

**CROPPER ROWE, LLP**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2017**  
(Including Auditors' Report Thereon)

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**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

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 and the discretely presented component unit of the Housing Authority of the City of Alameda (the Authority), as of and for the year ended June 30, 2017, 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***

The Authority's 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 did not audit the financial statements of Island City Development, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Island City Development, is based solely on the report of the other auditors. 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Housing Authority of the City of Alameda, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 11, the Schedule of Funding Progress for OPEB on page 48, the Schedule of the Authority's Proportionate Share of the Net Pension Liability on page 49, and the Schedule of the Authority's Pension Plan Contribution on page 50 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's basic financial statements. The Schedule of Expenditures of Federal Awards on page 52 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 54 through 61 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 by us and the other auditors. 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 March 26, 2018 on our consideration of the Housing Authority of the City of Alameda's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Alameda's internal control over financial reporting and compliance.



CROPPER ROWE, LLP  
Walnut Creek, California  
March 26, 2018

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## 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, 2017. 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 2017 resulting in a Net Position of \$64,073,928 at June 30, 2017 as opposed to \$55,764,313 at June 30, 2016.
- Total assets and deferred outflows of resources at June 30, 2017 were \$101,103,917. Of this, \$27,730,611 represents current assets, \$69,829,587 represents non-current assets, and \$3,543,719 represents deferred outflows of resources. Total assets and deferred outflows of resources at June 30, 2016 were \$89,819,661.
- Capital assets, net of accumulated depreciation at June 30, 2017 increased by \$3,494,537 from \$37,299,016 at June 30, 2016 to \$40,793,553 at June 30, 2017. Capital assets are reflected at cost, less accumulated depreciation for all purchased capital assets.
- Total liabilities and deferred inflows of resources at June 30, 2017 were \$37,029,989. Of this, \$3,153,797 represents current liabilities, \$32,572,414 represents non-current liabilities, and \$1,303,778 represents deferred inflows of resources.
- Net position increased from \$55,764,313 at June 30, 2016 to \$64,073,928 at June 30, 2017, an increase of \$8,309,615.
- Total revenues for the Authority for fiscal year 2017 were \$49,587,426 versus \$56,051,784 for fiscal year 2016; a decrease of \$6,464,358. The primary sources of revenue for fiscal year 2017 were governmental grants, and rents collected from the Authority's owned units.
- Total expenses for the Authority for fiscal year 2017 were \$41,277,811 versus \$35,354,153 for fiscal year 2016; an increase of \$5,923,658. 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 \$26,572,457 of housing assistance payment expenses for fiscal year 2017. This represents an increase of \$2,594,311 to the \$23,978,146 amount for fiscal year 2016.
- Operating revenues for the Authority for fiscal year 2017 were \$41,424,076 and operating expenses were \$40,187,716. Operating revenues and expenses for fiscal year 2016 were \$38,357,148 and \$34,163,225 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 deferred outflows, and liabilities and deferred inflows, 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 on the face of the financial statements as one 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 include 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), net of any debt incurred to finance the acquisition of those assets. 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, 2017. 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, 2017 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, 2017

**Table 1**  
**Net Position**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Variance</u>	<u>%</u>
<b>Assets and Deferred Outflows</b>				
Current Assets	\$ 27,730,611	\$ 31,676,906	\$ (3,946,295)	-12.5%
Notes Receivable	29,036,034	18,237,984	10,798,050	59.2%
Capital Assets, net of accumulated depreciation	<u>40,793,553</u>	<u>37,299,016</u>	<u>3,494,537</u>	9.4%
Total Assets	<u>97,560,198</u>	<u>87,213,906</u>	<u>10,346,292</u>	11.9%
Deferred outflow of resources	<u>3,543,719</u>	<u>2,605,755</u>	<u>937,964</u>	36.0%
<b>Liabilities and Deferred Inflows</b>				
Current Liabilities	3,153,797	3,117,095	36,702	1.2%
Noncurrent Liabilities	<u>32,572,414</u>	<u>29,960,120</u>	<u>2,612,294</u>	8.7%
Total Liabilities	<u>35,726,211</u>	<u>33,077,215</u>	<u>2,6489,996</u>	8.0%
Deferred inflow of resources	<u>1,303,778</u>	<u>978,133</u>	<u>325,645</u>	33.3%
<b>Net Position</b>				
Net investment of capital assets	13,154,931	8,944,339	800,592	9.0%
Restricted	1,111,713	605,261	506,452	83.7%
Unrestricted	<u>49,807,284</u>	<u>46,214,713</u>	<u>3,592,571</u>	7.8%
Total net position	<u>\$ 64,073,928</u>	<u>\$ 55,764,313</u>	<u>\$ 8,309,615</u>	14.9%



## 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, 2017 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, 2017

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Variance</u>	<u>%</u>
Operating revenues:				
Grants	\$ 36,418,954	\$32,930,661	\$ 3,488,293	10.6%
Rents	3,598,210	3,515,025	83,185	2.4%
Other	1,406,912	1,911,462	(504,550)	-26.4%
Non-operating revenues:				
Interest income	164,841	202,526	(37,685)	-18.6%
Gain on sale of fixed assets	6,569	-	6,569	n/a
Pension gain (Note 6)	981,940	-	981,940	n/a
Del Monte Senior Housing	7,010,000	-	7,010,000	n/a
Successor agency income	-	17,492,110	(17,492,110)	-100.0%
Total Revenue	<u>49,587,426</u>	<u>56,051,784</u>	<u>(6,464,358)</u>	<u>-11.5%</u>
Operating expenses:				
Administration	6,858,729	4,456,445	2,402,284	53.9%
Utilities	679,693	669,263	10,430	1.6%
Maintenance	2,859,549	2,999,081	(139,532)	-4.7%
General	1,284,379	209,656	1,074,723	512.6%
Tenant Services	253,245	184,463	68,782	37.3%
Protective Services	210,000	212,462	(2,462)	1.2%
Housing assistance payments	26,572,457	23,978,146	2,594,311	10.8%
Depreciation	1,469,664	1,453,709	15,955	1.1%
Non-operating expenses				
Interest expense	<u>1,090,095</u>	<u>1,190,928</u>	<u>(100,832)</u>	<u>-8.5%</u>
Total expenses	<u>41,277,811</u>	<u>35,354,153</u>	<u>5,923,658</u>	<u>16.8%</u>
Change in net position before prior period adjustment	8,309,615	20,697,631	(12,388,016)	-59.9%
Prior period adjustments	<u>-</u>	<u>4,000,000</u>	<u>(4,000,000)</u>	<u>-100.0%</u>
Change in net position	8,309,615	24,697,631	(16,388,016)	-66.4%
Net Position, beginning of year	<u>55,764,313</u>	<u>31,066,682</u>	<u>24,697,631</u>	<u>79.5%</u>
Net Position, end of year	<u>\$ 64,073,928</u>	<u>\$55,764,313</u>	<u>\$ 8,309,615</u>	<u>14.9%</u>

The Del Monte Senior Housing income related to the donation of land valued at \$3,410,000 and cash of \$3,600,000. These funds were subsequently lent by the Authority to Sherman and Buena Vista LP for the development of the senior housing at Sherman and Buena Vista.

## 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, 2017 increased by \$8,309,615 from the June 30, 2016 balance.

### Changes in Capital Assets

The following presents the changes in fixed assets (net of accumulated depreciation) at June 30, 2017 versus the prior fiscal year.

#### Housing Authority of the City of Alameda Changes in Capital Assets (Net of Accumulated Depreciation) June 30, 2017

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Variance</u>	<u>%</u>
Land	\$ 22,022,054	\$ 18,612,054	\$3,410,000	18.3%
Construction in Progress	286,033	-	286,033	n/a
Building and Improvements	18,456,188	18,636,527	(180,339)	-1.0%
Equipment	<u>29,278</u>	<u>50,435</u>	<u>(21,157)</u>	-41.9%
	<u>\$ 40,793,553</u>	<u>\$ 37,299,016</u>	<u>\$3,494,537</u>	9.4%

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, 2017 versus the prior fiscal year.

#### Housing Authority of the City of Alameda Changes in Long-term Debt June 30, 2017

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Variance</u>	<u>%</u>
Notes and bonds payable	\$ 27,638,622	\$28,354,676	\$(716,054)	-2.5%

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, 2017 the Authority's expenses associated with the Housing Choice Voucher Program exceeded its revenues by \$8,700. For the previous 2016 fiscal year the Authority's expenses for the Housing Choice Voucher Program exceeded its revenues by \$26,449. 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**  
**JUNE 30, 2017**

	Housing Authority	Component Unit	Total Combined
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and investments (Note 2)	\$ 27,100,576	\$ 3,998,841	\$ 31,099,417
Due from other agencies	245,118	-	245,118
Tenant accounts receivable	56,515	-	56,515
Accounts receivable - other	39,609	3,910	43,519
Interest receivable	70,011	-	70,011
Prepaid expenses	213,699	4,699,277	4,912,976
Inventory	5,083	-	5,083
Total current assets	<u>27,730,611</u>	<u>8,702,028</u>	<u>36,432,639</u>
Noncurrent assets:			
Notes receivable (Note 8)	29,036,034	-	29,036,034
Capital assets, net of accumulated depreciation of \$25,322,193 (Note 3)	<u>40,793,553</u>	<u>903,200</u>	<u>41,696,753</u>
Total noncurrent assets	<u>69,829,587</u>	<u>903,200</u>	<u>70,732,787</u>
Total assets	<u>97,560,198</u>	<u>9,605,228</u>	<u>107,165,426</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension Plan (Note 6)	<u>3,543,719</u>	<u>-</u>	<u>3,543,719</u>
Total assets and deferred outflows of resources	<u>101,103,917</u>	<u>9,605,228</u>	<u>110,709,145</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts payable - other	238,177	42,775	280,952
Accounts payable - other agencies	8,221	-	8,221
Tenant security deposits	548,120	-	548,120
Other accrued liabilities	392,412	160,000	552,412
Interest payable	901,727	8,623	910,350
Compensated absences (Note 5)	105,601	-	105,601
Notes and bonds payable (Note 4)	959,539	9,756,863	10,716,402
Total current liabilities	<u>3,153,797</u>	<u>9,968,261</u>	<u>13,122,058</u>
Noncurrent liabilities:			
Compensated absences (Note 5)	79,663	-	79,663
Other noncurrent liabilities	151,459	-	151,459
Unearned revenue (Note 10)	3,410,000	-	3,410,000
OPEB payable (Note 7)	567,257	-	567,257
Pension liability (Note 6)	1,684,952	-	1,684,952
Notes and bonds payable (Note 4)	26,679,083	-	26,679,083
Total noncurrent liabilities	<u>32,572,414</u>	<u>-</u>	<u>32,572,414</u>
Total liabilities	<u>35,726,211</u>	<u>9,968,261</u>	<u>45,694,472</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension Plan (Note 6)	<u>1,303,778</u>	<u>-</u>	<u>1,303,778</u>
Total liabilities and deferred inflows of resources	<u>37,029,989</u>	<u>9,968,261</u>	<u>46,998,250</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	13,154,931	903,200	14,058,131
Restricted	1,111,713	-	1,111,713
Unrestricted	49,807,284	(1,266,233)	48,541,051
Total Net Position	<u>\$ 64,073,928</u>	<u>\$ (363,033)</u>	<u>\$ 63,710,895</u>

See notes to the Financial statements.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Housing Authority	Component Unit	Total Combined
<u>Operating Revenues</u>			
Grants	\$ 36,418,954	\$ -	\$ 36,418,954
Rents	3,598,210	-	3,598,210
Other	1,406,912	1,193	1,408,105
Total operating revenues	41,424,076	1,193	41,425,269
<u>Operating Expenses</u>			
Administration	6,858,729	22,550	6,881,279
Utilities	679,693	-	679,693
Maintenance	2,859,549	-	2,859,549
General	1,494,379	90,747	1,585,126
Tenant services	253,245	-	253,245
Housing assistance payments	26,572,457	-	26,572,457
Depreciation	1,469,664	-	1,469,664
Total operating expenses	40,187,716	113,297	40,301,013
Operating income (loss)	1,236,360	(112,104)	1,124,256
<u>Non-Operating Revenues (Expenses)</u>			
Interest income	164,841	-	164,841
Gain on sale of fixed assets	6,569	-	6,569
Interest expense	(1,090,095)	-	(1,090,095)
Pension gain/(expense) (Note 6)	981,940	-	981,940
Del Monte Senior Housing	7,010,000	-	7,010,000
Other nonoperating revenues (expenses)	-	(117,219)	(117,219)
Net non-operating revenue	7,073,255	(117,219)	6,956,036
Change in net position	8,309,615	(229,323)	8,080,292
Total net position, beginning	55,764,313	(133,710)	55,630,603
Total net position, ending	\$ 64,073,928	\$ (363,033)	\$ 63,710,895

See notes to the Financial statements.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Housing Authority	Component Unit	Total Combined
<u>Cash flows from operating activities:</u>			
Grants received	\$ 36,237,692	\$ -	\$ 36,237,692
Cash received from rents	3,749,518	-	3,749,518
Other miscellaneous cash receipts	1,218,616	(1,590)	1,217,026
Cash payments to suppliers and landlords	(34,570,799)	(123,428)	(34,694,227)
Cash payments to employees	(3,785,195)	-	(3,785,195)
Net cash provided (used) in operating activities	2,849,832	(125,018)	2,724,814
<u>Cash flows from capital and related financing activities:</u>			
Interest paid on long-term debt	(1,127,482)	8,623	(1,118,859)
Additions to long-term debt	133,246	-	133,246
Principal paid	(849,300)	-	(849,300)
Donations received	3,600,000	-	3,600,000
Receipt of unearned revenue	3,410,000	-	3,410,000
Expenditures for subsidiary	-	(1,373,268)	(1,373,268)
Acquisition of fixed assets	(1,547,632)	(743,200)	(2,290,832)
Proceeds from notes payable	-	4,900,000	4,900,000
Net cash provided by (used in) capital and related financing activities	3,618,832	2,792,155	6,410,987
<u>Cash flows from investing activities:</u>			
Issuances of mortgage notes receivable	(10,798,050)	-	(10,798,050)
Interest received from investments	197,417	-	197,417
Net cash provided by (used in) investing activities	(10,600,633)	-	(10,600,633)
Net increase (decrease) in cash	(4,131,969)	2,667,137	(1,464,832)
Cash at beginning of year	31,232,545	1,331,704	32,564,249
Cash at end of year	\$ 27,100,576	\$ 3,998,841	\$ 31,099,417
<u>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</u>			
Operating income (loss)	\$ 1,236,360	\$ (112,104)	\$ 1,124,256
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	1,469,664	-	1,469,664
<i>(Increase) decrease in assets</i>			
Due from other agencies	(181,262)	1,127	(180,135)
Tenant accounts receivable	151,308	-	151,308
Other accounts receivable	(23,146)	(3,910)	(27,056)
Prepaid expenses	(165,948)	-	(165,948)
Inventory	798	-	798
<i>(Increase) decrease in liabilities</i>			
Accounts payable	(9,369)	22,724	13,355
Accounts payable to other agencies	6,664	-	6,664
Tenant security deposits	10,588	-	10,588
Accrued liabilities	43,008	(32,855)	10,153
Accrued compensated absences	(34,101)	-	(34,101)
Other noncurrent liabilities	(255,682)	-	(255,682)
OPEB payable	401,017	-	401,017
GASB 68 effect on pension expense	199,933	-	199,933
Net cash provided by (used in) operating activities	\$ 2,849,832	\$ (125,018)	\$ 2,724,814
<u>Noncash investing, capital and financing activities</u>			
Land donation received	\$ 3,410,000	\$ -	\$ 3,410,000

See notes to the Financial statements.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 Mayor of the City of Alameda, California. 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, Island City Development.

Discretely Presented Component Unit - Island City Development

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 Nonprofit Corporation has a year end of December 31, 2016, and the financial activity is reported as a separate column on the financial statements.

Island City Development is the sole member of Del Monte Senior LLC, the 0.01% Managing General Partner of Sherman and Buena Vista LP, created June 23, 2016 for the purpose of developing and owning a 31-unit Low-Income Housing Tax Credit property at 1031 Buena Vista Avenue in Alameda. This property is under construction and is expected to be completed in 2018. Additionally, Island City Development is the sole member of 2437 Eagle Avenue LLC, the 0.01% Managing General Partner of Everett and Eagle LP, created November 22, 2016 for the purpose of developing and owning a 20-unit Low-Income Housing Tax Credit property at 2437 Eagle Avenue in Alameda. This property is under construction and is expected to be completed in 2018. Finally, Island City Development is the 0.1% Special Limited Partner for Stargell Commons LP created February 20, 2015 to own and operate a 32 unit Low-Income Housing Tax Credit property at 2700 Bette Street in Alameda.

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Related Organizations – Blended component units

The Housing Authority is the sole member of AHA Islander GP, LLC which is the 0.005% General Partner of the Alameda Islander LP. This limited partnership owns and operates a 62-unit Low-Income Housing Tax Credit property at 2428 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 0.0049% General Partner of the Jack Capon Villa, LP. This limited partnership owns and operates a 19-unit Low-Income Housing Tax Credit property at 2216 Lincoln Avenue in Alameda. The financial statements include the financial information of 2216 Lincoln AHA, LLC.

**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. Non-exchange 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.



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 is 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 non-operating 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.

**D. Assets, Liabilities, and Net Position**

*a. 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, including restricted amounts, are reported in the Statement of Cash Flows.

*b. 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.

*c. 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.

*d. 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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**D. Assets, Liabilities, and Net Position, Continued**

*e. 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. 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

*f. 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 or at separation. Unpaid sick balances are not paid at separation.

*g. Taxes*

The Authority is exempt from federal and state income taxes, and county property taxes.

*h. Encumbrances*

Encumbrance accounting is not employed by the Authority.

*i. 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.

*j. 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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**D. Assets, Liabilities, and Net Position, Continued**

*k. 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.

**E. New GASB Pronouncements**

**New Accounting Pronouncements**

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB No. 83). GASB No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB No. 83.

GASB No. 83 will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. GASB No. 83 will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The requirements of GASB No. 83 are effective for reporting periods beginning after June 15, 2018. The Authority does not believe that there will be any financial statement effect related to GASB No. 83.

In January 2017 GASB issued Statement No. 84, *Fiduciary Activities* (GASB No. 84). The objective of which is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of GASB No. 84 will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The requirements of GASB No. 84 are effective for reporting periods beginning after December 15, 2018. The Authority does not believe that there will be any financial statement effect related to GASB No. 84.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**E. New GASB Pronouncements**

In March 2017, GASB issued Statement No. 85, *Omnibus 2017* (GASB No. 85). The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. GASB No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, the following topics are addressed:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of GASB No. 85 are effective for reporting periods beginning after June 15, 2017. The Authority does not believe that there will be any financial statement effect related to the GASB No. 85.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB No. 86). The primary objective of GASB No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB No. 86 also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of GASB No. 86 are effective for reporting periods beginning after June 15, 2017. The Authority does not believe that there will be any financial statement effect related to GASB No. 86.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**E. New Accounting Pronouncements, Continued**

In June 2017, GASB issued Statement No. 87, *Leases* (GASB No. 87). The objective of GASB No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB No. 87 will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. GASB No. 87 also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

The requirements of GASB No. 87 are effective for reporting periods beginning after December 15, 2019. The Authority does not believe that there will be any financial statement effect related to GASB No. 87.

**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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**H. Loans Issued During the 2017 Fiscal Year**

During the 2017 fiscal year the Authority issued the following loans totaling \$11.8 million dollars:

Loan Receivable - ICD – Del Monte Predevelopment	\$ 300,000
Loan Receivable - Sherman and Buena Vista LP	3,600,000
Loan Receivable - Sherman and Buena Vista LP	3,410,000
Loan Receivable - ICD – Operating Capital	250,000
Loan Receivable - Everett and Eagle LP	<u>4,250,000</u>
Total	<u>\$ 11,810,000</u>

More information is available in Note 8.

**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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 2 - CASH AND INVESTMENTS, Continued**

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agency agreements. Cash and investments as of June 30, 2017 are as follows:

Unrestricted	\$ 25,037,901
Restricted	<u>2,062,675</u>
Total cash and investments	<u>\$ 27,100,576</u>

The \$27,100,576 of cash and investments consists of \$5,617,286 maintained on deposit in banks, \$736,688 maintained by loan servicing agencies, \$7,757,591 deposited in the State of California Local Agency Investment Fund (LAIF), \$13,199,966 deposited in the California Asset Management Program (CAMP), and \$250 in petty cash. Of the amounts on deposit with banks, \$250,000 is covered by federal deposit insurance. The remaining \$5,637,286 is required by California law to be collateralized by governmental securities with a market value of 110% of the deposit or with first deed mortgages with a value of 150% of the uninsured amount.

The \$736,688 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.

**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. Each January, the Board of Commissioners approves the Authority's Investment Policy. 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.

Authorized Investment Type	Maximum Maturity	Minimum Quality Credit	Maximum in Portfolio	Maximum Investment One Issuer
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	N/A	N/A	N/A	N/A
Bankers Acceptances	180 Days	N/A	40%	30%
Negotiable Certificates of Deposit	N/A	A	30%	N/A
Time Certificates of Deposit	N/A	N/A	30%	N/A
Medium Term Corporate Notes	5 Years	A	30%	N/A
Money Market Mutual Funds	N/A	AAA	15%	10%
County Agency Investment fund	On Demand	N/A	30%	N/A
Reverse Repurchase Agreements	N/A	N/A	20%	N/A

In the period under review, the Authority removed investments placed in government securities and divided its investments between LAIF and California Asset Management Program (CAMP).

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 2 - CASH AND INVESTMENTS, Continued**

**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:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
<b>For U.S. Department of Housing and Urban Development Funds</b>				
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
<b>For Non U.S. Department of Housing and Urban Development Funds</b>				
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, 2017**

**Note 2 - CASH AND INVESTMENTS, 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:

Investment Type	12 Months or Less	One to Five Years	More than Five Years	Total
Local Agency Investment Fund	\$ 7,757,591	\$ -	\$ -	\$ 7,757,591
CAMP	13,119,966	-	-	13,119,966
Total Investments	<u>\$ 20,877,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,877,557</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, 2017 for each Authority investment type as provided by Standard and Poor's except as noted:

Investment Type	
Not Rated:	
Local Agency Investment Fund	\$ 7,757,591
CAMP	\$ 13,119,966

**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, 2017 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, 2017**

**Note 3 - CAPITAL ASSETS**

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2017:

	Balance 6/30/2016	Additions	Adjustments and Deletions	Balance 6/30/2017
Non-depreciable assets				
Land	\$ 18,612,054	\$ 3,410,000	\$ -	\$ 22,022,054
Construction in progress	-	286,033	-	286,033
Total non-depreciable assets	<u>18,612,054</u>	<u>3,696,033</u>	<u>-</u>	<u>22,308,087</u>
Depreciable assets				
Buildings and improvements	42,153,106	1,268,168	-	43,421,274
Equipment	<u>402,927</u>	<u>-</u>	<u>(16,542)</u>	<u>386,385</u>
Total depreciable assets	<u>42,556,033</u>	<u>1,268,168</u>	<u>(16,542)</u>	<u>43,807,659</u>
Accumulated depreciation				
Buildings and improvements	(23,516,579)	(1,448,507)	-	(24,965,086)
Equipment	<u>(352,492)</u>	<u>(21,157)</u>	<u>16,542</u>	<u>(357,107)</u>
Total accumulated depreciation	<u>(23,869,071)</u>	<u>(1,469,664)</u>	<u>16,542</u>	<u>(25,322,193)</u>
Net depreciable assets	<u>18,686,962</u>	<u>\$ (201,496)</u>	<u>\$ -</u>	<u>18,485,466</u>
Total capital assets, net	<u>\$ 37,299,016</u>			<u>\$ 40,793,553</u>

On December 8, 2016 the Authority purchased a single family Below Market Rate home at 1825 Paru Street for \$440,000.

In December 2016 the Authority received a land donation with a value of \$3,410,000.

**Note 4 - LONG-TERM DEBT**

Following is a summary changes in long-term debt for the year ended June 30, 2017:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17	Current Portion
<u>Bonds Payable:</u>					
PNC Bank	\$ 5,497,982	\$ -	\$ (97,982)	\$ 5,400,000	\$ 173,986
<u>Notes Payable:</u>					
Amerisphere	13,921,211	-	(209,329)	13,711,882	221,423
Amerisphere	6,516,233	-	(541,990)	5,974,243	562,668
City of Alameda	1,476,600	119,527	-	1,596,127	1,462
County of Alameda	<u>942,650</u>	<u>13,720</u>	<u>-</u>	<u>956,370</u>	<u>-</u>
	<u>\$28,354,676</u>	<u>\$ 133,247</u>	<u>\$(849,301)</u>	<u>\$27,638,622</u>	<u>\$ 959,539</u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
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**Note 4 - LONG-TERM DEBT, 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
2018	\$ 959,539	\$ 1,112,125	\$ 2,071,664
2019	1,004,293	1,073,398	2,077,691
2020	1,051,181	1,032,845	2,084,026
2021	1,100,362	990,376	2,090,738
2022	1,158,350	945,896	2,104,246
Thereafter	22,364,897	13,379,389	35,744,286
	<u>\$27,638,622</u>	<u>\$ 18,534,029</u>	<u>\$46,172,651</u>

A description of the debt recorded at June 30, 2017 for the housing authority is as follows:

**Bonds Payable:**

A deed of trust bond payable was issued on May 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 interest rate. The bonds require annual payments in the amounts necessary to pay all principal of premium, if any, and interest on the bonds as they become due. The bonds mature May 15, 2035. The outstanding balance on the bonds total \$5,400,000 at June 30, 2017.

**Notes Payable:**

<b>Lender</b>	<b>Original Note</b>	<b>Note Date</b>
Alameda County	\$35,000	7/9/1996
City of Alameda	\$235,900	7/15/1996
City of Alameda	\$282,700	7/26/1996
Alameda County	\$14,190	2/20/1997
City of Alameda	\$570,000	6/18/1998
Alameda County	\$380,000	9/1/2009
Alameda County	\$536,400	9/1/2009
City of Alameda	\$96,000	11/21/2013
Amerisphere	\$14,291,000	6/30/2014
Amerisphere	\$7,500,000	6/30/2014
City of Alameda	\$400,000	3/30/2016
City of Alameda	\$25,000	4/15/2016

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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 4 - LONG-TERM DEBT, Continued**

The Authority assumed a loan, originally entered into by the Filipino American Community Services Agency on July 9, 1996, payable to the County of Alameda on September 8, 2009 for the Lincoln House property at 745 Lincoln Avenue in the amount of \$35,000. 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, 2017 was \$26,250.

A promissory note agreement for \$235,900 was entered into with the City of Alameda on July 15, 1996 for three condominiums at the following addresses 2137 Otis Drive, 2209 Otis Drive, 1825 Shoreline Drive. This note bears no interest. Payment on this note was deferred until December 31, 2006, at which time semi annual payments of principal are due based on an amortization schedule. The principal is due and payable on December 31, 2055. The outstanding balance on this note as of June 30, 2017 was \$222,426.

A promissory note agreement for \$282,700 was entered into with the City of Alameda on July 26, 1996 for four condominiums at the following addresses 955 Shorepoint Court and 965 Shorepoint Court. This note bears no interest. Payment on this note is deferred until December 31, 2026, at which time semi annual payments of principal are due based on an amortization schedule. The principal is due and payable on December 31, 2055. The outstanding balance on this note as of June 30, 2017 was \$282,700.

A promissory note agreement for \$14,190 was entered into with the County of Alameda on February 20, 1997 for the 1917 Stanford Street property. 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 note at June 30, 2017 was \$13,720.

A promissory note agreement for \$570,000 was entered into with the City of Alameda on June 18, 1998 for the China Clipper property at 460 Buena Vista Avenue. 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, 2017 was \$570,000.

A promissory note agreement for \$380,000 was entered into with the County of Alameda on September 1, 2009 for the Lincoln House property at 745 Lincoln Avenue. The note bears simple interest at 3% per annum. The Authority also assumed the previously accrued interest in the sum of \$154,470. The principal and accrued interest are due and payable on July 30, 2067. Principal and interest are payable annually throughout the term of the loan through Residual Receipts as defined in the note. The outstanding balance on this note at June 30, 2017 was \$380,000.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
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**Note 4 - LONG-TERM DEBT, Continued**

**Notes Payable, Continued:**

A promissory note agreement for \$536,400 was entered into with the County of Alameda on September 1, 2009 for the 1917 Sherman Street property. The note bears simple interest at 3% per annum. The Authority also assumed the previously accrued interest in the sum of \$184,735. The principal and accrued interest are due and payable on July 30, 2067. Principal and interest are payable annually throughout the term of the loan through Residual Receipts as defined in the note. The outstanding balance on this note at June 30, 2017 was \$536,400.

A promissory note agreement for \$96,000 was entered into with the City of Alameda on November 21, 2013 for the Anne B. Diamant property at 920 Park Street. The note bears no interest. The principal is deferred and forgivable until November 22, 2028. The outstanding balance on this note at June 30, 2017 was \$96,000.

On June 30, 2014 the Authority entered into a mortgage note totaling \$14,291,000 with Amerisphere Multifamily Finance, LLC. The mortgage is serviced by NorthMarq Capital. The note is secured by the property referred to as the Esperanza Apartments at 1903 Third Street. 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, 2017 was \$13,711,883.

On June 30, 2014 the Authority entered into a mortgage note totaling \$7,500,000 with Amerisphere Multifamily Finance, LLC. The mortgage is serviced by NorthMarq Capital. The note is secured by the property referred to as the Independence Plaza at 703 Atlantic Avenue. 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, 2017 was \$5,974,243.

A first amendment to a promissory note agreement for \$400,000 was entered into with the City of Alameda on April 1, 2017, retroactive to March 30, 2016, for property located at 738 Eagle Avenue, Alameda, CA. This note bears simple interest at 2.33% per annum. The principal, together with accrued interest is due and payable on April 1, 2074 and the loan can be forgiven on March 30, 2031. The outstanding balance on this note at June 30, 2017 was \$400,000.

A promissory note agreement for \$25,000 was entered into with the City of Alameda on April 15, 2016 for the China Clipper property at 460 Buena Vista Avenue. The note bears interest at 2.33% compounded annually. The principal and accrued interest are due and payable on April 15, 2074. Principal and interest are payable annually throughout the term of the loan through Residual Receipts as defined in the note. The outstanding balance on this note at June 30, 2017 was \$25,000.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
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**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, up to a maximum of 250 hours at any time. 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 as current compensated absences of \$105,601 and noncurrent compensated absences of \$79,663 for a total of \$185,264 as of June 30, 2017.

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 (FNP) 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, 2015 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 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**  
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**Note 6 - PENSION PLAN, 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, 2017, are summarized as follows:

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

**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, 2016 (the measurement date), the active employee's contribution rate are 7.00 (First Level/Classic Members) and 6.50 (PEPRA New Members) percent of annual payroll, and the effective employer's rates are 9.599 percent and 6.908 percent of annual payroll.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous Plan	Classic	PEPRA
Contributions – employer	\$ 1,335,827	9.599%	6.908%
Contributions – employee	273,491	7.000%	6.500%
Total	<u>\$ 1,609,318</u>		

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
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**Note 6 - PENSION PLAN, 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 Net Pension Liability**

	<u><b>Net Pension Liability</b></u>	
Balance at 6/30/15 - Measurement date	\$ 1,854,640	0.067600%
Balance at 6/30/16 - Measurement date	<u>1,684,952</u>	<u>0.019472%</u>
Net Pension Liability Year-to-Year Increase/(Decrease)	<u>\$ (169,688)</u>	

The Authority's net pension liability of \$1,684,952 is measured as the proportionate share of the net pension liability of \$3,473,877,243 (or 0.0485%). The net pension liability is measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016 using standard update procedures. The Authority paid down \$1,335,827 during the year ended June 30, 2017. Since the pension liability is based on the measurement date of June 30, 2016, the outstanding pension liability here does not reflect the pay down of contributions made during the year ended June 30, 2017. 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, 2017, the Authority recognized pension expense/(income) of \$(981,940) for the Plan. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,335,827	\$ -
Differences between actual and expected experience	14,115	(3,235)
Changes in assumptions	-	(133,559)
Differences in contributions and proportionate share of contributions	1,074,194	-
Net differences between projected and actual earnings on pension plan investments	1,119,583	(424,451)
Adjustments due to differences in proportions	-	(742,533)
Total	<u>\$ 3,543,719</u>	<u>\$ (1,303,778)</u>



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
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**Note 6 - PENSION PLAN, Continued**

Of the \$3,543,719 reported as deferred outflows of resources, \$1,335,827 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, 2017 (measurement period ended June 30, 2016). 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	\$ 215,409
2018	206,784
2019	301,876
2020	180,047
Thereafter	-

The amounts above are the net of outflows and inflows recognized in the measurement period ended June 30, 2016.

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability** - For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2015 total pension liability and the June 30, 2016 total pension liability were determined using the following actuarial methods and assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
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

- (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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
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**Note 6 - PENSION PLAN, Continued**

**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	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55)%	(1.05)%
Total	100%		

(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**  
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**Note 6 - PENSION PLAN, 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)	\$ 3,577,152	\$ 1,684,952	\$ 121,142

***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, 2017, there was no outstanding account payable for contributions to the pension plan required for the year ended June 30, 2017.

**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 post-employment 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 benefit to retirees.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
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**Note 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB), 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. In 2017, the Authority paid in to the CERBT account by \$30,448.

**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	\$ 191,628
Interest on net OPEB obligation	17,303
Adjustment of annual required contribution	<u>(18,367)</u>
Annual OPEB Cost	<u>\$ 190,564</u>
Annual OPEB Cost	\$ 190,564
Contributions made	<u>(30,448)</u>
Increase in net OPEB obligation (asset)	160,116
Net OPEB obligation (asset), beginning of year	<u>407,141</u>
Net OPEB obligation (asset), end of year	<u>\$ 567,257</u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
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**Note 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued**

**Annual OPEB Cost and Net OPEB Obligation, Continued:**

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contribution</u>	<u>Net Ending OPEB Obligation (Asset)</u>
6/30/17	\$ 190,564	\$ 30,448	15.97%	\$ 567,257
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 follows:

Actuarial accrued liability (AAL)	\$ 1,754,071
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,754,071</u>
Funded ratio (actuarial value of plan Assets/AAL)	0%
Covered payroll	\$ 3,783,177
UAAL as percentage of covered payroll	46.4%

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, 2016 is 26 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 FINANCIAL STATEMENTS**  
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**Note 8 – NOTES RECEIVABLE**

At June 30, 2017, the Housing Authority of the City of Alameda had \$29,036,034 of notes receivable due to them. This balance was comprised of \$1,000 security deposit loans and \$29,035,034 of loans.

A summary of the Authority loans is outlined below:

<b>Borrower</b>	<b>Original Note</b>	<b>Note Date</b>
Playa del Alameda	\$243,109	1/31/2000
Breakers at Bayport LP	\$2,015,000	1/5/2004
Taplin, Tamiko	\$23,600	3/9/2007
Nebeker, Bud	\$31,800	12/18/2007
Moore, Analisa	\$31,800	1/23/2008
Shinsei Gardens Apartments LP	\$4,000,000	3/24/2008
Alameda Islander LP	\$8,600,000	9/27/2011
Jack Capon Villa LP	\$225,000	1/11/2013
Jack Capon Villa LP	\$1,400,000	1/11/2013
Jack Capon Villa LP	\$200,000	1/11/2013
Rojas, Ana	\$4,148	4/16/2013
Assefa, Fikre	\$4,148	6/10/2013
Petochis, Nicola	\$7,676	8/1/2013
Island City Development - Del Monte	\$700,000	8/10/2015
Island City Development – 2437 Eagle	\$1,000,000	8/10/2015
Island City Development - Rosefield	\$1,000,000	2/10/2016
Stargell Commons LP	\$2,000,000	11/24/2015
Island City Development - Del Monte	\$300,000	11/1/2016
Sherman and Buena Vista LP	\$3,600,000	12/1/2016
Sherman and Buena Vista LP	\$3,410,000	12/1/2016
Island City Development – Operating Capital	\$250,000	4/28/2017
Everett and Eagle LP	\$4,250,000	6/21/2017

Effective January 31, 2000, Playa del Alameda Associates entered into an Amended and Restated Promissory Note with the Authority Playa del Alameda Associates for \$243,109 for the Playa del Alameda property located at 148 Crolls Garden Court. The interest accrues at 1% per annum. The full principal and interest are due on January 31, 2055, or upon the occurrence of a default as defined in the Loan Agreement. The outstanding balance on the note at June 30, 2017 was \$243,108.

Effective January 5, 2004, Resources for Community Development entered into a Promissory Note with the Authority for an amount not to exceed \$2,015,000 for the Breakers at Bayport property located at 459 Neptune Gardens Avenue. This loan was assigned to the Breakers at Bayport LP on October 14, 2004. This loan accrues no interest. Payments shall be deferred until January 5, 2059. The outstanding balance on the note at June 30, 2017 was \$1,408,790.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 8 – NOTES RECEIVABLE, Continued**

Effective March 9, 2007, Tamiko L. Taplin and Anthony Taplin entered into a Promissory Note with the City of Alameda [and therefore the Successor Agency per ROPS] for \$23,600 for the property at 338 Ansel Avenue. A balloon payment is due on March 9, 2021. If the principal amount is paid after March 9, 2011, the borrower must also pay a share of the appreciation of the property, as calculated in the Note. The outstanding balance on the note at June 30, 2017 was \$23,600.

Effective December 18, 2007, Bud D. and Jennifer S. Nebeker entered into a Promissory Note with the City of Alameda [and therefore the Successor Agency per ROPS] for \$31,800 for the property at 2 Bertero Court. A balloon payment is due on December 18, 2022. If the principal amount is paid after December 19, 2012, the borrower must also pay a share of the appreciation of the property, as calculated in the Note. The outstanding balance on the note at June 30, 2017 was \$31,800.

Effective January 23, 2008, Annalisa Moore entered into a Promissory Note with the City of Alameda [and therefore the Successor Agency per ROPS] for \$31,800 for the property at 101 Kingfisher Avenue. A balloon payment is due on January 23, 2023. If the principal amount is paid after January 23, 2013, the borrower must also pay a share of the appreciation of the property, as calculated in the Note. The outstanding balance on the note at June 30, 2017 was \$31,800.

Effective March 24, 2008, Resources for Community Development entered into a Promissory Note with the Community Improvement Commission of the City of Alameda [and therefore the Successor Agency per ROPS] for an amount not to exceed \$4,000,000 for the Shinsei Gardens property, located at 401 Willie Stargell Avenue. The loan was assigned to Shinsei Gardens Apartments LP on March 24, 2008, and was modified on March 24, 2008, and modified again on May 14, 2010. This loan accrues no interest. Payments shall be deferred until March 23, 2063. The outstanding balance on the note at June 30, 2017 was \$1,391,739.

Effective September 27, 2011, Alameda Islander LP entered into a Promissory Note with the Community Improvement Commission of the City of Alameda [and therefore the Successor Agency per ROPS] for \$8,600,000 for the Park Alameda property located at 2428 Central Avenue. This loan accrues no interest. Payments shall be deferred until September 27, 2068. The outstanding balance on the note at June 30, 2017 was \$8,600,000.

Effective January 11, 2013, Jack Capon Villa LP entered into a Promissory Note with the Authority for the amount of \$225,000 for the Jack Capon Villa property located at 2216 Lincoln Avenue. Interest accrues at 5% per annum. Monthly installments of \$2,386 (principal and interest) are due based on a 10-year amortization schedule. The entire unpaid principal and interest shall be due and payable on April 1, 2024. The outstanding balance on the note at June 30, 2017 was \$177,158.

Effective January 11, 2013, Jack Capon Villa LP entered into an Amended and Restated Promissory Note with the Authority for an amount not to exceed \$1,400,000 for the Jack Capon Villa property located at 2216 Lincoln Avenue. Simple interest accrues at 3% per annum. Payments shall be deferred until January 17, 2068. The outstanding balance on the note at June 30, 2017 was \$1,400,000.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 8 – NOTES RECEIVABLE, Continued**

Effective January 11, 2013, Jack Capon Villa LP entered into a Promissory Note with the Authority for the amount of \$200,000 for the Jack Capon Villa property located at 2216 Lincoln Avenue. Simple interest accrues at 3% per annum. Principal and interest shall be due and payable on January 13, 2070. The outstanding balance on the note at June 30, 2017 was \$201,067.

Effective April 16, 2013, Ana M. Rojas entered into a Promissory Note with the Authority for the amount of \$4,148 for the Regent Street property located at 1129-1131 Regent Street. The loan accrues no interest. The principal is due and payable on demand, on sale of the property, or when the property is no longer the primary residence of the borrower. The outstanding balance on the note at June 30, 2017 was \$4,148.

Effective June 10, 2013, Fikre Assefa entered into a Promissory Note with the Authority for the amount of \$4,148 for the Regent Street property 1129-1131 Regent Street. The loan accrues no interest. The principal is due and payable on demand, on sale of the property, or when the property is no longer the primary residence of the borrower. The outstanding balance on the note at June 30, 2017 was \$4,148.

Effective August 1, 2013, Nicola Petochis entered into a Promissory Note with the Authority for the amount of \$7,676 for the Regent Street property 1129-1131 Regent Street. The loan accrues no interest. The principal is due and payable on demand, on sale of the property, or when the property is no longer the primary residence of the borrower. The outstanding balance on the note at June 30, 2017 was \$7,676.

Effective August 10, 2015, Island City Development entered into a Promissory Note with the Authority for the amount of \$700,000 for the Del Monte Senior project, located at 1301 Buena Vista Avenue. The note accrues simple interest at 3% per annum beginning January 1, 2018. The principal and interest are due and payable on December 31, 2047. This loan was paid in full on April 19, 2017. The outstanding balance on the note at June 30, 2017 was \$0.

Effective February 10, 2016, Island City Development entered into a Promissory Note with the Authority for the amount of \$1,000,000 for the Rosefield project, located on the 700 block of Buena Vista Avenue. The note accrues simple interest at 3% per annum beginning January 1, 2018. The principal and interest are due and payable on December 31, 2073. The outstanding balance on the note at June 30, 2017 was \$1,000,000.

Effective February 10, 2016, Island City Development entered into a Promissory Note with the Authority for the amount of \$1,000,000 for the 2437 Eagle project. The note accrues simple interest at 3% per annum beginning January 1, 2018. The principal and interest are due and payable on December 31, 2073. The outstanding balance on the note at June 30, 2017 was \$1,000,000.

Effective November 24, 2015, Stargell Commons LP entered into a Loan Agreement with the Authority for the amount of \$2,000,000 for the Stargell Commons property, located at 2700 Bette Street. The loan bears simple interest at 3% per annum. Annual payments shall be made equal to the lender's share of residual receipts. The principal and interest are due and payable on December 2, 2072. The outstanding balance on the note at June 30, 2017 was \$2,000,000.



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 8 – NOTES RECEIVABLE, Continued**

Effective November 1, 2016, Island City Development entered into a Promissory Note with the Authority for the amount of \$300,000 for the Del Monte Senior project at 1301 Buena Vista Avenue. The note accrues simple interest at 3% per annum beginning January 1, 2018. The principal and interest are due and payable on December 31, 2073. The outstanding balance on the note at June 30, 2017 was \$0.

Effective December 1, 2016, Sherman and Buena Vista LP entered into a Loan Agreement with the Authority for the amount of \$3,600,000 for the Del Monte Senior property at 1301 Buena Vista Avenue. The loan bears interest at 2.26% compounded annually. Annual payments shall be made equal to the lender's share of residual receipts. The principal and interest are due and payable on December 31, 2073. The outstanding balance on the note at June 30, 2017 was \$3,600,000.

Effective December 1, 2016, Sherman and Buena Vista LP entered into a Loan Agreement with the Authority for the amount of \$3,410,000 for the Del Monte Senior property at 1301 Buena Vista Avenue. The loan bears interest at 2.26% compounded annually. Annual payments shall be made equal to the lender's share of residual receipts. The principal and interest are due and payable on December 31, 2073. The outstanding balance on the note at June 30, 2017 was \$3,410,000. See related ground lease in Note 10.

Effective April 28, 2017, Island City Development entered into a Promissory Note with the Authority for the amount of \$250,000. The note accrues simple interest at 3% per annum beginning July 1, 2017. The principal and interest are due and payable on June 30, 2022. The outstanding balance on the note at June 30, 2017 was \$250,000.

Effective June 21, 2017, Everett and Eagle LP entered into a Promissory Note with the Authority for the amount of \$4,250,000 for the 2437 Eagle Avenue property. The note accrues interest at 2.68% compounded annually. Annual payments shall be made equal to the lender's share of residual receipts. The principal and interest are due and payable on December 31, 2074. The outstanding balance on the note at June 30, 2017 was \$4,250,000.

**Note 9 – GUARANTEES**

Related to the Del Monte Senior property located at 1301 Buena Vista Avenue, the Authority entered into a Guaranty Agreement dated December 1, 2016 and attached as Exhibit E to the Amended and Restated Limited Partnership Agreement of Sherman and Buena Vista LP for all of its obligations under that agreement, including partnership management duties, development completion, operating deficits, tax credit delivery, and repurchase obligations. The operating deficit guaranty amount is \$245,668. The Authority is released from this operating deficit obligation after two consecutive years of 1.15 debt service coverage ratio after stabilized occupancy and no sooner than 2020. As of June 30, 2017 the outstanding guarantee about was approximately \$9,312,014.

Related to the Del Monte Senior property located at 1301 Buena Vista Avenue, the Authority entered into an Unlimited Guaranty Agreement with Compass Bank related to the construction loan agreement and promissory note for \$10,322,328, any costs required to achieve permanent loan closing, and any environmental claims pursuant to the Environmental Indemnity Agreement. As of June 30, 2017, the outstanding guarantee about was approximately \$9,066,346.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 9 – GUARANTEES, Continued**

Related to the 2437 Eagle Avenue property, the Authority entered into a Guaranty Agreement dated June 27, 2017 and attached as Exhibit D to the First Amended and Restated Limited Partnership Agreement of Everett and Eagle LP for performance of all their obligations under that agreement including construction completion, operating deficits, liquidity, and tax credit delivery. The operating deficit loan guarantee obligation is up to \$314,000. The Authority is released from this operating deficit obligation after two consecutive years of 1.15 debt service coverage ratio after stabilized occupancy and no sooner than 2024. As guarantor, the Authority must also maintain liquid assets of at least \$850,000 in aggregate with Island City Development until all obligations are met.

Related to the 2437 Eagle Avenue property, the Authority entered into a Payment and Performance Guaranty dated June 21, 2017 with JPMorgan Chase Bank NA related to construction loan in the amount of \$9,859,528 which will convert to a permanent loan in the amount of \$3,330,168. As of June 30, 2017 the outstanding guarantee about was approximately \$9,859,528.

**Note 10 – GROUND LEASES**

On December 1, 1998 the Authority entered into a ground lease agreement with Regent St. CLT Condominiums located at 1129-1131 Regent Street. The lease term is 99 years ending in 2097. Total rental income for the year ended June 30, 2017 was \$2,747.

On May 7, 2001, the Authority entered into a ground lease agreement with Santa Clara Ave CLT Condominiums located at 2201-2203 Santa Clara Avenue and 1502 Walnut Street. The lease term is 99 years ending in 2100. Total rental income for the year ended June 30, 2017 was \$2,616.

On March 14, 2003 the Authority entered into a ground lease agreement with Resources for Community Development (RCD), as amended by the First Amendment to Ground Lease dated October 14, 2004 for the Breakers at Bayport development located at 459 Neptune Gardens Avenue. The lease term is 75 years ending March 14, 2078. On October 14, 2004 the lease was assigned to Breakers at Bayport, LP. Total rental income for the year ended June 30, 2017 under the lease agreement was \$1.

On October 4, 2006 the Authority entered into amended ground lease agreement with Resources for Community Development (RCD) for the Shinsei Gardens Apartments, located at 401 Willie Stargell Avenue. The lease term is 75 years ending 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, 2017 under the lease agreement was \$1.

On May 25, 2012 the Authority entered into a ground lease agreement with Housing Consortium of the East Bay (HCEB) and Satellite Housing, Inc. for the Jack Capon Villas, located at 2216 Lincoln Avenue. The rent for the entire lease term, \$100, was prepaid at lease signing. The lease term is 75 years ending May 25, 2087. In November 2012 the lease was assigned to Jack Capon Villas, LP. Total rental income for the year ended June 30, 2017 under the lease agreement was \$0.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 10 – GROUND LEASES, Continued**

On November 14, 2015 the Authority entered into a ground lease agreement with Stargell Commons, LP for the property located at 2700 Bette Street. The lease term is 99 years ending December 31, 2114. Initial rent of \$400,000 plus \$1 per year in prepaid lease payments for the entire term (\$99) was paid on December 2, 2015. Total rental income for the year ended June 30, 2017 under the lease agreement was \$0.

On December 1, 2016 the Authority entered into a ground lease agreement with Sherman and Buena Vista, LP, a subsidiary of Island City Development, for the property located at 1301 Buena Vista Avenue. The lease term is 99 years ending December 31, 2115. Unearned rent for the entire lease term of \$3,410,000 was received on December 15, 2016. Unearned revenue will be amortized over the term of the life. See related note receivable in Note 8.

On June 1, 2017 the Authority entered into a ground lease agreement with Everett and Eagle LP, a subsidiary of Island City Development, for the property located at 2437 Eagle Street. The lease term is 99 years ending June 1, 2116. Prepaid rent for the entire lease term of \$9,900 was paid on June 29, 2017. Total rental income for the year ended June 30, 2017 under the lease agreement was \$9,900.

At June 30, 2017, the future rental income required under the lease agreements entered into by the Authority are as follows:

<u>Fiscal Year Ending</u>	
2018	\$ 39,810
2019	39,810
2020	39,810
2021	39,810
2022	39,810
Thereafter	<u>3,648,015</u>
	<u><u>\$3,847,065</u></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). The CHWCA is a California joint powers insurance authority established in 1991 for the purpose of providing workers' compensation coverage to California public housing authority members. CHWCA is a special district in the state of California providing its members with a comprehensive workers' compensation coverage program for the sharing of risk for self-insured losses, as well as jointly purchasing claims adjusting services, actuarial services, risk control services, and legal services connected with the program.

CHWCA is governed by a seven (7) member Executive Committee which is elected by the 33 member Board of Directors. Each of CHWCA's 33 member agencies appoint one primary and one alternate member to serve on the Board of Directors.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 11 – JOINT POWERS AGREEMENTS, Continued**

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, 2016, is as follows:

Total assets	\$ 26,789,732
Total liabilities	<u>(15,021,154)</u>
Total net assets	<u>\$ 11,768,578</u>
Total revenues	\$ 5,052,947
Total expenses	<u>(3,288,286)</u>
Net increase (decrease) in net assets	<u>\$ 1,764,661</u>

CHWCA had \$14,414,410 of unpaid claims and claim adjustment expenses outstanding at December 31, 2016. 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, 2016 there were 86 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2016 is as follows:

Total Assets	\$ 36,036,040
Total liabilities	<u>(10,729,511)</u>
Total net position	<u>\$ 25,306,529</u>
Total revenues	\$ 11,725,332
Total expenses	<u>(9,136,302)</u>
Net increase (decrease) in net assets	<u>\$ 2,589,030</u>

HARRP had \$2,331,590 in outstanding claims liabilities at December 31, 2016. The Authority's share of year-end assets, liabilities, or retained earnings has not been calculated.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Note 11 – JOINT POWERS AGREEMENTS, Continued**

ABAG 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, 2017 is as follows:

Total assets	\$ 4,880,230
Total liabilities	<u>(350,928)</u>
Total net position	<u>\$ 4,529,302</u>
Total revenues	\$ 1,864,333
Total expenses	<u>(1,094,566)</u>
Net increase (decrease) in net assets	<u>\$ 769,767</u>

**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 the date of the audit opinion letter, 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other than the MD&A)**

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

**Schedule of Funding Progress for Other Post-Employment Benefits (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, 2017	July 1, 2015	\$ -	\$ 1,754,071	\$ 1,754,071	0.0%	\$ 3,783,177	46.4%
June 30, 2016	July 1, 2015	\$ -	\$ 1,593,167	\$ 1,593,167	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 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 separately determined.



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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

	Fiscal Year Ending June 30,		
	2017	2016	2015
Measurement date	6/30/2016	6/30/2015	6/30/2014
Plan's proportion of the Net Pension Liability (Asset)	0.019472%	0.02702%	0.03013%
Plans Proportionate Share of the Net Pension Liability (Asset)	\$ 1,684,952	\$ 1,854,640	\$ 1,871,494
Plan's Covered-Employee Payroll	\$ 2,752,784	\$ 3,634,051	\$ 2,707,587
Plan's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	61.21%	51.04%	69.12%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	88.01%	107.30%	83.00%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 460,640	†	\$ 446,386

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

† Information was not provided

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

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

	Fiscal Year Ending June 30,		
	2017	2016	2015
Actuarially Determined Contributions	\$ 1,322,171	\$ 1,393,004	\$ 300,316
Contributions in relation to the actuarially determined contribution	<u>(1,322,171)</u>	<u>(1,393,004)</u>	<u>(505,233)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (204,917)</u>
Covered-employee payroll	\$ 2,752,784	\$ 3,634,051	\$ 2,707,587
Contributions as a percentage of covered-employee payroll	48.03%	38.33%	18.66%

**Notes to Schedule:**

Valuation Date:

June 30, 2015

Actuarial cost method

Entry age normal cost method

Actuarial assumptions

Level percent of payroll

Discount rate

7.65%

Inflation

2.75%

Salary increases

Varies by age and service

Investment rate of return

7.50%, net of pension plan investment and administrative expense, including inflation

Mortality rate table

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

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

## **OTHER SUPPLEMENTARY INFORMATION**

Housing Authority of the City of Alameda  
Schedule of Expenditures of Federal Awards  
For the Year Ending June 30, 2017

Federal Grantor	CFDA Number	Expenditures
Department of Housing and Urban Development (HUD):		
Direct Programs:		
Shelter Plus Care	14.238	\$317,615
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	\$222,641
Section 8 Housing Choice Vouchers	14.871	\$27,953,023
Family Self-Sufficiency	14.896	\$45,988
U.S. Department of Housing and Urban Development		<u>\$28,539,267</u>
Total Federal Expenditures		<u><u>\$28,539,267</u></u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

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 Housing Authority of the City of Alameda (AHA) under programs of the federal government for the year ended June 30, 2017. 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 AHA, it is not intended to, and does not present the financial position, changes in net position, or cash flows of AHA.
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, 2017.

## CITY OF ALAMEDA HOUSING AUTHORITY (CA062)

ALAMEDA, CA

## Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	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	14.238 Shelter Plus Care	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$603	\$205,371	\$79,497	\$3,998,841	\$2,262	\$4,040,954	\$8,327,528		\$8,327,528
112 Cash - Restricted - Modernization and Development	\$0						\$0		\$0
113 Cash - Other Restricted		\$354,331				\$757,382	\$1,111,713		\$1,111,713
114 Cash - Tenant Security Deposits						\$549,920	\$549,920		\$549,920
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$603	\$559,702	\$79,497	\$3,998,841	\$2,262	\$5,348,256	\$9,989,161	\$0	\$9,989,161
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects									
124 Accounts Receivable - Other Government	\$56	\$10,727		\$3,910	\$25,779	\$208,556	\$249,028		\$249,028
125 Accounts Receivable - Miscellaneous		\$2,551				\$36,958	\$39,409		\$39,409
126 Accounts Receivable - Tenants		\$0				\$96,824	\$96,824		\$96,824
126.1 Allowance for Doubtful Accounts - Tenants		\$0				\$-30,830	\$-30,830		\$-30,830
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery		\$25,793					\$25,793		\$25,793
128.1 Allowance for Doubtful Accounts - Fraud		\$-25,068					\$-25,068		\$-25,068
129 Accrued Interest Receivable		\$532				\$69,479	\$70,011		\$70,011
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$56	\$14,535	\$0	\$3,910	\$25,779	\$370,887	\$415,167	\$0	\$415,167
131 Investments - Unrestricted		\$6,103				\$20,935,120	\$20,941,223		\$20,941,223
132 Investments - Restricted		\$169,033					\$169,033		\$169,033
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets		\$0		\$4,699,277		\$213,699	\$4,912,976		\$4,912,976
143 Inventories		\$0				\$5,083	\$5,083		\$5,083
143.1 Allowance for Obsolete Inventories		\$0				\$0	\$0		\$0
144 Inter Program Due From	\$34,512	\$0				\$1,867,587	\$1,902,099	\$-1,902,099	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$35,171	\$749,373	\$79,497	\$8,702,028	\$28,041	\$28,740,632	\$38,334,742	\$-1,902,099	\$36,432,643
161 Land						\$22,022,054	\$22,022,054		\$22,022,054
162 Buildings						\$32,200,157	\$32,200,157		\$32,200,157
163 Furniture, Equipment & Machinery - Dwellings		\$39,678				\$334,757	\$374,435		\$374,435
164 Furniture, Equipment & Machinery - Administration						\$11,950	\$11,950		\$11,950
165 Leasehold Improvements						\$11,221,117	\$11,221,117		\$11,221,117
166 Accumulated Depreciation		\$-39,678				\$-25,282,515	\$-25,322,193		\$-25,322,193
167 Construction in Progress				\$903,200		\$286,032	\$1,189,232		\$1,189,232

## CITY OF ALAMEDA HOUSING AUTHORITY (CA062)

ALAMEDA, CA

## Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	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
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$903,200	\$40,793,552	\$41,696,752	\$0	\$41,696,752
171 Notes, Loans and Mortgages Receivable - Non-Current								
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current					\$29,686,034	\$29,686,034	-\$650,000	\$29,036,034
174 Other Assets				\$0		\$0		\$0
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$0	\$0	\$0	\$903,200	\$70,479,586	\$71,382,786	-\$650,000	\$70,732,786
200 Deferred Outflow of Resources	\$17,920	\$977,207			\$2,548,591	\$3,543,718		\$3,543,718
290 Total Assets and Deferred Outflow of Resources	\$53,091	\$1,726,580	\$79,497	\$9,605,228	\$101,768,809	\$113,261,246	-\$2,552,099	\$110,709,147
311 Bank Overdraft								
312 Accounts Payable <= 90 Days		\$28,702		\$42,775	\$170,281	\$241,805		\$241,805
313 Accounts Payable >90 Days Past Due	\$280					\$280		\$280
321 Accrued Wage/Payroll Taxes Payable		\$17,799			\$64,604	\$82,403		\$82,403
322 Accrued Compensated Absences - Current Portion		\$25,385			\$80,217	\$105,602		\$105,602
324 Accrued Contingency Liability								
325 Accrued Interest Payable				\$8,623	\$901,726	\$910,349		\$910,349
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government			\$8,221			\$8,221		\$8,221
341 Tenant Security Deposits					\$548,120	\$548,120		\$548,120
342 Unearned Revenue		\$6,467			\$29,941	\$36,408		\$36,408
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$9,756,863	\$959,539	\$10,716,402		\$10,716,402
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities		\$0				\$0		\$0
346 Accrued Liabilities - Other				\$160,000	\$312,469	\$472,469		\$472,469
347 Inter Program - Due To	\$35,344	\$87,786			\$1,778,969	\$1,902,099	-\$1,902,099	\$0
348 Loan Liability - Current		\$650,000				\$650,000	-\$650,000	\$0
310 Total Current Liabilities	\$35,624	\$816,139	\$8,221	\$9,968,261	\$4,845,866	\$15,674,158	-\$2,552,099	\$13,122,059
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					\$26,679,083	\$26,679,083		\$26,679,083
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other		\$151,460			\$3,410,000	\$3,561,460		\$3,561,460

## CITY OF ALAMEDA HOUSING AUTHORITY (CA062)

ALAMEDA, CA

## Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2017

	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	14.238 Shelter Plus Care	2 State/Local	Subtotal	ELIM	Total
354. Accrued Compensated Absences - Non Current		\$19,148				\$60,514	\$79,662		\$79,662
355. Loan Liability - Non Current		\$0				\$0	\$0		\$0
356. FASB 5 Liabilities									
357. Accrued Pension and OPEB Liabilities	\$10,827	\$687,289				\$1,554,094	\$2,252,210		\$2,252,210
350. Total Non-Current Liabilities	\$10,827	\$657,897	\$0	\$0	\$0	\$31,703,691	\$32,572,415	\$0	\$32,572,415
300. Total Liabilities	\$46,451	\$1,674,036	\$8,221	\$9,968,261	\$47	\$36,549,557	\$48,246,573	-\$2,552,099	\$45,694,474
400. Deferred Inflow of Resources	\$6,378	\$341,008				\$954,392	\$1,303,778		\$1,303,778
508.4. Net Investment in Capital Assets				\$903,200		\$13,154,931	\$14,058,131		\$14,058,131
511.4. Restricted Net Position		\$354,331				\$757,382	\$1,111,713		\$1,111,713
512.4. Unrestricted Net Position	-\$1,738	-\$642,795	\$71,276	-\$1,266,233	\$27,994	\$50,352,547	\$48,541,051		\$48,541,051
513. Total Equity - Net Assets / Position	-\$1,738	-\$288,464	\$71,276	-\$363,033	\$27,994	\$64,264,860	\$63,710,895	\$0	\$63,710,895
600. Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$53,091	\$1,726,580	\$79,497	\$9,605,228	\$28,041	\$101,768,809	\$113,261,246	-\$2,552,099	\$110,709,147



**CITY OF ALAMEDA HOUSING AUTHORITY (CA062)**  
**ALAMEDA, CA**

**Entity Wide Revenue and Expense Summary**

Fiscal Year End: 06/30/2017										
Submission Type: Audited/Single Audit		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	14.238 Shelter Plus Care	2 State/Local	Subtotal	ELIM	Total
	70300 Net Tenant Rental Revenue						\$3,598,210	\$3,598,210		\$3,598,210
	70400 Tenant Revenue - Other						\$57,936	\$57,936		\$57,936
	70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$3,656,146	\$3,656,146	\$0	\$3,656,146
	70600 HUD PHA Operating Grants	\$45,988	\$27,953,023	\$222,641		\$317,615		\$28,539,267		\$28,539,267
	70610 Capital Grants	\$0						\$0		\$0
	70710 Management Fee									
	70720 Asset Management Fee									
	70730 Book Keeping Fee									
	70740 Front Line Service Fee									
	70750 Other Fees									
	70700 Total Fee Revenue							\$0	\$0	\$0
	70800 Other Government Grants						\$7,879,687	\$7,879,687		\$7,879,687
	71100 Investment Income - Unrestricted		\$0				\$149,821	\$149,821		\$149,821
	71200 Mortgage Interest Income						\$14,450	\$14,450		\$14,450
	71300 Proceeds from Disposition of Assets Held for Sale						\$6,569	\$6,569		\$6,569
	71310 Cost of Sale of Assets						\$0	\$0		\$0
	71400 Fraud Recovery		\$5,037					\$5,037		\$5,037
	71500 Other Revenue	\$0	\$166,821		\$1,193	\$10,436	\$8,176,682	\$8,355,132		\$8,355,132
	71600 Gain or Loss on Sale of Capital Assets									
	72000 Investment Income - Restricted		\$570					\$570		\$570
	70000 Total Revenue	\$45,988	\$28,125,451	\$222,641	\$1,193	\$328,051	\$19,883,355	\$48,606,679	\$0	\$48,606,679
	91100 Administrative Salaries	\$22,012	\$956,492	\$41,575	\$22,550	\$10,436	\$2,053,808	\$3,106,873		\$3,106,873
	91200 Auditing Fees		\$4,348	\$300	\$8,500		\$27,854	\$41,002		\$41,002
	91300 Management Fee									
	91310 Book-keeping Fee									
	91400 Advertising and Marketing									
	91500 Employee Benefit contributions - Administrative	\$11,283	\$430,010				\$805,858	\$1,247,151		\$1,247,151
	91600 Office Expenses	\$19,379	\$403,656				\$836,385	\$1,259,420		\$1,259,420
	91700 Legal Expense		\$88,489		\$523		\$140,603	\$229,615		\$229,615
	91800 Travel									

**CITY OF ALAMEDA HOUSING AUTHORITY (CA062)**  
**ALAMEDA, CA**

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit											Fiscal Year End: 06/30/2017				
		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	14.238 Shelter Plus Care	2 State/Local	Subtotal	ELIM	Total					
91810	Allocated Overhead														
91900	Other		\$24,304		\$81,724			\$106,028		\$106,028					
91000	Total Operating - Administrative	\$52,674	\$1,907,299	\$41,875	\$113,297	\$10,436	\$3,864,508	\$5,990,089	\$0	\$5,990,089					
92000	Asset Management Fee														
92100	Tenant Services - Salaries						\$77,797	\$77,797		\$77,797					
92200	Relocation Costs						\$10,475	\$10,475		\$10,475					
92300	Employee Benefit Contributions - Tenant Services	-\$5,274	\$889				\$36,705	\$32,320		\$32,320					
92400	Tenant Services - Other	\$502	\$703				\$131,447	\$132,652		\$132,652					
92500	Total Tenant Services	-\$4,772	\$1,592	\$0	\$0	\$0	\$256,424	\$253,244	\$0	\$253,244					
93100	Water		\$1,578				\$236,207	\$237,785		\$237,785					
93200	Electricity		\$7,843				\$117,361	\$125,204		\$125,204					
93300	Gas		\$115				\$52,008	\$52,123		\$52,123					
93400	Fuel														
93500	Labor														
93600	Sewer		\$386				\$261,676	\$262,062		\$262,062					
93700	Employee Benefit Contributions - Utilities														
93800	Other Utilities Expense		\$2,518					\$2,518		\$2,518					
93000	Total Utilities	\$0	\$12,440	\$0	\$0	\$0	\$667,252	\$679,692	\$0	\$679,692					
94100	Ordinary Maintenance and Operations - Labor						\$823,006	\$823,006		\$823,006					
94200	Ordinary Maintenance and Operations - Materials and Other		\$3,943				\$169,367	\$173,310		\$173,310					
94300	Ordinary Maintenance and Operations Contracts		\$14,900				\$1,465,782	\$1,480,682		\$1,480,682					
94500	Employee Benefit Contributions - Ordinary Maintenance		\$37				\$382,510	\$382,547		\$382,547					
94000	Total Maintenance	\$0	\$18,880	\$0	\$0	\$0	\$2,840,665	\$2,859,545	\$0	\$2,859,545					
95100	Protective Services - Labor														
95200	Protective Services - Other Contract Costs		\$47,775				\$162,225	\$210,000		\$210,000					
95300	Protective Services - Other														
95500	Employee Benefit Contributions - Protective Services														
95000	Total Protective Services	\$0	\$47,775	\$0	\$0	\$0	\$162,225	\$210,000	\$0	\$210,000					

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)  
ALAMEDA, CA

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit										Fiscal Year End: 06/30/2017			
	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 - Discreetly Presented	14.238 Shelter Plus Care	2 State/Local	Subtotal	ELIM	Total				
96110 Property Insurance						\$72,965	\$72,965		\$72,965				
96120 Liability Insurance		\$0				\$50,020	\$50,020		\$50,020				
96130 Workmen's Compensation	\$427	\$5,024				\$45,974	\$51,425		\$51,425				
96140 All Other Insurance		\$0				\$8,871	\$8,871		\$8,871				
96100 Total Insurance Premiums	\$427	\$5,024	\$0	\$0	\$0	\$177,830	\$183,281	\$0	\$183,281				
96200 Other General Expenses		\$64,724		\$117,219		\$1,018,645	\$1,200,588		\$1,200,588				
96210 Compensated Absences		\$0					\$0		\$0				
96300 Payments in Lieu of Taxes													
96400 Bad debt - Tenant Rents						\$17,732	\$17,732		\$17,732				
96500 Bad debt - Mortgages													
96600 Bad debt - Other													
96800 Severance Expense													
96000 Total Other General Expenses	\$0	\$64,724	\$0	\$117,219	\$0	\$1,036,377	\$1,218,320	\$0	\$1,218,320				
96710 Interest of Mortgage (or Bonds) Payable						\$1,090,095	\$1,090,095		\$1,090,095				
96720 Interest on Notes Payable (Short and Long Term)													
96730 Amortization of Bond Issue Costs													
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$1,090,095	\$1,090,095	\$0	\$1,090,095				
96900 Total Operating Expenses	\$48,329	\$2,057,734	\$41,875	\$230,516	\$10,436	\$10,095,376	\$12,484,266	\$0	\$12,484,266				
97000 Excess of Operating Revenue over Operating Expenses	-\$2,341	\$26,067,717	\$180,766	-\$229,323	\$317,615	\$9,787,979	\$36,122,413	\$0	\$36,122,413				
97100 Extraordinary Maintenance						\$0	\$0		\$0				
97200 Casualty Losses - Non-capitalized													
97300 Housing Assistance Payments		\$25,918,099	\$180,766		\$317,615		\$26,416,480		\$26,416,480				
97350 HAP Portability-In		\$155,977					\$155,977		\$155,977				
97400 Depreciation Expense		\$0		\$0		\$1,469,664	\$1,469,664		\$1,469,664				
97500 Fraud Losses													
97600 Capital Outlays - Governmental Funds													
97700 Debt Principal Payment - Governmental Funds													
97800 Dwelling Units Rent Expense													

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)  
ALAMEDA, CA

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit										Fiscal Year End: 06/30/2017									
	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 - Discreetly Presented	14.238 Shelter Plus Care	2 State/Local	Subtotal	ELIM	Total										
90000 Total Expenses	\$48,329	\$28,131,810	\$222,641	\$230,516	\$328,051	\$11,565,040	\$40,526,387	\$0	\$40,526,387										
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																			
10080 Special Items (Net Gain/Loss)																			
10091 Inter Project Excess Cash Transfer In																			
10092 Inter Project Excess Cash Transfer Out																			
10093 Transfers between Program and Project - In																			
10094 Transfers between Project and Program - Out																			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0										
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$2,341	-\$6,359	\$0	-\$229,323	\$0	\$8,318,315	\$8,080,292	\$0	\$8,080,292										
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$959,539	\$959,539		\$959,539										
11030 Beginning Equity	\$0	-\$281,502	\$71,276	-\$133,710	\$0	\$55,974,539	\$55,630,603		\$55,630,603										
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$603	-\$603			\$27,994	-\$27,994	\$0		\$0										
11050 Changes in Compensated Absence Balance																			
11060 Changes in Contingent Liability Balance																			
11070 Changes in Unrecognized Pension Transition Liability																			
11080 Changes in Special Term/Severance Benefits Liability																			
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents																			
11100 Changes in Allowance for Doubtful Accounts - Other																			
11170 Administrative Fee Equity		-\$642,795					-\$642,795		-\$642,795										
11180 Housing Assistance Payments Equity		\$354,331					\$354,331		\$354,331										
11190 Unit Months Available	0	22140	360		192	6864	29556		29556										
11210 Number of Unit Months Leased	0	17808	349		191	6686	25034		25034										
11270 Excess Cash							\$0		\$0										

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)  
ALAMEDA, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit		Fiscal Year End: 06/30/2017								
		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	14.238 Shelter Plus Care	2 State/Local	Subtotal	ELIM	Total
11610	Land Purchases							\$0		\$0
11620	Building Purchases							\$0		\$0
11630	Furniture & Equipment - Dwelling Purchases							\$0		\$0
11640	Furniture & Equipment - Administrative Purchases							\$0		\$0
11650	Leasehold Improvements Purchases							\$0		\$0
11660	Infrastructure Purchases							\$0		\$0
13510	CFFP Debt Service Payments							\$0		\$0
13901	Replacement Housing Factor Funds							\$0		\$0

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

The Board of Commissioners  
Housing Authority of the 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 and the discretely presented component unit of the Housing Authority of the City of Alameda, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Alameda's basic financial statements and have issued our report thereon dated March 26, 2018.

**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'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Alameda'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2017-001).

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Alameda's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The Housing Authority of the City of Alameda's Response to Findings**

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

## **Purpose of this Report**

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



CROPPER ROWE, LLP  
Walnut Creek, California  
March 26, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR A FEDERAL PROGRAM,  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

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

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

We have audited the Housing Authority of the City of Alameda'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's major federal programs for the year ended June 30, 2017. The Housing Authority of the City of Alameda's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Alameda's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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'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's compliance.

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

In our opinion, the Housing Authority of the City of Alameda complied, in all material respects, with the 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, 2017.

### **Report on Internal Control Over Compliance**

Management of the Housing Authority of the City of Alameda is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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'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 a 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**

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Housing Authority of the City of Alameda, as of and for the year ended June 30, 2017, 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 March 26, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 related 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.

*Cropper Rowe, LLP*

CROPPER ROWE, LLP

Walnut Creek, California

March 26, 2018

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

The previous audit report for the year ended June 30, 2016 contained no audit findings.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**Section I: Summary of Auditor's Results**

***Financial Statements***

Type of auditors' report to be issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to the financial statements?	No

***Federal Awards***

Internal control over major federal 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	CFDA 14.871
Dollar threshold to distinguish between Type A and Type B programs	\$ 856,178
Auditee qualified as low risk auditee?	Yes

**Section II: Financial Statement Findings**

Finding 2017-001: Internal control over financial reporting

*Condition and Context:* For the year ended June 30, 2017, journal entries were not properly recorded, including a material transaction of land and unearned revenue related to the developmental activities at the Authority.

*Effect or Potential Effect:* Fixed assets and unearned revenue were materially understated.

*Cause:* The accounting personnel charged with recording the journal entries into the general ledger either were inexperienced or unable to fully understand the information they were provided.

*Criteria:* There were a number of journal entries recorded, including client accommodation entries. One journal entry was material.

*Recommendation:* Complex or infrequent journal entries should be reviewed by those with unique knowledge as part of the review/monitoring/communication process. It may be necessary for departments to work with accounting to accomplish this in a complete and timely manner.

*Responsible Official's Response:* The material transaction related to the donation of land from Tim Lewis Partners and the City of Alameda and subsequent issuance of a loan note equal to the prepayment of the lease of land to Sherman and Buena Vista LP for the same property. The transaction was correctly reflected in the audit of Island City Development. The staff responsible for booking the transaction have subsequently left the agency and new staff have been hired with expertise on this type of transaction. Also, each of these infrequent real estate transactions will receive an additional level of review.