730)</u>	(33.6)%
Net Position				
Net investment in Capital Assets	8,944,339	4,977,820	3,966,519	79.7%
Restricted	605,261	445,217	160,044	35.9%
Unrestricted	<u>46,214,713</u>	<u>25,643,645</u>	<u>20,571,068</u>	80.2%
Total Net Position	<u>\$ 55,764,313</u>	<u>\$ 31,066,682</u>	<u>\$ 24,697,631</u>	79.5%

Comparative Statement of Revenues, Expenses, and Changes in Net Position

The following table presents the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2016 compared to the prior fiscal year.

Housing Authority of the City of Alameda Comparative Statement of Revenues, Expenses, and Changes in Net Position Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<u>Operating Revenues</u>				
Grants	\$ 32,930,661	\$ 30,931,166	\$ 1,999,495	6.5%
Rents	3,515,025	3,361,270	153,755	4.6%
Other	<u>1,911,462</u>	<u>2,477,745</u>	<u>(566,283)</u>	(22.9)%
Total operating revenues	<u>38,357,148</u>	<u>36,770,181</u>	<u>1,586,967</u>	4.3%
<u>Operating Expenses</u>				
Administration	4,456,445	4,588,565	(132,120)	(2.9)%
Utilities	669,263	626,539	42,724	6.8%
Maintenance	2,999,081	3,418,456	(419,375)	(12.3)%
Tenant services	184,463	218,421	(33,958)	(15.5)%
Protective services	212,462	210,120	2,342	1.1%
General	209,656	426,812	(217,156)	(50.9)%
Housing Assistance Payments	23,978,146	22,981,870	996,276	4.3%
Depreciation	<u>1,453,709</u>	<u>1,334,085</u>	<u>119,624</u>	9.0%
Total operating expenses	<u>34,163,225</u>	<u>33,804,868</u>	<u>358,357</u>	1.1%
Operating Income (Loss)	<u>4,193,923</u>	<u>2,965,313</u>	<u>1,228,610</u>	41.4%
<u>Non-Operating Revenue (Expenses)</u>				
Interest Income	202,526	98,367	104,159	105.9%
Interest Expense	(1,190,928)	(1,167,613)	(23,315)	(2.0)%
Successor Agency income	<u>17,492,110</u>	<u>-</u>	<u>17,492,110</u>	
Net Non-Operating Revenue (Loss)	<u>16,503,708</u>	<u>(1,069,246)</u>	<u>17,572,954</u>	7.6%
Change in Net Position	20,697,631	1,896,067	18,801,564	991.6%
Net Position, Beginning of Year, as restated	<u>35,066,682</u>	<u>29,170,615</u>	<u>5,896,067</u>	20.2%
Net Position, End of Year	<u>\$ 55,764,313</u>	<u>\$ 31,066,682</u>	<u>\$ 24,697,631</u>	79.5%

Analysis of the Authority's Overall Financial Position and Results of Operations

As indicated in the above comparative statements the Authority's Net Position at June 30, 2016 increased by \$24,697,631 from the June 30, 2015 balance.

Changes in Capital Assets

The following presents the changes in fixed assets (net of accumulated depreciation) at June 30, 2016 versus the prior fiscal year.

Housing Authority of the City of Alameda
Changes in Capital Assets
(Net of Accumulated Depreciation)
June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Land	\$ 18,612,054	\$ 14,612,054	\$ 4,000,000	27.4%
Buildings and Improvements	18,636,527	19,138,681	(502,154)	(2.6)%
Equipment	<u>50,435</u>	<u>58,045</u>	<u>(7,610)</u>	(13.1)%
Total	<u>\$ 37,299,016</u>	<u>\$ 33,808,780</u>	<u>\$ 3,490,236</u>	10.3%

Additional information pertaining to capital assets is found in Note 3 to the financial statements.

Changes in Long-Term Debt

The following presents the changes in long-term debt at June 30, 2016 versus the prior fiscal year.

Housing Authority of the City of Alameda
Changes in Long-term Debt
June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Bonds Payable	\$ 5,497,982	\$ 5,652,847	\$ (154,865)	(2.7)%
Notes Payable	<u>22,856,694</u>	<u>23,178,113</u>	<u>(321,419)</u>	(1.4)%
Total	<u>\$ 28,354,676</u>	<u>\$ 28,830,960</u>	<u>\$ (476,284)</u>	(1.7)%

Additional information pertaining to long-term debt is found in Note 4 to the financial statements.

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations. Therefore, the Housing Authority is affected more by the federal budget than by state or local economic conditions. Changes in HUD grants affect the number of households that can be assisted under these federally funded programs on an ongoing basis.

The Authority's annual revenues for the Housing Choice Voucher Program is based primarily upon the amounts received each year from the U.S. Department of Housing and Urban Development, which does not correlate directly to the amounts expended each year for administrative costs and housing assistance payments expenses associated with the Housing Choice Voucher Program. Therefore, for any given fiscal year the Authority's revenues for the Housing Choice Voucher Program may be more or less than the expenses for the program. For the fiscal year ended June 30, 2016 the Authority's expenses associated with the Housing Choice Voucher Program exceeded its revenues by \$26,449. For the previous 2015 fiscal year the Authority's expenses for the Housing Choice Voucher Program exceeded its revenues by \$261,064. These excess of expenses over revenues were funded by a reduction in the Authority's Net Position for the Housing Choice Voucher Program.

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 Director at the Housing Authority of the City of Alameda, 701 Atlantic Avenue, Alameda, California 94501.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Fund Housing	Component Unit	Combined Totals
ASSETS			
Current Assets:			
Cash and investments (Note 2)	\$ 31,232,545	\$ 1,331,704	\$ 32,564,249
Due from other agencies	207,823	1,127	208,950
Tenant accounts receivable	63,856	-	63,856
Accounts receivable - other	16,463	-	16,463
Interest receivable	102,587	-	102,587
Prepaid expenses	47,751	-	47,751
Inventory	5,881	-	5,881
Total current assets	31,676,906	1,332,831	33,009,737
Noncurrent assets:			
Notes receivable	18,237,984	-	18,237,984
Capital assets, net of accumulated depreciation of \$23,869,071 (Note 3)	37,299,016	253,510	37,552,526
Total non-current assets	55,537,000	253,510	55,790,510
Total assets	87,213,906	1,586,341	88,800,247
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan (Note 6)	2,605,755	-	2,605,755
Total assets and deferred outflows of resources	\$ 89,819,661	\$ 1,586,341	\$ 91,406,002
LIABILITIES			
Current Liabilities:			
Accounts payable - other	\$ 247,546	\$ 20,051	\$ 267,597
Accounts payable - other agencies	1,557	-	1,557
Tenant security deposits	537,532	-	537,532
Other current liabilities	349,404	-	349,404
Interest payable	939,114	-	939,114
Compensated absences (Note 5)	125,038	-	125,038
Notes and bonds payable (Note 4)	916,904	-	916,904
Total current liabilities	3,117,095	20,051	3,137,146
Noncurrent liabilities:			
Compensated absences (Note 5)	94,327	-	94,327
OPEB payable (Note 7)	407,141	-	407,141
Other noncurrent liabilities	166,240	-	166,240
Accrued pension liability (note 6)	1,854,640	-	1,854,640
Notes and bonds payable (Note 4)	27,437,772	1,700,000	29,137,772
Total noncurrent liabilities	29,960,120	1,700,000	31,660,120
Total liabilities	33,077,215	1,720,051	34,797,266
DEFERRED INFLOWS OF RESOURCES			
Pension Plan (Note 6)	978,133	-	978,133
Total liabilities and deferred inflows of resources	34,055,348	1,720,051	35,775,399
NET POSITION			
Net Investment in capital assets	8,944,339	-	8,944,339
Restricted	605,261	-	605,261
Unrestricted	46,214,713	(133,710)	46,081,003
Total Net Position	\$ 55,764,313	\$ (133,710)	\$ 55,630,603

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION -
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Enterprise Fund</u> <u>Housing</u>	<u>Component</u> <u>Unit</u>	<u>Combined</u> <u>Totals</u>
<u>Operating Revenues</u>			
Grants	\$ 32,930,661	\$ -	\$ 32,930,661
Rents	3,515,025	-	3,515,025
Other	<u>1,911,462</u>	-	<u>1,911,462</u>
Total operating revenues	<u>38,357,148</u>	<u>-</u>	<u>38,357,148</u>
<u>Operating Expenses</u>			
Administrative	4,456,445	106,551	4,562,996
Utilities	669,263	-	669,263
Maintenance	2,999,081	-	2,999,081
Tenant services	184,463	-	184,463
Protective services	212,462	-	212,462
General	209,656	17,415	227,071
Housing assistance payments	23,978,146	-	23,978,146
Depreciation	<u>1,453,709</u>	-	<u>1,453,709</u>
Total operating expenditures	<u>34,163,225</u>	<u>123,966</u>	<u>34,287,191</u>
Operating income (loss)	<u>4,193,923</u>	<u>(123,966)</u>	<u>4,069,957</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest income	202,526	336	202,862
Interest expense	(1,190,928)	-	(1,190,928)
Successor agency income (Note 8)	<u>17,492,110</u>	-	<u>17,492,110</u>
Net non-operating revenue	<u>16,503,708</u>	<u>336</u>	<u>16,504,044</u>
Change in net position	<u>20,697,631</u>	<u>(123,630)</u>	<u>20,574,001</u>
Beginning net position, as previously stated	31,066,682	(10,080)	31,056,602
Prior period adjustment (Note 9)	<u>4,000,000</u>	-	<u>4,000,000</u>
Beginning net position, as restated	<u>35,066,682</u>	<u>(10,080)</u>	<u>35,056,602</u>
Total net position, ending	<u>\$ 55,764,313</u>	<u>\$ (133,710)</u>	<u>\$ 55,630,603</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Enterprise Fund</u> <u>Housing</u>	<u>Component</u> <u>Unit</u>	<u>Combined</u> <u>Totals</u>
<u>Cash flows from operating activities:</u>			
Cash received from grants	\$ 32,833,082	\$ -	\$ 32,833,082
Cash received from rents	3,504,348	-	3,504,348
Other miscellaneous cash receipts	2,163,518	-	2,163,518
Cash payments to suppliers and landlords	(30,309,705)	(115,122)	(30,424,827)
Cash payments to employees	<u>(3,944,597)</u>	<u>-</u>	<u>(3,944,597)</u>
Net cash provided (used) in operating activities	<u>4,246,646</u>	<u>(115,122)</u>	<u>4,131,524</u>
<u>Cash flows from capital and related financing activities:</u>			
Interest paid on long-term debt	(1,134,583)	-	(1,134,583)
Receipts of long-term debt	-	1,700,000	1,700,000
Acquisition and construction of capital assets	(943,945)	(253,510)	(1,197,455)
Principal payments of debt	<u>(476,284)</u>	<u>-</u>	<u>(476,284)</u>
Net cash (used) by capital and related financing activities	<u>(2,554,812)</u>	<u>1,446,490</u>	<u>(1,108,322)</u>
<u>Cash flows from investing activities:</u>			
Cash received from loans	20,936	-	20,936
Loans issued	(4,700,000)	-	(4,700,000)
Interest received	<u>123,303</u>	<u>336</u>	<u>123,639</u>
Net cash provided by investing activities	<u>(4,555,761)</u>	<u>336</u>	<u>(4,555,425)</u>
Net increase (decrease) in cash	(2,863,927)	1,331,704	(1,532,223)
Cash, beginning of year	<u>34,096,472</u>	<u>-</u>	<u>34,096,472</u>
Cash, end of year	<u>\$ 31,232,545</u>	<u>\$ 1,331,704</u>	<u>\$ 32,564,249</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>			
Operating income (loss)	\$ 4,193,923	\$ (123,966)	\$ 4,069,957
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,453,709	-	1,453,709
(Decrease) Increase) in:			
Accounts receivable	252,056	-	252,056
Accounts receivable – other agencies	(97,579)	(1,127)	(98,706)
Tenants' accounts receivable	(10,677)	-	(10,677)
Prepaid expenses	(14,916)	-	(14,916)
Inventory	9,959	-	9,959
Deferred outflows	(2,215,148)	-	(2,215,148)
Increase (decrease) in:			
Accounts payable	(382,345)	9,971	(372,374)
Amounts due other governments	(788)	-	(788)
Security deposits payable	20,694	-	20,694
Compensated absences	26,014	-	26,014
Pension liabilities	(20,044)	-	(20,044)
Other liabilities	340,243	-	340,243
OPEB payable	403,316	-	403,316
Deferred inflows	<u>288,229</u>	<u>-</u>	<u>288,229</u>
Net cash provided by operating activities	<u>\$ 4,246,246</u>	<u>\$ (115,122)</u>	<u>\$ 4,131,524</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of the City of Alameda (the Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the more significant policies:

A. 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 is appointed by the Alameda, California City Council. However, the Housing Authority is not considered to be a component unit of the City or any other primary government. 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.

The basic financial statements include both the financial activities of the Housing Authority of the City of Alameda and its discretely presented component unit.

Discretely Presented Component Unit

Island City Development (a California Nonprofit Corporation) was established in 2014 primarily to engage in acquiring, developing, rehabilitating, owning, and managing affordable housing for low and moderate income individuals and families in the City of Alameda, California. The Executive Director of the Housing Authority of the City of Alameda appoints the members of the Nonprofit Corporation's Board of Directors. The financial activity of the Nonprofit Corporation is reported as a separate column on the financial statements.

A complete audited financial statement is separately issued for Island City Development and may be obtained at the Housing Authority of the City of Alameda's administrative offices located at 701 Atlantic Avenue, Alameda, California.

Related Organizations

The Housing Authority is the sole member of AHA Islander GP, LLC which is the .005% general partner of the Alameda Islander LP. This limited partnership owns and operates a 62 unit tax credit property at 428 Central Avenue in Alameda. The financial statements include the financial information of AHA Islander GP, LLC.

The Housing Authority is the sole member of 2216 Lincoln AHA, LLC which is the .005% general partner of the Jack Capon Villa, LP. This limited partnership owns and operates a 19 unit tax credit property at 2216 Lincoln Avenue in Alameda. The financial statements include the financial information of 2216 Lincoln AHA, LLC.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 (continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows) report the financial information of the Authority's operations as a whole.

For financial reporting purposes, the Authority reports all of its operations as a single business type activity in a single enterprise housing fund. Therefore, for the Authority the government-wide and fund financial statements are the same. These basic financial statements are presented in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements and the Schedule of Expenditures of Federal Awards are reported using the *economic resources measurement focus* and the *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. Nonexchange transactions are those in which the Authority receives value without directly giving equal value in exchange. These transactions include revenues from federal, state, and local assistance programs. Revenues from these sources are recognized in the fiscal year in which all eligibility requirements have been met.

When the Authority incurs an expense for which both restricted and unrestricted resources may be used, it is the Authority's policy to use restricted resources first and then unrestricted resources as needed.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* activities. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise housing fund are grants from federal funding agencies for housing assistance payments earned, administrative and developer fees, and rental income from its owned housing units. The Authority is party to services agreements with the City of Alameda to provide various housing related services. The cost of these services are reimbursed on an actual cost basis, plus a fixed fee. Operating expenses include employee services and supplies, administrative expenses, management fees, utilities, housing assistance payments to landlords, and depreciation of its capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 in accounting and reporting for its proprietary operations.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 (continued)

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows all highly liquid cash and investments with a maturity of three months or less when purchased and cash restricted by federal governmental requirements are considered cash and cash equivalents.

Cash and cash equivalents include amounts in demand deposits and savings accounts. All of the Authority's investments can be converted to cash in a relatively short amount of time. Therefore, all cash and investments and amounts of restricted are reported in the Statement of Cash Flows.

2. Restricted Assets

Restricted cash, cash equivalents, and investments, represent deposits that are used for replacement reserves, security deposit payable amounts to tenants and amounts that are required by grants from HUD to be used only to provide housing assistance for individuals and families that meet various income, age, and employment standards.

3. Receivables

All receivables are reported at their gross value and are reduced by an allowance for doubtful accounts if such an amount is considered applicable.

4. Inventories and prepaid assets

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items the financial statements.

5. Capital Assets

Capital assets which include land, buildings, improvements, and furniture and equipment, are reported at historical cost. Contributed capital assets are recorded at fair value at the time received. Interest expense during any development periods is capitalized.

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 FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 (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
Furniture and Equipment	5 to 10 years

6. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred.

7. Taxes

The Authority is exempt from federal and state income taxes.

8. Encumbrances

Encumbrance accounting is not employed by the Authority.

9. Net Position

Net position represents the differences between assets and liabilities. Net position consists of investment in capital assets, net of related debt; restricted net position; and unrestricted net position. Net position invested in capital assets, net of related debt, consists of capital assets, net of depreciation, reduced by the outstanding balances of borrowings used for the construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

10. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position includes separate sections for deferred outflows and inflows of resources. These separate sections represent a consumption or acquisition of net position that applies to future periods and will not be recognized as outflows (revenues) or inflows (expenses) until that time.

11. Pensions

For purposes of measuring the net pension liability (NPL) and deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) of the Authority's California Public Employees' Retirement System (CalPERS) Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 (continued)

E. New GASB Pronouncements

During fiscal year 2016 the Authority adopted the following GASB Statements:

Statement No. 72 – *Fair Value Measurement and Application*

Statement No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That are not Within the Scope of GASB 68, and Amendments to Certain Provisions for GASB Statements 67 and 68*

Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

Statement No. 79 – *Certain External Investment Pools and Pool Participants*

F. Estimates

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare the financial statements. Actual results may differ from those estimates.

G. Budgets and Budgetary Accounting

Each year the Authority's Board of Commissioners adopts an operating budget. This budget may be revised during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of the adoption of the annual budget.

H. Loans Issued During the 2016 Fiscal Year

During the 2016 fiscal year the Authority issued the following loans totaling \$4.7 million dollars:

Loan Receivable – RCD/Stargell. Tri Pointe	\$ 2,000,000
Loan Receivable – ICD – Eagle	1,000,000
Loan Receivable – Rosefield	1,000,000
Loan Receivable – ICD – Del Monte	<u>700,000</u>
Total	<u>\$ 4,700,000</u>

HOUSING AUTHORITY OF THE CITY OF ALAMDEA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2 - 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.

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, 2016 are as follows:

Unrestricted	\$ 29,525,893
Restricted	<u>1,706,652</u>
Total cash and investments	<u>\$ 31,232,545</u>

The \$31,232,545 of cash and investments consists of \$3,249,734 maintained on deposit in banks, \$574,833 maintained by loan servicing agencies, \$14,431,823 deposited in the State of California Local Agency Investment Fund (LAIF), \$12,975,905 in U.S. Government Bonds, and \$250 in petty cash. Of the amounts deposited into banks, \$250,000 is covered by federal deposit insurance. The remaining \$2,999,734 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 \$574,833 of investments maintained by loan servicing agencies reflects amounts held by trust departments of two lending agencies. These amounts will be used for future rehabilitation and operating costs for some of the Authority's housing complexes.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2 (continued)

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)	On 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 Bankers acceptances	N/A	N/A	N/A	N/A
Negotiable Certificates of Deposit	270 Days	N/A	40%	30%
Time Certificates of Deposit	N/A	AA	30%	N/A
Medium Term Corporate Notes	N/A	N/A	30%	N/A
Money Market Mutual Funds	5 Years	N/A	30%	N/A
County Agency Investment fund	N/A	AAA	20%	N/A
Reverse Repurchase Agreements	On Demand	N/A	30%	N/A
	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:

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2 (continued)

<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>
<u>For U.S. Department of Housing and Urban Development Funds</u>				
State of California Local Agency Investment Fund (LAIF)	No Limit	N/A	No Limit	No Limit
Repurchase Agreements	N/A	N/A	No Limit	No Limit
U.S. Government Obligations & Agencies	No Limit	N/A	No Limit	No Limit
Sweep Account	No Limit	N/A	No Limit	No Limit
Insured Super NOW Accounts	No Limit	N/A	No Limit	No Limit
Insured Money Market Deposit	No Limit	N/A	No Limit	No Limit
Negotiable Certificates of Deposit	No Limit	N/A	30%	No Limit
Insured Demand & Saving Deposits	N/A	N/A	No Limit	No Limit
STRIPS, Principal Only	No Limit	N/A	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
<u>For Non U.S. Department of Housing and Urban Development Funds</u>				
Prime Commercial Paper	180 Days	N/A	10%	30%
City of Alameda Bonds	N/A	N/A	No Limit	No Limit
U.S. Treasury Bills, Notes and Bonds	No Limit	N/A	No Limit	No Limit
Local Agency's Obligations Within CA State, Including LAIF	No Limit	N/A	No Limit	No Limit
U.S. Government Obligations and Agencies	No Limit	N/A	No Limit	No Limit
Collateralized Bank Deposit	No Limit	N/A	No Limit	No Limit
Bankers Acceptances	180 Days	N/A	40%	30%
Negotiable Certificates of Deposit	No Limit	N/A	30%	No Limit
Repurchase Agreements	92 days	N/A	20%	No Limit
Money Market Mutual Funds	N/A	N/A	15%	10%
Trust Indentures	N/A	N/A	No Limit	No Limit
Medium Term Notes	5 Years	A	30%	No Limit
Mortgage & Equipment Lease Obligations	5 Years	AA	20%	No Limit

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2 (continued)

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 Bonds	\$ 4,351,756	\$ 8,624,149	\$ -	\$ 12,975,905
Local Agency Investment Fund	<u>14,831,823</u>	<u>-</u>	<u>-</u>	<u>14,831,823</u>
Total Investments	<u>\$ 19,183,579</u>	<u>\$ 8,624,149</u>	<u>\$ -</u>	<u>\$ 27,807,728</u>

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, 2016 for each Authority investment type as provided by Standard and Poor's except as noted:

<u>Investment Type</u>	
Notes and Bonds A-1+	\$ 1,729,688
Notes and Bonds AA+	11,246,217
Not Rated:	
Local Agency Investment Fund	14,831,823

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, 2016 there were no investments of this type.

H. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or brokerage failure, the Authority's deposits may not be returned. As previously stated the Authority's bank deposits are either covered by FDIC insurance or are collateralized.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 3 - CAPITAL ASSETS

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2016:

	Balance 6/30/15	Additions	Adjustments And Deletions	Balance 6/30/16
Land	\$ 14,612,054	\$ -	\$ 4,000,000	\$ 18,612,054
Buildings and improvements	41,221,111	931,995	-	42,153,106
Equipment	390,977	11,950	-	402,927
	<u>56,224,142</u>	<u>943,945</u>	<u>4,000,000</u>	<u>61,168,087</u>
Less accumulated Depreciation for: Buildings and Improvements	(22,082,430)	(1,434,149)	-	(23,516,579)
Equipment	(332,932)	(19,560)	-	(352,492)
	<u>(22,415,362)</u>	<u>(1,453,709)</u>	<u>-</u>	<u>(23,869,071)</u>
Capital assets, net	<u>\$ 33,808,780</u>	<u>\$ (509,764)</u>	<u>\$ 4,000,000</u>	<u>\$ 37,299,016</u>

Note 4 - LONG-TERM DEBT

Following is a summary changes in long-term debt for the year ended June 30, 2016:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16	Current Portion
Bonds Payable:					
PNC Bank	\$ 5,652,847	\$ -	\$ 154,865	\$ 5,497,982	\$ 164,135
Notes Payable:					
Northmarg Finance	14,119,106	-	197,895	13,921,211	209,329
Northmarg Finance	7,038,305	-	522,072	6,516,233	541,990
City of Alameda	1,078,052	-	1,452	1,076,600	1,450
City of Alameda (CDBG)	-	400,000	-	400,000	-
County of Alameda	942,650	-	-	942,650	-
Compensated Absences (Note 6)	193,351	26,014	-	219,365	125,038
	<u>\$ 29,024,311</u>	<u>\$ 426,014</u>	<u>\$ 876,284</u>	<u>\$ 28,574,041</u>	<u>\$ 1,041,942</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 4 (continued)

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

Year Ending June 30,	Principal Payments	Interest Payments	Total Payments
2017	\$ 916,904	\$ 1,177,269	\$ 2,094,173
2018	959,563	1,140,994	2,100,557
2019	1,004,273	1,102,997	2,107,270
2020	1,051,163	1,063,193	2,114,356
2021	1,100,346	1,021,492	2,121,838
2022-2026	6,328,277	4,408,676	10,736,953
2027-2031	3,830,210	3,389,625	7,219,835
2032-2036	4,458,696	2,514,198	6,972,894
2037-2041	3,660,430	1,571,354	5,231,784
2042-2046	2,832,364	533,593	3,365,957
2047-2051	35,333	314,894	350,227
2052-2056	210,860	356,788	567,648
2057-2061	623,596	76,863	700,459
2062-2066	-	-	-
2067-2071	1,342,661	3,055,103	4,397,764
	<u>\$ 28,354,676</u>	<u>\$ 21,727,039</u>	<u>\$ 50,081,715</u>

A description of the debt recorded at June 30, 2016 for the housing authority is as follows:

Bonds Payable:

A deed of trust bond payable was issued on April 1, 2005 totaling \$6,800,000 for the Parrot village and Eagle Village Apartments. The bonds payable are administered by PNC Bank. The bonds accrue interest at a variable rate based upon the weekly short term bond rest rate. The bonds require annual payments of principal and interest at least totaling \$340,016. The bonds mature April 15, 2035. The outstanding balance on the bonds total \$5,497,982 at June 30, 2016.

Notes Payable:

Two loans were issued during the fiscal year ended June 30, 1997 from the City of Alameda. These are non-interest bearing loans originally issued in the combined amount of \$518,600. They are secured by deeds of trust on seven condominiums located in Alameda, California. One of the notes is deferred until January 1, 2027. The combined balances outstanding on these notes at June 30, 2016 were \$506,601.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 4 (continued)

A promissory note agreement for \$570,000 was entered into with the City of Alameda on June 18, 1998 for the China Clipper property. 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 outstanding balance on this note at June 30, 2016 was \$570,000.

A promissory note agreement for \$400,000 was entered into with the City of Alameda on March 30, 2016 for property located at 738 Eagle Avenue, Alameda, CA. This note bears interest at 2.33% per annum. The principal, together with accrued interest is due and payable on April 1, 2074. The outstanding balance on this note at June 30, 2016 was \$400,000.

The Authority entered into two separate note payable agreements with the County of Alameda. One of the notes for \$536,400 for the Sherman Street property was entered into on March 15, 2011 and the other note for \$380,000 for the Lincoln Street property 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, 2016 were \$916,400.

The Authority assumed a loan payable originally entered into by the Filipino American Community Services Agency payable to the County of Alameda for the Lincoln Street property. The principal balance assumed and outstanding at June 30, 2015 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. The outstanding balance on this loan at June 30, 2016 was \$26,250.

On June 30, 2014 the Authority entered into a mortgage note totaling \$14,291,000 with Northmarq Capital, LLC. The note is secured by the property referred to as the Esperanza Apartments. The note bears interest at 5.63% per annum and requires combined monthly principal and interest payments totaling \$82,312. The note matures and is payable in full on July 1, 2044. The outstanding balance on the note at June 30, 2016 was \$13,921,211.

On June 30, 2014 the Authority entered into a mortgage note totaling \$7,500,000 with Northmarq Capital, LLC. The note is secured by the property referred to as the Independence Plaza Apartments. The note bears interest at 3.75% per annum and requires combined monthly principal and interest payments totaling \$64,758. The note matures and is payable in full on July 1, 2026. The outstanding balance on the note at June 30, 2016 was \$6,516,233.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 5 - 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 \$219,365 as of June 30, 2016.

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 6- PENSION PLAN

Pensions

For purposes of measuring the net pension liability (NPL) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position (FN) of the Authority's Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. In addition to CalPERS plans, the Housing Authority of the City of Alameda adopted the Public Agency Retirement Services (PARS) Plan effective April 22, 2012 as an alternative plan to Social Security for their employees who otherwise are not eligible for participation in the Authority's other retirement system(s).

GASB No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.

The objective of this statement, issued December of 2015, is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple employer defined pension plans and to state or local government employers whose employees are provided with such pensions.

The Authority is required to implement the provisions of this Statement for the fiscal year ended June 30, 2017 (effective for periods beginning after December 15, 2015). This Statement may result in a change in current practice, and have a material effect on the financial statements of the Authority.

General Information about the Pension Plan

Plan Descriptions – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes and membership information is listed in the June 30, 2016 Annual Actuarial Valuation Report. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. All qualified permanent and probationary employees are eligible to participate in the Authority's separate cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Authority's resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 (continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous Plans</u>	
	Prior to <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
Hire Date	2.0% @ 55	2% at 62
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Formula	monthly for life	monthly for life
Benefit payments	50-63	52-67
Retirement age	1.426% to 2.418%	1.0% to 2.5%
Monthly benefits, as a % of eligible compensation	7%	6.5%
Required employee contribution rates	9.353%	6.73%
Required employer contribution rates		

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. The Plan’s actuarially determined rate is based on the estimated amount necessary to pay the costs of benefits earned by employees during the year, with an additional amount to pay any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2015 (the measurement date), the active employee’s contribution rate are 7.00 (First Level/Classic Members) and 6.5 (PEPRA New Members) percent of annual payroll, and the average employer’s rates are 9.353 and 6.73 percent of annual payroll.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous Plan</u>	<u>Rate</u>
Contributions – employer	\$ 1,346,386	9.353%
Contributions – employee	<u>46,618</u>	6.73%
Total	<u>\$ 1,393,004</u>	

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 (continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The following table shows the Plan's proportionate share of the miscellaneous risk pool collective net pension liability over the measurement period:

	Proportionate Share of Pension Liability	
Balance at 6/30/14 – Valuation date	\$ 1,874,684	0.0760%
Balance at 6/30/15 – Measurement date	1,854,640	0.0676%
Net Pension Liability Year-to-Year Decrease	\$ 20,044	

The Authority's net pension liability of \$1,854,640 is measured as the proportionate share of the net pension liability of \$2,743,467,016 (or 0.068%). The net pension liability is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Authority paid down \$1,000,000 in June 2016. Since the pension liability is based on the measurement date of June 30, 2015, the outstanding pension liability here does not reflect the pay down of one million dollars. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2016, the Authority recognized pension expense (benefit) of \$(1,946,962) for the Plan. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,393,004	\$ -
Differences between actual and expected experience	24,869	-
Changes in assumptions	-	(235,290)
Differences in projected and actual contributions	693,014	-
Net differences between projected and actual earnings on pension plan investments	494,868	(613,360)
Adjustment due to differences in proportions	0	(129,483)
Total	\$ 2,605,755	\$ (978,133)

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 (continued)

The \$1,393,004 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016 (measurement period ended June 30, 2015). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/(Inflows) of Resources
2017	\$ (141,286)
2018	(141,286)
2019	(126,256)
2020	174,211
Thereafter	-

The amounts above are the net of outflows and inflows recognized in the measurement period ended June 30, 2015.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability – For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 total pension liability and the June 30, 2015 total pension liability were determined using the following actuarial methods and assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.5% (1)
Mortality Rate Table (2)	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies. 2.75% thereafter

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 (continued)

- (1) Net of pension plan investment and administrative expenses; including inflation
- (2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2015 experience study report. The experience study can be found on CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	.99%	2.43%
Inflation Sensitive	6.0%	.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-.055%	-1.05%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 6 (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the Authority's proportionate share of the net pension liability/ (asset), calculated using the discount rate of 7.65 percent, as well as what the Authority's proportionate share of the net pension liability/ (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	Discount Rate less 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate Plus 1% (8.65%)
Plan's Net Pension Liability/ (Asset)	\$ 3,110,362	\$ 1,854,640	\$ 817,897

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2016, there was no outstanding account payable for contributions to the pension plan required for the year ended June 30, 2016.

Note 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Eligibility Requirements and Plan Description:

The Authority participates in the CalPERS 2%@55 Public Agency Miscellaneous Employees pension plan for all regular employees hired before January 1, 2013 and 2%@62 for those hired on or after January 1, 2013.

Employees who retire with a CalPERS pension (at least age 50, or age 52 for employees hired on or after January 1, 2013, with 5 years of services) are eligible for postemployment medical benefits.

The Authority contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act (\$125 per month in 2016, increasing to \$128 in 2017). Retirees must contribute any premium amounts in excess of the Authority's contributions described above. Amounts paid by the Authority continue for lifetime of the retiree and any surviving spouse, subject to CalPERS eligibility requirements.

The Authority does not provide dental, vision or other "GASB 45 benefits" to retirees.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7 (continued)

Requirements of GASB 45:

The government Accounting Standards Board (GASB) has mandated disclosure of other post employment benefit (OPEB) liabilities for all government employers beginning in 2009. During fiscal years prior to 2012 the Authority's employees were actually employees of the City of Alameda and not employees of the Authority itself, therefore there was no OPEB obligation or expense recognized in fiscal years prior to 2012. During fiscal year 2016 the Authority administered this program on a pay-as-you-go basis and actual costs were expensed as incurred.

Funding Policy:

The goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned. The entry age normal cost method effectively meets this goal in most circumstances. The Authority has adopted an entry age normal cost method to determine the present value of benefits and the actuarial accrued liability. The plan currently has no assets. The amortization method is a level percent of payroll. The amortization period is thirty years. The Authority has adopted a pay-as-you-go policy and is not currently funding this liability above the monthly requirement. The Authority makes actual monthly payments for its portion of the retirees' premiums.

Annual OPEB Cost and Net OPEB Obligation:

The Authority's annual OPEB costs (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Interest on net OPEB obligation is based on an interest rate of 4.25% and is computed on the unfunded amount.

The following table shows the components of the annual OPEB cost, the amount actually contributed to the plan, and any changes in the net OPEB obligation.

Annual required contribution	\$ 176,670
Interest on net OPEB obligation	10,387
Adjustment of annual required contribution	<u>(10,667)</u>
Annual OPEB cost	<u>\$ 176,390</u>
Annual OPEB Cost	\$ 176,390
Contributions made	<u>(13,659)</u>
Increase in net OPEB obligation (asset)	162,731
Net OPEB obligation (asset), beginning of year	<u>244,410</u>
Net OPEB obligation (asset), end of year	<u>\$ 407,141</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7 (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
6/30/16	\$ 176,390	\$ 13,659	7.74%	\$ 407,141

Funded Status and Funding Progress:

The funded status of the plan based on an actuarial valuation as of July 1, 2015, was as follow:

Actuarial accrued liability (AAL)	\$ 1,593,168
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,593,168</u>
Funded ratio (actuarial value of plan Assets/AAL)	0%
Covered payroll	\$ 3,783,177
UAAL as percentage of covered payroll	42.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions:

For the actuarial valuation, the entry age normal cost, level percent of pay; closed group method was used. The actuarial assumptions include a 4.25% discount rate. An annual rate increase of 3.25% in payroll was used in developing level percent amortization. The healthcare trend rate assumption is 8% for 2018 grading down to 5% by 2030 for pre-Medicare premiums and 5.5% grading down to 5% in 2020 for post-Medicare premiums. The actuarial value of assets is equal to the market value. The unfunded actuarial accrued liability is being amortized over a fixed period of 30 years as a level percentage of projected payroll. The remaining amortization period at July 1, 2015 is 27 years reflecting the Authority's use of a 30 year closed amortization period beginning July 1, 2012.

The schedule of funding progress, presented as required supplementary information following the *Notes to the Financial Statements*, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL benefits.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 8 – SUCCESSOR AGENCY INCOME

In 2012 the Authority became the successor agency for the low and moderate income assets of the former Community Improvement Commission (the Predecessor Agency) of the City of Alameda. As of June 30, 2015, the Authority still retained \$17,492,110 of assets including cash and notes receivable formerly classified as “enforceable obligations” between the Predecessor Agency and the borrowers. During fiscal year 2016 management of the Authority determined that there were no remaining enforceable obligations for the Predecessor Agency and elected to recognize the \$17,492,110 of assets as revenues during its 2016 fiscal year.

Note 9 – PRIOR PERIOD ADJUSTMENT

On February 2, 2015 land appraised at \$4,000,000 was donated to the Authority by quitclaim deed by the City of Alameda, California. This and was not reflected on the Authority’s books of accounts and its financial statements as of June 30, 2015 or for the fiscal year then ended. A prior period adjustment was recorded during the Authority’s 2016 fiscal year to recorded the donated land.

Note 10 - OPERATING LEASE

On December 1, 1998 and May 7, 2001, the Housing Authority entered into two separate lease agreements with Regent St. CLT Condominiums and Santa Clara Ave. CLT Condominiums respectively. The lease terms for each are 99 year terms ending in 2097 and 2100. Total rental income for the year ended June 30, 2016 under the two agreements was \$5,316.

The Authority on March 14, 2013 entered into a lease agreement with Resources for Community Development (RCD) to lease land to RCD until March 14, 2078. On October 14, 2004 the lease was assigned to Breakers at Baypoint, LP. Total rental income for the year ended June 30, 2016 under the lease agreement was \$1.

The Authority on October 4, 2006 entered into an amended lease agreement with Resources for Community Development (RCD) to lease land to RCD until March 31, 2081. On March 24, 2008 the lease was assigned to Shinsei Gardens Apartments, LP. Total rental income for the year ended June 30, 2016 under the lease agreement was \$1.

The Authority on May 25, 2012 entered into a lease agreement with Housing Consortium of the East Bay (HCEB) and Satellite Housing, Inc. to lease land to HCEB and Satellite Housing until May 25, 2087 for \$100 lump sum payment. In November 2012 the lease was assigned to Jack Capon Villas, LP.

The Authority on November 14, 2015 entered into a lease agreement with Stargell Commons, L.P. Inc. to lease land to Stargell Commons, L.P. until December 31, 2114 for a \$400,000 initial payment plus \$1 per year in lease payments. Ninety-nine dollars due was pre-paid in December 2015.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 10 (continued)

At June 30, 2016, the future rental income required under the lease agreements entered into by the Authority are as follows:

Fiscal Year Ending		\$	3
2017		\$	3
2018			3
2019			3
2020			3
2021			3
Thereafter			<u>208</u>
		<u>\$</u>	<u>223</u>

Note 11 - 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, 2015, 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, 2015, is as follows:

Total assets	\$ 25,524,673
Total liabilities	<u>(15,818,959)</u>
Total net assets	<u>\$ 9,705,714</u>
Total revenues	\$ 5,118,049
Total expenses	<u>(3,424,446)</u>
Net decrease in net assets	<u>\$ 1,693,603</u>

CHWCA had \$15,152,849 of unpaid claims and claim adjustment expenses outstanding at December 31, 2015. 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, 2015 there were 87 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 11 (continued)

Condensed audited financial information for the year ended December 31, 2015 is as follows:

Total assets	\$ 32,284,389
Total liabilities	<u>(9,566,890)</u>
Total net assets	<u>\$ 22,717,499</u>
Total revenues	\$ 10,720,477
Total expenses	<u>(8,326,403)</u>
Net increase (decrease) in net assets	<u>\$ 2,394,074</u>

HARRP had \$3,698,536 in outstanding claims liabilities at December 31, 2015. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

Natural Gas JPA

The Authority participates in a joint venture under a joint powers agreement (JPA) with the ABAG POWER, an Association of Bay Area Governments (ABAG) Service Program. The joint powers agency formed in collaboration with many Bay Area cities, and special districts. Currently, ABAG POWER's primary objective is to conduct pooled purchasing of natural gas on behalf of local governments and special districts who voluntarily join the Pool. The program enables members to achieve pricing suppliers who are interested in larger and more attractive combined loads. The pool is currently in its twentieth year of operation, and is serving forty member agencies throughout PG&E's service territory. There are 66 members in the program.

Condensed audited financial information for the year ended June 30, 2016 is as follows:

Total assets	\$ 3,861,256
Total liabilities	<u>(3,861,256)</u>
Total net assets	<u>\$ 0</u>
Total revenues	\$ 5,658,437
Total expenses	<u>(5,658,437)</u>
Net increase (decrease) in net assets	<u>\$ 0</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 12 - 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 13 – SUBSEQUENT EVENTS

Management evaluated all activity of the Authority through January 19, 2017, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than The MD&A)

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2016**

Schedule of Funding Progress for OPEB

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of covered Payroll</u>
June 30, 2016	July 1, 2015	\$ 0	\$ 1,593,167	\$ 1,593,168	0.0%	\$ 3,783,177	42.1%

Note – Prior to April 22, 2012 the employees working at the Authority were actually employees of the City of Alameda. Effective April 22, 2012, these former city employees officially became employees of the Housing Authority of the City of Alameda. The Authority’s OPEB information prior to April 22, 2012 was included as a part of the OPEB valuation information for the City of Alameda as a whole and the Authority’s portion could not be determined individually.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2016**

**Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last 10 Years***

	Plan's Proportion of the Net Pension Liability/ Asset	Plan's Proportionate Share of the Net Pension Liability/ Asset	Plan's Covered - Employee Payroll	Plan's Proportionate Share of the Net Pension Liability/ (Asset) as a Percentage of its Covered - Employee Payroll	Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
CLASSIC					
June 30, 2015	0.03010%	\$ 1,873,089	\$ 2,594,763	72.19%	82.97%
June 30, 2016	0.02708%	\$ 1,859,049	\$ 2,989,410	62.19%	85.51%
PEPRA					
June 30, 2015	0.00003%	\$ (1,595)	\$ 112,824	1.41%	83.02%
June 30, 2016	-0.00006%	\$ (4,408)	\$ 644,641	0.68%	107.30%

*Fiscal year ending June 30, 2015, was the first year of implementation, therefore only two years are shown.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2016
(Continued)**

**Schedule of Authority's Pension Plan Contributions
Last 10 Years***

	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered - Employee Payroll	Contributions as a Percentage Covered - Employee Payroll
CLASSIC					
June 30, 2015	\$ 283,501	\$ (488,418)	\$ (204,917)	\$ 2,594,763	18.82%
June 30, 2016	\$ 1,346,386	\$ (1,349,111)	\$ (2,725)	\$ 2,989,410	45.13%
PEPRA					
June 30, 2015	\$ 16,815	\$ (16,815)	\$ -	\$ 112,824	14.90%
June 30, 2016	\$ 46,618	\$ (38,915)	\$ 7,703	\$ 644,641	6.04%

Notes to Schedule:

Valuation date	June 30, 2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Payroll growth	3.00%
Salary increase	Varies by age and service
Investment rate of return	7.5%, net of pension plan investment and administrative expense, including inflation
Retirement age	The probabilities of retirement are based on the 2014 Cal PERS experience study for the period 1997-2011
Mortality Rates	The probabilities of retirement are based on the 2014 CalPERS experience study for the period 1997-2011. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvements using Scale BB published by the Society of Actuaries

*Fiscal year ending June 30, 2015, was the first year of implementation, therefore only two years are shown.

OTHER SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Housing and <u>Urban Development (HUD):</u>		
Direct Programs:		
Section 8 Moderate Rehabilitation – Single Room Occupancy	14.249	\$ 205,111
Section 8 Housing Choice Vouchers	14.871	25,375,550
Family Self –Sufficiency	14.896	<u>41,577</u>
U.S. Department of Housing and Urban Development		<u>25,622,238</u>
Total Federal Expenditures		<u>\$ 25,622,238</u>

See Notes to Schedule of Expenditures of Federal Awards.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

1. The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Housing Authority of the City of Alameda. The Housing Authority of the City of Alameda's reporting entity is defined in Note 1 to the financial statements.
2. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Alameda Housing Authority under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance at 2 CFR 200, Subpart F (200.500). Because the schedule presents only a selected portion of the operations of NRHA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the NRHA.
3. The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. This is the same method of accounting as was used in the preparation of the Authority's basic financial statements.
4. The Housing Authority of the City of Alameda did not pass-through any federal awards to subrecipients during the fiscal year ended June 30, 2016.

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)
ALAMEDA, CA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2016

	14,866 PIH Family Self-Sufficiency Program	14,871 Housing Choice Vouchers	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.1 Component Unit - Discretely Presented	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted		\$298,332	\$72,633	\$1,331,704	\$1,861,147	\$3,585,016		\$3,585,016
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted	\$0	\$0			\$1,000,591	\$1,000,591		\$1,000,591
114 Cash - Tenant Security Deposits					\$536,510	\$536,510		\$536,510
115 Cash - Restricted for Payment of Current Liabilities	\$0	\$298,332	\$72,633	\$1,331,704	\$3,420,246	\$5,124,117	\$0	\$5,124,117
100 Total Cash								
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects		\$31,184				\$31,184		\$31,184
124 Accounts Receivable - Other Government	\$10,945	\$16,527		\$1,127	\$149,167	\$177,766		\$177,766
125 Accounts Receivable - Miscellaneous	\$0	\$2,551			\$12,529	\$15,080		\$15,080
126 Accounts Receivable - Tenants		\$0		\$0	\$76,956	\$76,956		\$76,956
128.1 Allowance for Doubtful Accounts - Tenants		\$0		\$0	-\$13,100	-\$13,100		-\$13,100
128.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery		\$156,666				\$156,666		\$156,666
128.1 Allowance for Doubtful Accounts - Fraud		-\$155,283				-\$155,283		-\$155,283
129 Accrued Interest Receivable	\$9	\$9			\$102,578	\$102,587		\$102,587
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$10,945	\$51,654	\$0	\$1,127	\$328,130	\$391,656	\$0	\$391,656
131 Investments - Unrestricted		\$7,227			\$27,285,354	\$27,272,581		\$27,272,581
132 Investments - Restricted		\$165,240			\$1,311	\$167,551		\$167,551
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets					\$47,751	\$47,751		\$47,751
143 Inventories					\$5,881	\$5,881		\$5,881
143.1 Allowance for Obsolete Inventories					\$0	\$0		\$0
144 Inter Program Due From		\$0			\$360,440	\$360,440	-\$360,440	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$10,945	\$524,453	\$72,633	\$1,332,831	\$31,429,115	\$33,370,177	-\$360,440	\$33,009,737
161 Land					\$18,612,054	\$18,612,054		\$18,612,054
162 Buildings					\$31,645,009	\$31,645,009		\$31,645,009
163 Furniture, Equipment & Machinery - Dwellings		\$40,125			\$962,802	\$402,927		\$402,927

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)
ALAMEDA, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit	Fiscal Year End: 06/30/2016							
	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.1 Component Unit - Discretely Presented	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue					\$3,515,025	\$3,515,025		\$3,515,025
70400 Tenant Revenue - Other	\$0	\$0			\$87,393	\$87,393		\$87,393
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$3,602,418	\$3,602,418		\$3,602,418
70600 HUD PHA Operating Grants	\$41,577	\$25,375,550	\$205,111			\$25,622,238		\$25,622,238
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					\$7,308,419	\$7,308,419		\$7,308,419
71100 Investment Income - Unrestricted		\$504		\$336	\$202,022	\$202,862		\$202,862
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		\$6,974				\$6,974		\$6,974
71500 Other Revenue		\$80,343			\$19,228,866	\$19,309,209		\$19,309,209
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted	\$41,577	\$25,463,371	\$205,111	\$336	\$0	\$0		\$0
70000 Total Revenue	\$41,577	\$25,463,371	\$205,111	\$336	\$30,341,725	\$56,052,120		\$56,052,120
91100 Administrative Salaries	\$27,385	\$1,009,945	\$40,277		\$1,878,480	\$2,956,087		\$2,956,087
91200 Auditing Fees		\$4,443	\$300	\$3,000	\$26,257	\$34,000		\$34,000
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	\$4,944	\$206,916		\$193	\$228,533	\$440,393		\$440,393

91600 Office Expenses	\$807	\$334,208	\$251	\$459,834	\$795,100	\$795,100	\$795,100
91700 Legal Expense		\$34,867	\$3,057	\$134,184	\$172,108	\$172,108	\$172,108
91800 Travel	\$130	\$15,745		\$47,204	\$63,079	\$63,079	\$63,079
91810 Allocated Overhead							
91900 Other	\$1,987		\$100,050		\$102,037	\$102,037	\$102,037
91000 Total Operating - Administrative	\$35,253	\$1,606,124	\$106,551	\$2,774,492	\$4,562,997	\$4,562,997	\$4,562,997
92000 Asset Management Fee							
92100 Tenant Services - Salaries				\$115,157	\$115,157	\$115,157	\$115,157
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services				\$34,726	\$34,726	\$34,726	\$34,726
92400 Tenant Services - Other	\$2,000	\$524		\$32,056	\$34,580	\$34,580	\$34,580
92500 Total Tenant Services	\$2,000	\$524	\$0	\$181,939	\$184,463	\$184,463	\$184,463
93100 Water		\$1,416		\$243,464	\$244,880	\$244,880	\$244,880
93200 Electricity		\$6,464		\$115,569	\$122,033	\$122,033	\$122,033
93300 Gas		\$321		\$50,723	\$51,044	\$51,044	\$51,044
93400 Fuel							
93500 Labor							
93600 Sewer		\$516		\$250,790	\$251,306	\$251,306	\$251,306
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$0	\$8,717	\$0	\$660,546	\$669,263	\$669,263	\$669,263
94100 Ordinary Maintenance and Operations - Labor				\$948,019	\$948,019	\$948,019	\$948,019
94200 Ordinary Maintenance and Operations - Materials and Other		\$2,784		\$225,937	\$228,721	\$228,721	\$228,721
94300 Ordinary Maintenance and Operations Contracts		\$23,651		\$1,441,881	\$1,465,532	\$1,465,532	\$1,465,532
94500 Employee Benefit Contributions - Ordinary Maintenance				\$285,882	\$285,882	\$285,882	\$285,882
94000 Total Maintenance	\$0	\$26,435	\$0	\$2,901,719	\$2,928,154	\$2,928,154	\$2,928,154
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs		\$12,501		\$199,961	\$212,462	\$212,462	\$212,462
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$12,501	\$0	\$199,961	\$212,462	\$212,462	\$212,462
96110 Property Insurance				\$65,446	\$65,446	\$65,446	\$65,446
96120 Liability Insurance		\$3,263		\$37,827	\$41,090	\$41,090	\$41,090
96130 Workmen's Compensation	\$302	\$17,880		\$45,760	\$63,952	\$63,952	\$63,952

96140 All Other Insurance				\$651					\$10,496	\$11,147	\$11,147
96100 Total Insurance Premiums	\$302	\$21,604	\$0	\$0	\$0	\$0	\$0	\$0	\$159,529	\$181,635	\$181,635
96200 Other General Expenses		\$103							\$0	\$17,518	\$17,518
96210 Compensated Absences											
96300 Payments in Lieu of Taxes											
96400 Bad debt - Tenant Rents									\$27,917	\$27,917	\$27,917
96500 Bad debt - Mortgages											
96600 Bad debt - Other											
96600 Severance Expense											
96000 Total Other General Expenses	\$0	\$103	\$0	\$103	\$0	\$17,415	\$0	\$27,917	\$45,435	\$45,435	\$45,435
96710 Interest of Mortgage (or Bonds) Payable											
96720 Interest on Notes Payable (Short and Long Term)									\$1,190,928	\$1,190,928	\$1,190,928
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,190,928	\$1,190,928	\$1,190,928	\$1,190,928
96900 Total Operating Expenses	\$37,555	\$1,676,208	\$40,577	\$123,966	\$8,097,031	\$9,975,337					\$9,975,337
97000 Excess of Operating Revenue over Operating Expenses	\$4,022	\$23,767,163	\$164,534	-\$123,630	\$22,244,694	\$46,076,763					\$46,076,763
97100 Extraordinary Maintenance								\$70,927		\$70,927	\$70,927
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments				\$23,737,777	\$164,534				\$23,902,311	\$23,902,311	\$23,902,311
97350 HAP Portability-In				\$75,835					\$75,835	\$75,835	\$75,835
97400 Depreciation Expense				\$0				\$1,453,709	\$1,453,709	\$1,453,709	\$1,453,709
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$37,555	\$25,489,820	\$205,111	\$123,966	\$9,621,667	\$35,478,119					\$35,478,119
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											

**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***

Independent Auditors' Report

To the Board of Commissioners
Housing Authority of the City of Alameda
Alameda, 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, , the aggregate discretely presented component unit, 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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Alameda, California'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 Housing Authority of the City of Alameda, California's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Alameda, California'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 a 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 and not have been identified.

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*.

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.

Cropper Rowe, LLP

Walnut Creek, California
January 19, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditors' Report

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

Report on Compliance for Each Major Program

We have audited the Housing Authority of the City of Alameda, California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Alameda, California's major federal programs for the year ended June 30, 2016. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Alameda, California's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of Alameda, California's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of Alameda, California 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, 2016.

Report on 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 the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Alameda's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 the Uniform Guidance, 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. 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the business-type activities, the one 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, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Alameda's basic financial statements. We issued our report thereon dated January 19, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Chopper Power LLP

Walnut Creek, California
January 19, 2017

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

The previous audit report for the year ended June 30, 2015 contained no audit findings.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements?	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	no
Identification of major programs:	
Section 8 Housing Choice Vouchers	14.871
Dollar threshold to distinguish between Type A and Type B programs	\$768,667
Auditee qualified as low risk auditee?	yes