

**HOUSING AUTHORITY OF THE CITY OF  
ALAMEDA  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
FOR THE YEAR ENDED JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the fiduciary fund of the Housing Authority of the City of Alameda (the "Authority"), as of and for the year ended June 30, 2018, 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.

### ***Auditor's 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 did not audit the OPEB Trust Fund, which represent 100 percent of the assets, net position, and revenues of the fiduciary fund. These 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 the OPEB Trust, 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.

### ***Opinion***

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, the discretely presented component unit, and the fiduciary fund of the Housing Authority of the City of Alameda, as of June 30, 2018, 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 10, and the pension and OPEB schedules on pages 50 through 53 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 Authority's basic financial statements. The Schedule of Expenditures of Federal Awards on page 64 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 55 through 59 is 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 29, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland  
March 29, 2019

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

This section of the Housing Authority of the City of Alameda's (the "Authority") annual financial report presents a discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we furnished in our presentation 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 2018 resulting in a Net Position of \$65,831,910 at June 30, 2018, as opposed to \$64,073,928 at June 30, 2017.
- Total assets and deferred outflows of resources at June 30, 2018, were \$103,479,223. Of this, \$32,488,507 represents current assets, \$68,481,184 represents non-current assets, and \$2,509,532 represents deferred outflows of resources. Total assets and deferred outflows of resources at June 30, 2017, were \$101,103,917.
- Capital assets, net of accumulated depreciation at June 30, 2018, decreased by \$383,879 from \$40,793,553 at June 30, 2017 to \$40,409,674 at June 30, 2018. Capital assets are reflected at cost, less accumulated depreciation for all purchased capital assets.
- Total liabilities and deferred inflows of resources at June 30, 2018, were \$37,647,313. Of this, \$3,293,715 represents current liabilities, \$31,846,279 represents non-current liabilities, and \$2,507,319 represents deferred inflows of resources. Net position increased from \$64,073,928 at June 30, 2017, to \$65,831,910 at June 30, 2018, an increase of \$1,757,982.
- **Total revenues** for the Authority for fiscal year 2018 were \$47,263,968 versus \$49,587,426 for fiscal year 2017; a decrease of \$2,323,458. The primary sources of revenue for 2018 were governmental grants including Housing Choice Voucher Program (Section 8) Housing Assistance Payment (HAP), and rents collected from the Authority's owned units.
- **Total expenses** for the Authority for fiscal year 2018 were \$44,004,175 versus \$41,277,811 for fiscal year 2017; an increase of \$2,726,364. 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 \$29,612,706 of Housing Assistance Payment expenses for fiscal year 2018. This represents an increase of \$3,040,249 of the \$26,572,457 amount for fiscal year 2017. The increase is due to additional funds provided by the United States Department of Housing and Urban Development ("HUD") to meet new Project Based Vouchers at two new properties and to address a shortfall in HAP as rents for existing vouchers increased over the year.
- **Operating revenues** for the Authority for fiscal year 2018 were \$46,830,312 and operating expenses were \$42,790,802. Operating revenues and expenses for fiscal year 2017 were \$41,424,076 and \$40,187,716 respectively.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

**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 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 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 Government Accounting Standards Board ("GASB") Statement No. 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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

**Component Unit**

As is more fully described in Note 1.A., the government-wide financial statements includes the financial information of Island City Development (a California Nonprofit Corporation), a discrete component unit of the Authority. 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 Authority's administrative offices located at 701 Atlantic Avenue, Alameda, California. In fiscal year ended June 30, 2018, the Authority created a new blended component unit, Alameda Affordable Housing Corporation (AAHC). The financial statements for AAHC are not presented separately.

**Supplementary Information**

The Schedule of Expenditures of Federal Awards, the pension and OPEB schedules, and the Financial Data Schedule are presented for purposes of additional analysis as required by the GASB Statements, the Uniform Guidance at 2 CFR 200 Subpart F, and the requirements of the HUD. 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, 2018. The budget was primarily used as a management tool. Budgets are prepared in accordance with the accounting procedures prescribed by the applicable funding agency and revised during the year as appropriate.



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

**Comparative Statement of Net Position**

The following table reflects the statement of net position at June 30, 2018, compared to the prior fiscal year. The June 30, 2017 net position does not reflect the cumulative change in accounting principle, as further detailed in Note 13, related to the adoption of certain new GASB standards in fiscal year 2018. The Authority is engaged only in business-type activities.

**Housing Authority of the City of Alameda  
Comparative Statement of Net Position  
June 30, 2018**

	<u><b>June 30, 2018</b></u>	<u><b>June 30, 2017</b></u>	<u><b>\$ Variance</b></u>	<u><b>% Variance</b></u>
Current assets	\$ 32,488,507	\$ 27,730,611	\$ 4,757,896	14.64 %
Notes receivable	28,071,510	29,036,034	(964,524)	(3.44)%
Capital assets, net of accumulated depreciation	<u>40,409,674</u>	<u>40,793,553</u>	<u>(383,879)</u>	<u>(0.95)%</u>
Total assets	<u>100,969,691</u>	<u>97,560,198</u>	<u>3,409,493</u>	<u>3.38 %</u>
Deferred outflow of resources	<u>2,509,532</u>	<u>3,543,719</u>	<u>(1,034,187)</u>	<u>(41.21)%</u>
Current liabilities	3,293,715	3,153,797	(139,918)	(4.25)%
Noncurrent liabilities	<u>31,846,279</u>	<u>32,572,414</u>	<u>726,135</u>	<u>2.28 %</u>
Total liabilities	<u>35,139,994</u>	<u>35,726,211</u>	<u>(586,217)</u>	<u>(1.67)%</u>
Deferred inflow of resources	<u>2,507,319</u>	<u>1,303,778</u>	<u>(1,203,541)</u>	<u>48.00 %</u>
Net investment of capital assets	13,595,106	13,154,931	440,175	3.24 %
Restricted	1,059,609	1,111,713	(52,104)	(4.92)%
Unrestricted	<u>51,177,195</u>	<u>49,807,284</u>	<u>1,369,911</u>	<u>2.68 %</u>
Total net position	<u>\$ 65,831,910</u>	<u>\$ 64,073,928</u>	<u>\$ 1,757,982</u>	<u>2.67 %</u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

**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, 2018, compared to the prior fiscal year. The prior year net position does not reflect the change in accounting principle. See Note 13 for more information.

**Housing Authority of the City Alameda  
Comparative Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating revenues:				
Grants	\$ 38,819,160	\$ 36,418,954	\$ 2,400,206	6.59 %
Rents	3,957,598	3,598,210	359,388	9.99 %
Others	4,053,554	1,406,912	2,646,642	188.12 %
Non-operating revenues:				
Interest income	427,034	164,841	262,193	159.06 %
Gain on sale of fixed assets	6,622	6,569	53	0.81 %
Pension gain (Note 6)	-	981,940	(981,940)	(100.00)%
Del Monte Senior Housing	-	7,010,000	(7,010,000)	(100.00)%
Total revenues	<u>47,263,968</u>	<u>49,587,426</u>	<u>(2,323,458)</u>	<u>(4.69)%</u>
Operating expenses:				
Administration	7,168,854	6,858,729	310,125	4.52 %
Utilities	1,251,579	679,694	571,885	84.14 %
Maintenance	2,130,543	2,859,549	(729,006)	(25.49)%
Protective services	210,000	1,284,379	(1,074,379)	(83.65)%
General	331,735	253,244	78,491	30.99 %
Tenant services	573,801	210,000	363,801	173.24 %
Housing assistance payments	29,612,706	26,572,457	3,040,249	11.44 %
Depreciation	1,511,584	1,469,664	41,920	2.85 %
Non-operating expenses:				
Interest expense	1,184,230	1,090,095	94,135	8.64 %
Extraordinary maintenance	<u>29,143</u>	<u>-</u>	<u>29,143</u>	<u>100.00 %</u>
Total expenses	<u>44,004,175</u>	<u>41,277,811</u>	<u>2,726,364</u>	<u>6.60 %</u>
Change in net position	<u>3,259,793</u>	<u>8,309,615</u>	<u>(5,049,822)</u>	<u>(60.77)%</u>
Net position, beginning - as previously reported	64,073,928	55,764,313	8,309,615	14.90 %
Change in accounting principle	<u>(1,501,811)</u>	<u>-</u>	<u>(1,501,811)</u>	<u>100.00 %</u>
Net position, beginning - as adjusted	<u>62,572,117</u>	<u>55,764,313</u>	<u>6,807,804</u>	<u>12.21 %</u>
Net position, ending	<u>\$ 65,831,910</u>	<u>\$ 64,073,928</u>	<u>\$ 1,757,982</u>	<u>2.74 %</u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

**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, 2018 increased by \$1,757,982 from the June 30, 2017 balance.

**Changes in Capital Assets**

The following presents the changes in fixed assets (net of accumulated depreciation) at June 30, 2018, versus the prior fiscal year.

**Housing Authority of the City of Alameda  
Changes in Capital Assets  
(Net of Accumulated Depreciation)  
June 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
Land	\$ 22,022,054	\$ 22,022,054	\$ -	- %
Construction in progress	8,718	286,032	(277,314)	(96.95)%
Buildings and improvements	44,826,293	43,421,275	1,405,018	3.24 %
Equipment	<u>367,025</u>	<u>386,385</u>	<u>(19,360)</u>	<u>(5.01)%</u>
Total capital assets	<u>67,224,090</u>	<u>66,115,746</u>	<u>1,108,344</u>	<u>1.68 %</u>
Accumulated depreciation	<u>(26,814,416)</u>	<u>(25,322,193)</u>	<u>(1,492,223)</u>	<u>5.89 %</u>
Capital assets, net of accumulated depreciation	<u>\$ 40,409,674</u>	<u>\$ 40,793,553</u>	<u>\$ (383,879)</u>	<u>(0.94)%</u>

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, 2018, versus the prior fiscal year.

**Housing Authority of the City of Alameda  
Changes in Long-Term Debt  
June 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
Notes and bonds payable	<u>\$ 26,814,568</u>	<u>\$ 27,638,622</u>	<u>\$ (824,054)</u>	<u>(2.98)%</u>

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2018**

**Economic Factors**

The Authority is primarily dependent upon HUD for the funding of operations. Therefore, the Authority is affected more by the federal budget than by state or local economic conditions. Changes in HUD 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 HUD, 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, 2018, the Authority's expenses associated with the Housing Choice Voucher Program exceeded its revenues by \$1,166,765. For the previous 2017 fiscal year, the Authority's expenses for the Housing Choice Voucher Program exceeded its revenues by \$8,700. These excesses 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 Authority's finances and to show the 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**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2018**

	<u>Primary Government</u>	<u>Component Unit</u>	<u>OPEB Trust Fund</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 29,967,717	\$ 3,110,810	\$ -
Cash and cash equivalents - restricted	<u>1,730,883</u>	<u>-</u>	<u>-</u>
Investments	-	-	1,051,622
Due from other agencies	408,118	227,599	-
Tenant accounts receivable, net	110,565	-	-
Accounts receivable - other, net	52,049	196,464	-
Interest receivable	149,233	-	-
Prepaid expenses and other current assets	62,926	3,773,717	-
Inventory	<u>7,016</u>	<u>-</u>	<u>-</u>
Total current assets	<u>32,488,507</u>	<u>7,308,590</u>	<u>1,051,622</u>
Noncurrent assets:			
Notes receivable	28,071,510	-	-
Capital assets, net of accumulated depreciation of \$26,814,416	<u>40,409,674</u>	<u>15,201,861</u>	<u>-</u>
Total noncurrent assets	<u>68,481,184</u>	<u>15,201,861</u>	<u>-</u>
Total assets	<u>100,969,691</u>	<u>22,510,451</u>	<u>1,051,622</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension and OPEB plans	<u>2,509,532</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 103,479,223</u>	<u>\$ 22,510,451</u>	<u>\$ 1,051,622</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**JUNE 30, 2018**

	<u>Primary Government</u>	<u>Component Unit</u>	<u>OPEB Trust Fund</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable - other	\$ 556,304	\$ 32,630	\$ -
Accounts payable - other agencies	7,864	-	-
Tenant security deposits	552,522	-	-
Other accrued liabilities	75,071	3,521,057	-
Interest payable	961,855	252,302	-
Compensated absences	135,827	-	-
Notes and bonds payable	<u>1,004,272</u>	<u>2,751,085</u>	<u>-</u>
Total current liabilities	<u>3,293,715</u>	<u>6,557,074</u>	<u>-</u>
Noncurrent liabilities:			
Compensated absences	100,813	-	-
FSS escrows	118,752	-	-
Unearned revenue	3,466,717	-	-
Net pension liability	2,127,040	-	-
Net OPEB liability	222,661	-	-
Notes and bonds payable	<u>25,810,296</u>	<u>15,142,354</u>	<u>-</u>
Total noncurrent liabilities	<u>31,846,279</u>	<u>15,142,354</u>	<u>-</u>
Total liabilities	<u>35,139,994</u>	<u>21,699,428</u>	<u>-</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension and OPEB plans	<u>2,507,319</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	13,595,106	(2,691,578)	-
Restricted	1,059,609	-	-
Unrestricted	<u>51,177,195</u>	<u>3,502,601</u>	<u>1,051,622</u>
Total net position	<u>65,831,910</u>	<u>811,023</u>	<u>\$ 1,051,622</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 103,479,223</u>	<u>\$ 22,510,451</u>	<u>\$ 1,051,622</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Primary Government</u>	<u>Component Unit</u>	<u>OPEB Trust Fund</u>
Operating revenues:			
Grants	\$ 38,819,160	\$ -	\$ -
Rents	3,957,598	-	-
Other	<u>4,053,554</u>	<u>80,298</u>	<u>77,712</u>
Total operating revenues	<u>46,830,312</u>	<u>80,298</u>	<u>77,712</u>
Operating expenses:			
Administration	7,168,854	161,888	520
Utilities	1,251,579	-	-
Maintenance	2,130,543	-	-
Protective services	210,000	-	-
General	331,735	2,505	1,292
Tenant services	573,801	-	-
Housing assistance payments	29,612,706	-	-
Depreciation	<u>1,511,584</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>42,790,802</u>	<u>164,393</u>	<u>1,812</u>
Operating income (loss)	<u>4,039,510</u>	<u>(84,095)</u>	<u>75,900</u>
Non-operating revenues (expenses):			
Interest income	427,034	-	-
Gain on sale of fixed assets	6,622	-	-
Interest expense	(1,184,230)	-	-
Contributions	-	1,258,151	-
Extraordinary maintenance	<u>(29,143)</u>	<u>-</u>	<u>-</u>
Net non-operating revenue	<u>(779,717)</u>	<u>1,258,151</u>	<u>-</u>
Change in net position	<u>3,259,793</u>	<u>1,174,056</u>	<u>75,900</u>
Total net position, beginning, as previously reported	64,073,928	(363,033)	-
Change in accounting principle (Note 13)	<u>(1,501,811)</u>	<u>-</u>	<u>975,722</u>
Total net position, beginning - as adjusted	<u>62,572,117</u>	<u>(363,033)</u>	<u>975,722</u>
Total net position, ending	<u>\$ 65,831,910</u>	<u>\$ 811,023</u>	<u>\$ 1,051,622</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Primary Government	Component Unit
Cash flows from operating activities:		
Grants received	\$ 38,666,887	\$ -
Cash received from tenants	3,876,085	-
Other miscellaneous cash receipts	4,004,793	4,015,903
Cash payments to suppliers and landlords	(34,705,918)	-
Cash payments to employees	<u>(5,471,485)</u>	<u>-</u>
Net cash provided by operating activities	<u>6,370,362</u>	<u>4,015,903</u>
Cash flows from capital and related financing activities:		
Interest paid on long-term debt	(1,124,101)	-
Principal paid on notes payable	(985,346)	-
Extraordinary maintenance	(29,143)	-
Acquisition of fixed assets	(1,127,706)	(14,298,661)
Gain on sale of fixed assets	6,622	-
Issuance of debt	175,000	-
Proceeds from notes payable	<u>-</u>	<u>8,136,576</u>
Net cash used in capital and related financing activities	<u>(3,084,674)</u>	<u>(6,162,085)</u>
Cash flows from investing activities:		
Collection of notes receivable	1,264,524	-
Mortgage interest income	7,131	-
Issuance of notes receivable	(300,000)	-
Contributions	-	1,258,151
Interest received from investments	<u>340,681</u>	<u>-</u>
Net cash provided by investing activities	<u>1,312,336</u>	<u>1,258,151</u>
Net increase (decrease) in cash	4,598,024	(888,031)
Cash and cash equivalents - beginning	<u>27,100,576</u>	<u>3,998,841</u>
Cash and cash equivalents - end	<u>\$ 31,698,600</u>	<u>\$ 3,110,810</u>
Cash reconciliation as reported on the statements of net position:		
Cash and cash equivalents - unrestricted	\$ 29,967,717	\$ 3,110,810
Cash and cash equivalents - restricted	<u>1,730,883</u>	<u>-</u>
	<u>\$ 31,698,600</u>	<u>\$ 3,110,810</u>

See accompanying notes to financial statements.



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Primary Government</u>	<u>Component Unit</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 4,039,510	\$ (84,095)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,511,584	-
Pension and OPEB expense	833,407	-
Loan forgiveness	(13,708)	-
<i>(Increase) decrease in assets</i>		
Due from other agencies	(163,000)	(227,599)
Tenant accounts receivable, net	(54,571)	-
Other accounts receivable, net	(11,915)	(192,554)
Prepaid expenses	150,773	925,560
Inventory	(1,933)	-
<i>Increase (decrease) in liabilities</i>		
Accounts payable	356,994	(10,145)
Accounts payable to other agencies	(357)	-
Tenant security deposits	4,402	-
Accrued liabilities	(319,801)	3,604,736
Accrued compensated absences	51,376	-
Unearned revenue	3,430,309	-
Other noncurrent liabilities	<u>(3,442,708)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 6,370,362</u>	<u>\$ 4,015,903</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 ("U.S. GAAP") as applicable to governmental entities. The following is a summary of the more significant procedures:

A. Definition of Reporting Entity

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 (the "City"). However, the 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-year or four-year terms.

The basic financial statements includes the financial activities of the Authority, its blended component unit, Alameda Affordable Housing Corporation, its discretely presented component unit, Island City Development, and its fiduciary fund, the OPEB Trust Fund.

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-income and moderate-income individuals and families in the City of Alameda, California. The executive director of the Authority appoints the members of the nonprofit corporation's board of directors. The nonprofit corporation has a year end of December 31, 2017, 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 purposes of developing and owning a 31-unit Low-Income Housing Tax Credit property at 1031 Buena Vista Avenue in Alameda. This property was completed in August 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 purposes 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 2019. 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.

The Authority reports a Fiduciary Trust Fund for its Other Post Employment Benefits ("OPEB") Trust Fund. The OPEB trust accounts for the assets are held in trust by the Authority for the beneficiaries of the plan.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. Definition of Reporting Entity (Continued)

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 Authority's administrative offices located at 701 Atlantic Avenue, Alameda, California.

Related Organizations - Blended Component Units

The Authority is the sole member of AHA Islander GP, LLC which is the 0.05% 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 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.

Alameda Affordable Housing Corporation ("AAHC") was established November 1, 2017, as a supporting organization of the Authority. Its primary role is to be a title holding entity for Authority-owned properties. AAHC received federal tax exempt status under Section 501(c)3 in 2017. The board of directors is comprised of all of the current Authority's board of commissioners and the directors' terms run concurrent with the commissioners'. AAHC has a fiscal year end on June 30 and the financial activity is not reported separately on the financial statements. During 2018, the Authority sold four of its properties to AAHC and both notes receivable and notes payable were created between the two parties. As these notes were between a primary government and its blended component unit, these notes were eliminated from the financial statements.

B. Government-wide 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").

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The financial statements 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.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* activities. Operating revenues and expenses generally result from providing services in connection with the 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 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.

Separate statements are also included in the Discretely Presented Component Unit and the Fiduciary Fund as shown on the financial statements. The Discretely Presented Component Unit and the Fiduciary Fund are separate legal entities from the Authority.

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 cash equivalents can be converted to cash in a relatively short amount of time. Therefore, all cash and cash equivalents, including restricted amounts, are reported in the statement of cash flows.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Liabilities, and Net Position (Continued)

*b. Restricted assets*

Restricted cash and cash equivalents 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 in the financial statements.

*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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Liabilities, and Net Position (Continued)

*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 borrowing 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.

*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 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

During fiscal year 2018, the Authority implemented GASB Statements No. 74 and 75, *Financial Reporting for Post employment Benefit Plans Other Than Pension Plans* and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, respectively. The primary objective of these statements is to improve accounting and financial reporting information for postemployment benefits other than pensions for the plan and state and local government employers that sponsor these plans. Implementation of these statements resulted in changes in presentation and disclosures of the OPEB plan in the financial statements. See Note 13 for effect on the financial statements.

F. Future GASB Pronouncements

In November 2016, 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 ("ARO"). 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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Future GASB Pronouncements (Continued)

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 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.

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.

G. 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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. 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.

I. Loans Issued During the 2018 Fiscal Year

There were no new loans issued during fiscal year 2018 aside from the notes between the Authority and AAHC previously mentioned in Section A.

**NOTE 2. CASH AND CASH EQUIVALENTS**

A. Policies

California law requires banks and savings 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 cash equivalents are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of cash equivalents 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 with original maturities of 90 days or less for purposes of measuring cash flows.

B. Classification

Cash and cash equivalents 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 cash equivalents as of June 30, 2018, are as follows:

Unrestricted	\$ 29,967,717
Restricted	<u>1,730,883</u>
Total cash and cash equivalents	<u>\$ 31,698,600</u>



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

B. Classification (Continued)

The \$31,698,600 of cash and cash equivalents consists of \$5,267,867 maintained on deposit in banks, \$934,499 maintained by loan servicing agencies, \$14,898,006 deposited in the State of California Local Agency Investment Fund ("LAIF"), \$10,597,978 deposited in the California Asset Management Program ("CAMP"), and \$450 in petty cash. Of the amounts on deposit with banks, \$250,000 is covered by federal deposit insurance. The remaining \$5,017,867 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 \$934,499 of cash equivalents 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Repurchase Agreements	N/A	N/A	N/A	N/A
California Local Agency Investment Fund (LAIF)	On Demand	N/A	N/A	N/A
U.S. Treasury Bonds, Notes & Bills	N/A	N/A	N/A	N/A
U.S. Agency & U.S. Government	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 Agreement	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 CAMP.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2. CASH AND CASH EQUIVALENTS (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:

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

E. Interest Rate Risk

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

<u>Cash Equivalent Type</u>	<u>12 Months or Less</u>	<u>One to Five Years</u>	<u>More than Five Years</u>	<u>Total</u>
LAIF	\$14,898,006	\$ -	\$ -	\$14,898,006
CAMP	<u>10,597,978</u>	<u>-</u>	<u>-</u>	<u>10,597,978</u>
Total Investments	<u>\$25,495,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,495,984</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, 2018, for each Authority cash equivalent type as provided by Standard and Poor's except as noted:

<u>Cash Equivalent Type</u>	<u>Amount</u>
Not Rated:	
LAIF	\$14,898,006
CAMP	\$10,597,978

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, 2018, 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 Federal Deposit Insurance Corporation ("FDIC") insurance or are collateralized.

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**NOTE 3. CAPITAL ASSETS**

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2018:

	Balance 6/30/2017	Additions	Adjustments and Deletions	Balance 6/30/2018
Non-depreciable assets:				
Land	\$ 22,022,054	\$ -	\$ -	\$ 22,022,054
Construction in progress	<u>286,033</u>	<u>438,871</u>	<u>(716,186)</u>	<u>8,718</u>
Total non-depreciable assets	<u>22,308,087</u>	<u>438,871</u>	<u>(716,186)</u>	<u>22,030,772</u>
Depreciable assets:				
Buildings and improvements	43,421,274	688,834	716,186	44,826,294
Equipment	<u>386,385</u>	<u>-</u>	<u>(19,361)</u>	<u>367,024</u>
Total depreciable assets	43,807,659	688,834	696,825	45,193,318
Accumulated depreciation	<u>(25,322,193)</u>	<u>(1,511,584)</u>	<u>19,361</u>	<u>(26,814,416)</u>
Net depreciable assets	<u>18,485,466</u>	<u>\$ (822,750)</u>	<u>\$ 716,186</u>	<u>18,378,902</u>
Total capital assets, net	<u>\$ 40,793,553</u>			<u>\$ 40,409,674</u>

**NOTE 4. LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018	Current Portion
Bonds payable:					
PNC Bank	\$ 5,400,000	\$ -	\$(173,986)	\$ 5,226,014	\$ 184,413
Notes payable:					
Amerisphere	13,711,882	-	(221,423)	13,490,459	234,216
Amerisphere	5,974,243	-	(562,667)	5,411,576	584,134
City of Alameda	1,596,127	175,000	(27,258)	1,743,869	1,509
County of Alameda	956,370	-	(13,720)	942,650	-
Compensated Absences	<u>185,264</u>	<u>51,376</u>	<u>-</u>	<u>236,640</u>	<u>135,827</u>
	<u>\$ 27,823,886</u>	<u>\$ 226,376</u>	<u>\$ (999,054)</u>	<u>\$ 27,051,208</u>	<u>\$ 1,140,099</u>

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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
2019	\$ 1,004,272	\$ 1,058,844	\$ 2,063,116
2020	1,051,163	1,023,027	2,074,190
2021	1,100,346	981,007	2,081,353
2022	1,151,939	939,472	2,091,411
2023	1,206,065	895,924	2,101,989
Thereafter	<u>21,300,783</u>	<u>13,176,611</u>	<u>34,477,394</u>
	<u>\$ 26,814,568</u>	<u>\$ 18,074,885</u>	<u>\$ 44,889,453</u>

A description of the debt recorded at June 30, 2018, with the 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 totaled \$5,226,014 at June 30, 2018.

*Notes Payable:*

Lender	Original Note	Note Date
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	2/10/1997
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	\$ 575,000	3/30/2016
City of Alameda	\$ 25,000	4/15/2016

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**NOTE 4. LONG-TERM DEBT (CONTINUED)**

*Notes Payable (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, 2018, 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, 2018, was \$220,169.

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, 2018, 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. This note was paid off during fiscal year 2018.

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, 2018, 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, 2018, was \$380,000.

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

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**NOTE 4. LONG-TERM DEBT (CONTINUED)**

*Notes Payable (Continued)*

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, 2018, 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, 2018, 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, 2018, was \$13,490,459.

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, 2018, was \$5,411,576.

A first amendment to a promissory note agreement for \$575,000 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, 2018, was \$575,000.

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. This note was paid off during fiscal year 2018.

**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 \$135,827 and noncurrent compensated absences of \$100,813 for a total of \$236,640 as of June 30, 2018.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
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**NOTE 5.      COMPENSATED ABSENCES (CONTINUED)**

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 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' FNP 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 Authority 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, 2018 (effective for periods beginning after December 15, 2015). This statement resulted in a change in current practice and had 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 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, 2017 Annual Actuarial Valuation Report. This report is a publicly 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 CalPERS. Benefit provisions under the Plans are established by State statute and the 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.



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**NOTE 6. PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued):**

All qualified permanent and probationary employees are eligible to participate in the Authority's cost-sharing agent multiple-employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plans are established by State statute and Authority's resolution.

**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 is applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Plans	
	Prior To January 1, 2013	On or After January 1, 2013
Hire date	1, 2013	January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting formula	5 years of service	5 years of service
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	6.886%	6.500%
Required employer contribution rates	9.558%	6.930%

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**NOTE 6. PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued):**

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law 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's contribution rates may change if plan contracts are amended. Payments made by the Authority to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the measurement period ended June 30, 2018 (the measurement date), the active employee's contribution rates are 6.886% (First Level/Classic Members) and 6.500% (PEPRA New Members) of annual payroll, and the average employer's rates are 9.558% and 6.930% of annual payroll.

For the fiscal year ended June 30, 2018, the contributions recognized as part of pension expense for each plan were as follows:

	Miscellaneous Plan	Classic	PEPRA
Contributions - employer	\$ 366,127	9.558%	6.930%
Contributions - employee	<u>263,343</u>	6.886%	6.500%
Total	<u>\$ 629,470</u>		

**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

	Net Pension Liability	
Balance at 6/30/2016	\$ 1,684,952	0.019472%
Balance at 6/30/2017	<u>2,127,040</u>	0.021448%
Net Pension Liability Year-to-Year Increase	<u>\$ 442,088</u>	

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**NOTE 6. PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued):**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

The Authority's net pension liability of \$2,127,040 is measured as the proportionate share of the net pension liability of \$3,942,047,621 (or 0.021448%). The net pension liability is measured as of June 30, 2018, 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, 2017, rolled forward to June 30, 2018, using standard update procedures. The Authority paid down \$366,127 during the year ended June 30, 2018. Since the pension liability is based on the measurement date of June 30, 2017, the outstanding pension liability here does not reflect the pay down of contributions made during the year ended June 30, 2018. 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, 2018, the Authority recognized pension expense of \$812,404 for the plan. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 381,436	\$ -
Differences between actual and expected experience	5,296	75,868
Changes in assumptions	657,042	50,101
Differences in contributions and proportionate share of contributions	593,843	109,907
Net differences between projected and actual earnings on pension plan investments	680,612	532,016
Adjustments due to differences in proportions	<u>175,217</u>	<u>444,191</u>
Total	<u>\$ 2,493,446</u>	<u>\$ 1,212,083</u>

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**NOTE 6. PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued):**

**Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

The \$381,436 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019 (measurement period ended June 30, 2018). These amounts are reflected in the financial statements as part of the deferred outflows of resources and deferred inflows of resources. 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
2018	\$ 342,782
2019	396,430
2020	248,939
2021	(88,224)
Thereafter	-

The amounts above are the net of outflows and inflows recognized in the measurement period ended June 30, 2018.

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. Both the June 30, 2016 total pension liability and the June 30, 2017 total pension liability were determined using the following actuarial methods and assumptions:

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**NOTE 6. PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued):**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)**

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions Discount Rate	7.15%
Inflation	2.70%
Payroll Growth	3.00%
Projected Salary Increase	Varies by entry age and service
	Derived using CalPERS' Membership Data
Mortality Rate (1)	for all funds
	Contract COLA up to 2.75% until
	Purchasing Power Protection Allowance
	Floor on Purchasing Power Applies 2.75%
Post Retirement Benefit Increase	thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP2016. For more details on this table, please refer to the 2017 Experience Study Report (based on CalPERS' demographic data from 1997 to 2015) that can be found on the CalPERS' website.

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

***Long-Term Expected Rate of Return*** - 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.

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**NOTE 6. PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued):**

**Discount Rate (Continued)**

The expected real rates of return by asset class are as followed:

Asset Class	New Strategic Allocation	Real Return Year 1-10 (a)	Real Return Years 11+ (b)
Global Equity	50.00 %	4.80 %	5.98 %
Fixed Income	28.00 %	2.00 %	2.62 %
Inflation Assets	- %	0.77 %	1.81 %
Private Equity	8.00 %	6.30 %	7.23 %
Real Estate	13.00 %	3.76 %	4.93 %
Liquidity	1.00 %	- %	(0.92)%
Total	100.00 %		

In the system's Comprehensive Annual Financial Report ("CAFR"), Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

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

**Sensitivity of the Proportionate Share of the Net Position 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 7.15%, 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 one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	Discount Rate less 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate plus 1% (8.15%)
Plan's net pension liability	\$ 4,292,835	\$ 2,127,040	\$ 333,289

**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, 2018, there was no outstanding account payable for contributions to the pension plan required for the year ended June 30, 2018.

**Subsequent Events** - There were no subsequent events that would materially affect the results presented in this disclosure.

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**NOTE 7. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB)**

**Plan description** - The Authority participates in the CalPERS 2% at 55 Public Agency Miscellaneous Employees' pension plan for all regular employees hired before January 1, 2013, and 2% at 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 five 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 the lifetime of the retiree and any surviving spouse, subject to CalPERS' eligibility requirements.

**Employees Covered by the Plan**

Active employees	49
Inactive employees or beneficiaries currently receiving benefit payments	<u>4</u>
Total	<u><u>53</u></u>

During the July 1, 2016 to June 30, 2017 measurement period, the Authority entered into an agreement with CalPERS whereby the Authority participates in the California Employers' Retiree Benefit Trust Fund Program ("CERBT"), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. The financial statements for CERBT may be obtained by writing the California Public Employees' Retirement System, Constituent Relations Office, CERT (OPEB), P.O. Box 242709, Sacramento, California 94229-2709 or by calling 888-225-7377.

**Requirements of GASB 75** – GASB Statement No. 75 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 and not employees of the Authority itself, therefore there was no OPEB obligation or expense recognized in fiscal years prior to 2012. The provisions of GASB 75 are effective for fiscal years beginning after June 15, 2017.

**Funding Policy** – Prior to July 1, 2016, the Authority financed the OPEB retiree health plan on a pay-as-you-go basis. For the measurement period ended June 30, 2017, the Authority made a pay-as-you-go payment of \$30,988 plus a one-time special contribution in the amount of \$981,940 to CERBT. The Authority intends to make annual payments equal to the actuarially determined contribution.

As of June 30, 2017, the fair value of the Authority's investments in the CERBT was \$975,722. This balance is net of all plan activity during the measurement period ending June 30, 2017, including net annual investment earnings amounting to (\$6,213) and pay-as-you-go benefit payments of \$30,988.

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**NOTE 7. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (CONTINUED)**

The following table summarizes the sources used to satisfy measurement period 2016/2017 contributions to the plan:

Employer Contribution to CERBT	\$ 981,940
Pay-as-you-go Payments unreimbursed by trust	1,833,461
Active Implicit Rate Subsidy Transferred to OPEB	<u>20,989</u>
Total Defined Benefit Pay-as-you-go Costs	<u>\$ 2,836,390</u>

**Net OPEB Liability**

Net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date October 31, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability based on the following actuarial methods and assumptions.

Description	Method/Assumption June 30, 2017
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Discount Rate	7.28%
Inflation	2.00%
Salary Increases	3.25%
Investment Rate of Return	7.28%
Healthcare Cost Trend Rates	8.00% pre-65 and 5.50% post-65 initial trend rates for 2018. Decreasing 0.25% per year until ultimate rate of 5.00% is reached in 2030 pre-65 and 2020 post-65.
Mortality	Pre-retirement CalPERS 2014 Mortality for pre-retirement Post-retirement: CalPERS 2014 Mortality for post-retirement.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past experiences and new estimates are made about the future. Actuarial calculations were performed based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing cost between the Authority and plan members through June 30, 2017. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that were designed to reduce short-term volatility of actuarial accrued liabilities and actuarial value of assets. The Authority has relied on the work of the Authority's actuary to determine the Authority's net OPEB liability, and considers the underlying assumptions used by the actuary to be reasonable.

**Long-Term Expected Rate of Return**

The valuation uses a discount rate of 7.28% per year, net of investment expenses and including inflation. This is a long-term rate of return assumption on plan assets. This rate is based on the general inflation rate and expected real rate of return required for



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**NOTE 7. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (CONTINUED)**

**Long-Term Expected Rate of Return (Continued)**

CalPERS reporting for use by employers who elect certain investment strategies as participants in CERBT. The target allocation and best estimates for long-term expected real rates of return for each major asset class, as of June 30, 2017, the measurement date, are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Real Rate of Return</u>
Equity	60.00 %	5.62%
Fixed Income	32.00 %	1.70%
REITs	8.00 %	5.06%
Total	<u>100.00 %</u>	

**Changes in the Net OPEB Liability**

The following table shows the changes in the Net OPEB Liability recognized over the measurement period.

	Total OPEB Liability	Increase/Decrease Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balance at June 30, 2017	\$ 2,477,261	\$ -	\$ 2,477,261
Service Cost	162,835	-	162,835
Interest	74,812	-	74,812
Change in benefit terms	-	-	-
Differences between Expected and Actual Experience	(3,275)	-	(3,275)
Changes in Assumptions	(1,482,802)	-	(1,482,802)
Contributions - Employer	-	1,012,388	(1,012,388)
Contributions - Employee	-	-	-
Benefit Payments	-	(6,213)	6,213
Administrative Expenses	(30,448)	(30,448)	-
Net Changes	<u>-</u>	<u>(5)</u>	<u>5</u>
Balance at June 30, 2018	<u>\$ 1,198,383</u>	<u>\$ 975,722</u>	<u>\$ 222,661</u>

The required schedule of changes in the net OPEB liability and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total OPEB liability, the plan fiduciary net position available for OPEB benefits, and the net OPEB liability, as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan fiduciary net position as a percentage of the total OPEB liability, the payroll amount for current employees in the plan (covered employee payroll), and a ratio of the net OPEB liability as a percentage of the covered employee payroll. One year of information is presented and will build to 10 years of information on a prospective basis.

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**NOTE 7. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (CONTINUED)**

**Changes in the Net OPEB Liability (Continued)**

The required schedule of employer contributions immediately following the notes to the financial statements presents the actuarially determined contribution to the OPEB Plan, the actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions as a percentage of covered employee payroll.

**Sensitivity of the Net OPEB Liability Due to Changes in the Discount Rate –** Pursuant to GASB 75, the following table represents the net OPEB liability, calculated using the current discount rate of 7.28%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	(6.28)%	(7.28)%	(8.28)%
Net OPEB Liability	\$ <u>407,228</u>	\$ <u>222,661</u>	\$ <u>73,594</u>

**Sensitivity of the Net OPEB Liability Due to Changes in the Health Care Cost Trend Rate –** Pursuant to GASB 75, the following table represents the net OPEB liability of the Authority, calculated using the current health care cost trend rate of 8.00% /5.50% as well as what it would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	(7.00% pre-65/ 4.50% post-65 decreasing to 4.00% Pre-65/post-65)	(8.00% pre-65/ 5.50% post-65 decreasing to 5.00% Pre-65/post-65)	(9.00% pre-65/ 6.50% post-65 decreasing to 6.00% Pre-65/ post-65)
Net OPEB Liability	\$ <u>52,958</u>	\$ <u>222,661</u>	\$ <u>435,922</u>

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**NOTE 7. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (CONTINUED)**

**Changes in the Net OPEB Liability (Continued)**

**OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2018, the Authority recognized OPEB expense of \$36,938. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ -	\$ -
Net Difference Between Expected and Actual Experience in the Measurement of the TOL	-	2,854
Assumption Changes	-	1,292,382
Net Difference Between Projected and Actual Investment Earnings	<u>16,086</u>	<u>-</u>
Total	<u>\$ 16,086</u>	<u>\$ 1,295,236</u>

Pursuant to GASB 75, amounts reported as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net OPEB Liability in the fiscal year ending June 30, 2019. These amounts are reflected in the financial statements as part of the deferred outflows of resources and deferred inflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized OPEB expense as follows:

Fiscal Year Ending June 30:	Amount
2019	\$ (186,820)
2020	(186,820)
2021	(186,820)
2022	(186,818)
2023	(190,841)
Thereafter	<u>(341,031)</u>
Total	<u>\$ (1,279,150)</u>

**NOTE 8. NOTES RECEIVABLE**

At June 30, 2018, the Authority had \$28,071,510 of notes receivable due to them, the balance being comprised of \$24,777,795 of loans.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8. NOTES RECEIVABLE (CONTINUED)**

A summary of the Authority's 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	1/4/2004
Taplin, Tarriko	\$23,600	3/9/2007
Nebeker, Bud	\$31,800	12/18/2007
Moore, Annalisa	\$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	11/1/2013
Jack Capon Villa LP	\$1,400,000	11/1/2013
Jack Capon Villa LP	\$200,000	11/1/2013
Rojas, Ana	\$4,148	4/16/2013
Assefa, Fikre	\$4,148	6/10/2013
Petochis, Nicola	\$7,676	8/1/2013
Island City Development - 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
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
Island City Development - North Housing	\$300,000	10/23/2017

Effective January 31, 2000, Playa del Alameda Associates entered into an amended and restated promissory note with the Authority for \$243,109 for the Play 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 loan was paid off during fiscal year 2018.

Effective January 5, 2004, Resource 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, 2018, was \$1,408,790.

Effective March 9, 2007, Tarriko L. Taplin and Anthony Taplin entered into a promissory note with the City (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, 2018, was \$23,600.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8.     NOTES RECEIVABLE (CONTINUED)**

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 of the note at June 30, 2018, was \$31,800.

Effective January 23, 2008, Annalisa Moore entered into a promissory note with the City (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, 2018, was \$31,800.

Effective March 24, 2008, Resources for Community Development entered into a promissory note with the Community Improvement Commission of the City (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, 2018, 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, 2018, 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, 2018, was \$156,743.

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, 2018, was \$1,400,000.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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, 2018, was \$201,066.

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, 2018, 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 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, 2018, 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 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, 2018, was \$7,676.

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, 2018, 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 note was paid off during fiscal year 2018.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 8. NOTES RECEIVABLE (CONTINUED)**

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, 2018, was \$2,000,000.

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, 2018, 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, 2018, 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, 2018, 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, 2018, was \$4,250,000.

Effective October 23, 2017, Island City Development entered into a promissory note with the Authority for the amount of \$300,000 for the North Housing Project. The note accrues simple interest at 3% annually beginning of January 1, 2022. The entire amount of outstanding principal and accrued interest are due and payable on December 31, 2074. The outstanding balance on the note at June 30, 2018, was \$300,000.

**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, 2018, the outstanding guarantee was \$917,283.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9.     GUARANTEES (CONTINUED)**

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, 2018, the outstanding guarantee was \$671,615.

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 Everett Commons, formerly known as the 2437 Eagle Avenue property, the Authority entered into a payment and performance guaranty dated June 21, 2017, with JP Morgan 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 in 2019.

**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.

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.

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 31, 2081. On October 14, 2004, the lease was assigned to Breakers at Bayport, LP.

On October 4, 2006, the Authority entered into a ground lease agreement with 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.

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.

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



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10. GROUND LEASES (CONTINUED)**

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.

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.

On May 1, 2018, the Authority entered into a ground lease agreement with AAHC, for the property known as Anne B. Diamant and located at 920 Park Street. The lease term is 75 years, ending May 1, 2093. Prepaid rent for the entire lease term of \$75 was paid on May 1, 2018.

On May 1, 2018, the Authority entered into a ground lease agreement with AAHC for the property known as China Clipper Plaza and located at 460 Buena Vista Avenue. The lease term is 75 years, ending May 1, 2093. Prepaid rent for the entire lease term of \$75 was paid on May 1, 2018.

On May 1, 2018, the Authority entered into a ground lease agreement with AAHC, for the property known as Lincoln Willow Apartments and located at 2101-2103 Lincoln Avenue. The lease term is 75 years, ending May 1, 2093. Prepaid rent for the entire lease term of \$75 was paid on May 1, 2018.

On May 1, 2018, the Authority entered into a ground lease agreement with AAHC, for the property known as Stanford House and located at 1917 Stanford Avenue. The lease term is 75 years, ending May 1, 2093. Prepaid rent for the entire lease term of \$75 was paid on May 1, 2018.

At June 30, 2018, the future rental income required under the lease agreements entered into by the Authority are as follows:

<b><u>Fiscal Year Ending June 30:</u></b>	<b><u>Amount</u></b>
2019	\$ 45,324
2020	45,324
2021	45,324
2022	45,324
2023	45,324
Thereafter	<u>4,047,022</u>
	<u><u>\$ 4,273,642</u></u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11. JOINT POWERS AGREEMENTS**

Workers' Compensation Insurance

The Authority participates in a joint venture under a joint powers agreement ("JPA") with the California Housing Workers' Compensation Authority ("CHWCA"). CHWCA is a California joint powers insurance authority established in 1991 for 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-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.

The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes. Further information can be found at [www.chwca.org](http://www.chwca.org).

Property and Liability Insurance

The Authority participates in a joint venture under a 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, 2017, 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. Further information can be found at [www.harrp.com](http://www.harrp.com).

ABAG Natural Gas JPA

The Authority participates in a joint venture under a JPA with ABAG POWER, an association of bay area governments 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 40 member agencies throughout Pacific Gas and Electric's service territory. There are 66 members in the program. Further information can be found at [www.abag.ca.gov/services/power/gas.html](http://www.abag.ca.gov/services/power/gas.html)

**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.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13. PRIOR PERIOD ADJUSTMENTS**

Pursuant to the implementation of GASB Statement Nos. 74 and 75, the Authority was required to recognize a prior period adjustment of \$1,501, 811 and the OPEB trust was required to recognize a prior period adjustment of \$975,722.

**NOTE 14. SUBSEQUENT EVENTS**

Management evaluated all activity of the Authority through the date of March 29, 2019, which is the date the financial statements were available to be issued, and concluded that the following subsequent events have occurred that would require disclosure in the notes to the financial statements:

1. The Authority entered into a joint contract of purchase and sale dated March 19, 2018, for the purchase of a below market rate townhouse at 1911 Mulberry Street, Alameda. This property was purchased on August 17, 2018.
2. The Authority entered into a joint contract of purchase and sale dated April 4, 2018, for the purchase of a below market rate townhouse at 2101 Eagle Avenue, Alameda. This property has not yet been purchased.
3. Island City Development became sole member of Rosefield LLC as of October 2018, formed for the purpose of rebuilding and renovating a 53-unit family property located in Alameda, California.
4. On October 17, 2018, the board of the Authority increased its loan commitment to Island City Development from \$5,700,000 to \$7,000,000 for the redevelopment of Rosefield Village.
5. Island City Development executed an amended and restated promissory note from the Authority for the North Housing Project on October 31, 2018, in the amount of \$3,700,000.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
JUNE 30, 2018**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Last 10 Years\***

	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Measurement Date	<b>6/30/2017</b>	6/30/2016	6/30/2015	6/30/2015
Authority's proportion of the net pension liability	<b>0.021448 %</b>	0.019472 %	0.027020 %	0.030130 %
Authority's proportionate share of the net pension liability	<b>\$ 2,127,040</b>	\$ 1,684,952	\$ 1,854,640	\$ 1,871,494
Authority's covered-employee payroll	<b>\$ 3,906,839</b>	\$ 2,752,784	\$ 3,634,051	\$ 2,717,587
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>54.44 %</b>	61.21 %	51.04 %	69.00 %
Plan fiduciary net position as a percentage of the total pension liability	<b>75.39 %</b>	88.01 %	107.30 %	83.00 %

\*These amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

See independent auditor's report.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
JUNE 30, 2018**

**SCHEDULE OF THE AUTHORITY'S PENSION PLAN CONTRIBUTIONS  
Last 10 Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 336,127	\$ 1,322,171	\$ 1,393,004	\$ 300,316
Contributions in relation to the actuarially determined contribution	<u>(336,127)</u>	<u>(1,322,171)</u>	<u>(1,393,004)</u>	<u>(505,233)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (204,917)
 Contributions as a percentage of covered-employee payroll	 9.37 %	 48.03 %	 38.33 %	 18.66 %
 Contributions as a percentage of covered-employee payroll	 9.37 %	 48.03 %	 38.33 %	 18.66 %

\*These amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

See independent auditor's report.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**JUNE 30, 2018**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
Last 10 Years\***

Total OPEB liability	<b><u>2018</u></b>
Service cost	\$ 162,835
Interest	74,812
Differences between expected and actual experience	(3,275)
Changes of assumptions	(1,482,802)
Benefit payments, including refunds of employee contributions	<u>(30,448)</u>
Net change in total OPEB liability	(1,278,878)
 Total OPEB liability - beginning	 <u>2,477,261</u>
Total OPEB liability - ending	<u><u>\$ 1,198,383</u></u>
 <u>Plan fiduciary net position</u>	
Contributions - employer	\$ 1,012,388
Net investment income	(6,213)
Benefit payments, including refunds of employee contributions	(30,448)
Administrative expense	<u>(5)</u>
Net change in plan fiduciary net position	975,722
 Plan fiduciary net position - beginning	 <u>-</u>
Plan fiduciary net position - ending	<u><u>\$ 975,722</u></u>
 Authority's net OPEB liability	 <u><u>\$ 222,661</u></u>
 Plan's fiduciary net position as a percentage of the total OPEB liability	 81.42 %
 Covered payroll	 <u><u>\$ 3,906,839</u></u>
 Authority's net OPEB liability as a percentage of covered payroll	 5.70 %

\*These amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

See independent auditor's report.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**JUNE 30, 2018**

**SCHEDULE OF THE AUTHORITY'S OPEB PLAN CONTRIBUTIONS**

**Last 10 Years\***

	<u>2018</u>
Actuarially determined contributions	\$ 128,377
Contributions in relation to the actuarially determined contribution	<u>(1,012,388)</u>
Contribution deficiency (excess)	\$ <u>(884,011)</u>
Authority's covered-employee payroll	\$ 3,906,839
Contributions as a percentage of covered-employee payroll	25.91 %

\*These amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**JUNE 30, 2018**

*Actuarial assumptions for valuations performed.* The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

*Changes of benefit terms:*

There were no changes to the benefit terms which impact the measurements provided in the pension plan.

There were no changes to the benefit terms which impact the measurements provided in the OPEB plan.

*Changes in assumptions:*

There were no changes in assumptions which impact the measurements provided in the pension plan.

There were no changes in assumptions which impact the measurements provided in the OPEB plan.



**Housing Authority of the City of Alameda**  
**Financial Data Schedule**  
**Entity Wide Balance Sheet**  
**6/30/2018**

	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	Shelter Plus Care	2 State/Local	Alameda Affordable Housing Corporation	Subtotal	ELIM	Total	Island City Development	OPEB Trust Fund	Grand Total
111 Cash - Unrestricted	\$ -	\$ 556	\$ 122,413	\$ -	\$ 4,007,550	\$ 265,357	\$ 4,395,876		\$ 4,395,876	\$ 3,110,810	\$ -	\$ 7,506,686
112 Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-
113 Cash - Other Restricted	125,110	-	-	-	834,499	100,000	1,059,609	-	1,059,609	-	-	1,059,609
114 Cash - Tenant Security Deposits	-	-	-	-	552,522	-	552,522	-	552,522	-	-	552,522
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
100 Total Cash	125,110	556	122,413	-	5,394,571	365,357	6,008,007	-	6,008,007	3,110,810	-	9,118,817
121 Accounts Receivable - PHA Projects	10,727	-	-	-	-	-	10,727	-	10,727	227,599	-	238,326
122 Accounts Receivable - HUD Other Projects	-	31,338	-	-	-	-	31,338	-	31,338	-	-	31,338
124 Accounts Receivable - Other Government	-	56	-	23,677	342,320	-	366,053	-	366,053	-	-	366,053
125 Accounts Receivable - Miscellaneous	7,186	-	-	320	43,818	-	51,324	-	51,324	196,464	-	247,788
126 Accounts Receivable - Tenants	45,311	-	-	-	127,084	-	172,395	-	172,395	-	-	172,395
126.1 Allowance for Doubtful Accounts - Tenants	-	-	-	-	(61,830)	-	(61,830)	-	(61,830)	-	-	(61,830)
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-	-	-	-	-	-
128 Fraud Recovery	-	-	-	-	25,793	-	25,793	-	25,793	-	-	25,793
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	(25,068)	-	(25,068)	-	(25,068)	-	-	(25,068)
129 Accrued Interest Receivable	1,366	-	-	-	147,867	-	149,233	-	149,233	-	-	149,233
120 Total Receivables, Net of Allowances for Doubtful Accounts	64,590	31,394	-	23,997	599,984	-	719,965	-	719,965	424,063	-	1,144,028
131 Investments - Unrestricted	20,630	-	-	-	25,551,211	-	25,571,841	-	25,571,841	-	1,051,622	26,623,463
132 Investments - Restricted	118,752	-	-	-	-	-	118,752	-	118,752	-	-	118,752
135 Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	-	-	-	-	62,626	300	62,926	-	62,926	3,773,717	-	3,836,643
143 Inventories	-	-	-	-	7,016	-	7,016	-	7,016	-	-	7,016
143.1 Allowance for Obsolete Inventories	-	-	-	-	-	-	-	-	-	-	-	-
144 Inter Program Due From	-	34,512	9	68,064	1,293,759	-	1,396,344	(1,396,344)	-	-	-	-
145 Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-
150 Total Current Assets	329,082	66,462	122,422	92,061	32,909,167	365,657	33,884,851	(1,396,344)	32,488,507	7,308,590	1,051,622	40,848,719
161 Land	-	-	-	-	22,022,054	-	22,022,054	-	22,022,054	-	-	22,022,054
162 Buildings	-	-	-	-	27,598,675	5,738,238	33,336,913	-	33,336,913	-	-	33,336,913
163 Furniture, Equipment & Machinery - Dwellings	36,429	-	-	-	318,646	-	355,075	-	355,075	-	-	355,075
164 Furniture, Equipment & Machinery - Administration	-	-	-	-	11,950	-	11,950	-	11,950	-	-	11,950
165 Leasehold Improvements	5,684	-	-	-	11,483,696	-	11,489,380	-	11,489,380	-	-	11,489,380
166 Accumulated Depreciation	(36,429)	-	-	-	(23,943,365)	(2,834,622)	(26,814,416)	-	(26,814,416)	-	-	(26,814,416)
167 Construction in Progress	-	-	-	-	8,718	-	8,718	-	8,718	15,201,861	-	15,210,579
168 Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	5,684	-	-	-	37,500,374	2,903,616	40,409,674	-	40,409,674	15,201,861	-	55,611,535
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	41,846,510	-	41,846,510	(13,775,000)	28,071,510	-	-	28,071,510
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-	-	-	-	-	-	-	-
173 Grants Receivable - Non Current	-	-	-	-	-	-	-	-	-	-	-	-
174 Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
176 Investments in Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-
180 Total Non-Current Assets	5,684	-	-	-	79,346,884	2,903,616	82,256,184	(13,775,000)	68,481,184	15,201,861	-	83,683,045
200 Deferred Outflow of Resources	777,955	25,095	-	-	1,706,482	-	2,509,532	-	2,509,532	-	-	2,509,532
290 Total Assets and Deferred Outflow of Resources	\$ 1,112,721	\$ 91,557	\$ 122,422	\$ 92,061	\$ 113,962,533	\$ 3,269,273	\$ 118,650,567	\$ (15,171,344)	\$ 103,479,223	\$ 22,510,451	\$ 1,051,622	\$ 127,041,296

See Accompanying Independent Auditor's Report

**Housing Authority of the City of Alameda**  
**Financial Data Schedule**  
**Entity Wide Balance Sheet**  
**6/30/2018**

311 Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312 Accounts Payable <= 90 Days	199,511	653	-	-	356,140	-	556,304	-	556,304	32,630	-	-	588,934
313 Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	-	-	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	-	-	-	-	75,071	-	75,071	-	75,071	-	-	-	75,071
322 Accrued Compensated Absences - Current Portion	35,386	-	-	-	100,441	-	135,827	-	135,827	-	-	-	135,827
324 Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-	-
325 Accrued Interest Payable	-	-	9	-	961,846	-	961,855	-	961,855	252,302	-	-	1,214,157
331 Accounts Payable - HUD PHA Programs	-	-	7,864	-	-	-	7,864	-	7,864	-	-	-	7,864
332 Account Payable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
333 Accounts Payable - Other Government	-	-	-	-	-	-	-	-	-	-	-	-	-
341 Tenant Security Deposits	-	-	-	-	552,522	-	552,522	-	552,522	-	-	-	552,522
342 Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	1,004,272	-	1,004,272	-	1,004,272	2,751,085	-	-	3,755,357
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-
345 Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
346 Accrued Liabilities - Other	-	-	-	-	-	-	-	-	-	3,521,057	-	-	3,521,057
347 Inter Program - Due To	513,093	68,627	43,273	-	771,351	-	1,396,344	(1,396,344)	-	-	-	-	-
348 Loan Liability - Current	-	-	-	-	-	-	-	-	-	-	-	-	-
310 Total Current Liabilities	747,990	69,280	51,146	-	3,821,643	-	4,690,059	(1,396,344)	3,293,715	6,557,074	-	-	9,850,789
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	25,144,296	13,791,000	38,935,296	(13,125,000)	25,810,296	15,142,354	-	-	40,952,650
352 Long-term Debt, Net of Current - Operating Borrowings	650,000	-	-	-	-	-	650,000	(650,000)	-	-	-	-	-
353 Non-current Liabilities - Other	118,752	-	-	-	3,466,717	-	3,585,469	-	3,585,469	-	-	-	3,585,469
354 Accrued Compensated Absences - Non Current	32,408	-	-	-	68,405	-	100,813	-	100,813	-	-	-	100,813
355 Loan Liability - Non Current	-	-	-	-	-	-	-	-	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	728,407	23,497	-	-	1,597,797	-	2,349,701	-	2,349,701	-	-	-	2,349,701
350 Total Non-Current Liabilities	1,529,567	23,497	-	-	30,277,215	13,791,000	45,621,279	(13,775,000)	31,846,279	15,142,354	-	-	46,988,633
300 Total Liabilities	2,277,557	92,777	51,146	-	34,098,858	13,791,000	50,311,338	(15,171,344)	35,139,994	21,699,428	-	-	56,839,422
400 Deferred Inflow of Resources	777,269	25,073	-	-	1,704,977	-	2,507,319	-	2,507,319	-	-	-	2,507,319
508.4 Net Investment in Capital Assets	5,684	-	-	-	11,351,806	2,237,616	13,595,106	-	13,595,106	(2,691,578)	-	-	10,903,528
511.4 Restricted Net Position	125,110	-	-	-	834,499	100,000	1,059,609	-	1,059,609	-	-	-	1,059,609
512.4 Unrestricted Net Position	(2,072,899)	(26,293)	71,276	92,061	65,972,393	(12,859,343)	51,177,195	-	51,177,195	3,502,601	1,051,622	-	55,731,418
513 Total Equity - Net Assets / Position	(1,942,105)	(26,293)	71,276	92,061	78,158,698	(10,521,727)	65,831,910	-	65,831,910	811,023	1,051,622	-	67,694,555
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 1,112,721	\$ 91,557	\$ 122,422	\$ 92,061	\$ 113,962,533	\$ 3,269,273	\$ 118,650,567	\$ (15,171,344)	\$ 103,479,223	\$ 22,510,451	\$ 1,051,622	\$	\$ 127,041,296

See Accompanying Independent Auditor's Report

**Housing Authority of the City of Alameda  
Financial Data Schedule  
Entity Wide Revenue and Expense Summary  
6/30/2018**

	14.871 Housing Choice Vouchers	14.896 PIH Family Self- Sufficiency Program	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	Shelter Plus Care	2 State/Local	Alameda Affordable Housing Corporation	Subtotal	ELIM	Total	Island City Development	OPEB Trust Fund	Grand Total
70300 Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ 3,949,385	\$ -	\$ 3,949,385	\$ -	\$ 3,949,385	\$ -	\$ -	\$ 3,949,385
70400 Tenant Revenue - Other	-	-	-	-	8,213	-	8,213	-	8,213	-	-	8,213
70500 Total Tenant Revenue	-	-	-	-	3,957,598	-	3,957,598	-	3,957,598	-	-	3,957,598
70600 HUD PHA Operating Grants	29,994,186	30,035	223,023	-	-	-	30,247,244	-	30,247,244	-	-	30,247,244
70610 Capital Grants	-	-	-	-	-	-	-	-	-	-	-	-
70710 Management Fee	-	-	-	-	-	-	-	-	-	-	-	-
70720 Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-
70730 Book Keeping Fee	-	-	-	-	-	-	-	-	-	-	-	-
70740 Front Line Service Fee	-	-	-	-	-	-	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	-	-	-	-	-	-	-
70700 Total Fee Revenue	29,994,186	30,035	223,023	-	-	-	30,247,244	-	30,247,244	-	-	30,247,244
70800 Other Government Grants	-	-	-	290,346	8,281,570	-	8,571,916	-	8,571,916	-	-	8,571,916
71100 Investment Income - Unrestricted	103	-	-	-	419,800	-	419,903	-	419,903	-	-	419,903
71200 Mortgage Interest Income	-	-	-	-	7,131	-	7,131	-	7,131	-	-	7,131
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-
71310 Cost of Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-
71400 Fraud Recovery	-	-	-	-	12	-	12	-	12	-	-	12
71500 Other Revenue	559,001	-	-	19,700	3,474,841	-	4,053,542	-	4,053,542	80,298	77,712	4,211,552
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	10,228,006	(10,221,384)	6,622	-	6,622	-	-	6,622
72000 Investment Income - Restricted	-	-	-	-	-	-	-	-	-	-	-	-
70000 Total Revenue	\$ 30,553,290	\$ 30,035	\$ 223,023	\$ 310,046	\$ 26,368,958	\$ (10,221,384)	\$ 47,263,968	\$ -	\$ 47,263,968	\$ 80,298	\$ 77,712	\$ 47,421,978
91100 Administrative Salaries	\$ 1,282,344	\$ -	\$ 42,973	\$ -	\$ 2,068,600	\$ -	\$ 3,393,917	\$ -	\$ 3,393,917	\$ -	\$ -	\$ 3,393,917
91200 Auditing Fees	6,027	-	300	-	52,873	-	59,200	-	59,200	-	-	59,200
91300 Management Fee	-	-	-	-	40,248	-	40,248	-	40,248	-	-	40,248
91310 Book-keeping Fee	-	-	-	-	-	-	-	-	-	-	-	-
91400 Advertising and Marketing	-	-	-	-	-	-	-	-	-	-	-	-
91500 Employee Benefit contributions - Administrative	609,553	-	-	-	1,058,829	-	1,668,382	-	1,668,382	-	-	1,668,382
91600 Office Expenses	339,651	-	-	-	1,226,729	-	1,566,380	-	1,566,380	161,888	-	1,728,268
91700 Legal Expense	130,140	-	-	-	261,214	-	391,354	-	391,354	-	-	391,354
91800 Travel	-	-	-	-	-	-	-	-	-	-	-	-
91810 Allocated Overhead	-	-	-	-	-	-	-	-	-	-	-	-
91900 Other	49,373	-	-	-	-	-	49,373	-	49,373	2,505	520	52,398
91000 Total Operating - Administrative	2,417,088	-	43,273	-	4,708,493	-	7,168,854	-	7,168,854	164,393	520	7,333,767
92000 Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-
92100 Tenant Services - Salaries	-	23,767	-	-	165,611	-	189,378	-	189,378	-	-	189,378
92200 Relocation Costs	-	-	-	-	7,480	-	7,480	-	7,480	-	-	7,480
92300 Employee Benefit Contributions - Tenant Services	1,697	14,625	-	-	98,937	-	115,259	-	115,259	-	-	115,259
92400 Tenant Services - Other	-	1,052	-	-	260,632	-	261,684	-	261,684	-	-	261,684
92500 Total Tenant Services	1,697	39,444	-	-	532,660	-	573,801	-	573,801	-	-	573,801

See Accompanying Independent Auditor's Report

**Housing Authority of the City of Alameda**  
**Financial Data Schedule**  
**Entity Wide Revenue and Expense Summary**  
**6/30/2018**

93100 Water	1,358	-	-	-	281,009	-	282,367	-	282,367	-	-	282,367
93200 Electricity	5,153	-	-	-	143,560	-	148,713	-	148,713	-	-	148,713
93300 Gas	226	-	-	-	102,371	-	102,597	-	102,597	-	-	102,597
93400 Fuel	-	-	-	-	-	-	-	-	-	-	-	-
93500 Labor	-	-	-	-	-	-	-	-	-	-	-	-
93600 Sewer	261	-	-	-	286,853	-	287,114	-	287,114	-	-	287,114
93700 Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-	-	-	-	-
93800 Other Utilities Expense	1,672	-	-	-	429,116	-	430,788	-	430,788	-	-	430,788
93000 Total Utilities	8,670	-	-	-	1,242,909	-	1,251,579	-	1,251,579	-	-	1,251,579
94100 Ordinary Maintenance and Operations - Labor	-	-	-	-	616,249	-	616,249	-	616,249	-	-	616,249
94200 Ordinary Maintenance and Operations - Materials and Other	413	-	-	-	201,847	-	202,260	-	202,260	-	-	202,260
94300 Ordinary Maintenance and Operations Contracts	18,495	-	-	-	927,788	-	946,283	-	946,283	-	-	946,283
94500 Employee Benefit Contributions - Ordinary Maintenance	6	-	-	-	365,745	-	365,751	-	365,751	-	-	365,751
94000 Total Maintenance	18,914	-	-	-	2,111,629	-	2,130,543	-	2,130,543	-	-	2,130,543
95100 Protective Services - Labor	-	-	-	-	-	-	-	-	-	-	-	-
95200 Protective Services - Other Contract Costs	-	-	-	-	210,000	-	210,000	-	210,000	-	-	210,000
95300 Protective Services - Other	-	-	-	-	-	-	-	-	-	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-	-	-	-	-	-
95000 Total Protective Services	-	-	-	-	210,000	-	210,000	-	210,000	-	-	210,000
96110 Property Insurance	537	-	-	-	89,534	-	90,071	-	90,071	-	-	90,071
96120 Liability Insurance	12,239	-	-	-	61,322	-	73,561	-	73,561	-	-	73,561
96130 Workmen's Compensation	6,976	128	-	-	32,951	-	40,055	-	40,055	-	-	40,055
96140 All Other Insurance	2,438	-	-	-	18,116	-	20,554	-	20,554	-	-	20,554
96100 Total Insurance Premiums	22,190	128	-	-	201,923	-	224,241	-	224,241	-	-	224,241
96200 Other General Expenses	64,519	-	-	-	11,976	-	76,495	-	76,495	-	1,292	77,787
96210 Compensated Absences	-	-	-	-	-	-	-	-	-	-	-	-
96300 Payments in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-	-	-
96400 Bad debt - Tenant Rents	-	-	-	-	30,999	-	30,999	-	30,999	-	-	30,999
96500 Bad debt - Mortgages	-	-	-	-	-	-	-	-	-	-	-	-
96600 Bad debt - Other	-	-	-	-	-	-	-	-	-	-	-	-
96800 Severance Expense	-	-	-	-	-	-	-	-	-	-	-	-
96000 Total Other General Expenses	64,519	-	-	-	42,975	-	107,494	-	107,494	-	1,292	108,786

See Accompanying Independent Auditor's Report

**Housing Authority of the City of Alameda**  
**Financial Data Schedule**  
**Entity Wide Revenue and Expense Summary**  
**6/30/2018**

96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	1,184,230	-	1,184,230	-	1,184,230	-	-	1,184,230
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	-	-	-	-	-
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	-	-	1,184,230	-	1,184,230	-	1,184,230	-	-	1,184,230
96900 Total Operating Expenses	2,533,078	39,572	43,273	-	10,234,819	-	12,850,742	-	12,850,742	164,393	1,812	13,016,947
97000 Excess of Operating Revenue over Operating Expenses	28,020,212	(9,537)	179,750	310,046	16,134,139	(10,221,384)	34,413,226	-	34,413,226	(84,095)	75,900	34,405,031
97100 Extraordinary Maintenance	-	-	-	-	29,143	-	29,143	-	29,143	-	-	29,143
97200 Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-	-	-	-	-
97300 Housing Assistance Payments	28,701,224	-	179,750	245,979	-	-	29,126,953	-	29,126,953	-	-	29,126,953
97350 HAP Portability-In	485,753	-	-	-	-	-	485,753	-	485,753	-	-	485,753
97400 Depreciation Expense	-	-	-	-	1,511,584	-	1,511,584	-	1,511,584	-	-	1,511,584
97500 Fraud Losses	-	-	-	-	-	-	-	-	-	-	-	-
97600 Capital Outlays - Governmental Funds	-	-	-	-	-	-	-	-	-	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-	-	-	-	-	-
97800 Dwelling Units Rent Expense	-	-	-	-	-	-	-	-	-	-	-	-
90000 Total Expenses	\$ 31,720,055	\$ 39,572	\$ 223,023	\$ 245,979	\$ 11,775,546	\$ -	\$ 44,004,175	\$ -	\$ 44,004,175	\$ 164,393	\$ 1,812	\$ 44,170,380
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (1,166,765)	\$ (9,537)	\$ -	\$ 64,067	\$ 14,593,412	\$ (10,221,384)	\$ 3,259,793	\$ -	\$ 3,259,793	\$ (84,095)	\$ 75,900	\$ 3,251,598
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)	-	-	-	-	-	-	-	-	-	1,258,151	-	1,258,151
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)	-	-	-	-	-	-	-	-	-	1,258,151	-	1,258,151
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(486,876)	(15,018)	-	-	(699,574)	(300,343)	(1,501,811)	-	(1,501,811)	-	975,722	(526,089)
Beginning Net Position	\$ (288,464)	\$ (1,738)	\$ 71,276	\$ 27,994	\$ 64,264,860	\$ -	\$ 64,073,928	\$ -	\$ 64,073,928	\$ (363,033)	\$ -	\$ 63,710,895
Ending Net Position	\$ (1,942,105)	\$ (26,293)	\$ 71,276	\$ 92,061	\$ 78,158,698	\$ (10,521,727)	\$ 65,831,910	\$ -	\$ 65,831,910	\$ 811,023	\$ 1,051,622	\$ 67,694,555

See Accompanying Independent Auditor's Report

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

The Board of Commissioners  
Housing Authority of the 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, 2018 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 29, 2019.

**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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness (2018-001).

## **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 Finding**

The Housing Authority of the City of Alameda's response to the finding 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.



CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland  
March 29, 2019

**INDEPENDENT AUDITOR'S 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**

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, 2018. The Housing Authority of the City of Alameda's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's 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, 2018.

### **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.



CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland  
March 29, 2019

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass through Identification Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development (HUD):</b>			
<b>Direct Programs:</b>			
Section 8 Moderate Rehabilitation - Single			
Room Occupancy	14.249	N/A	\$ 223,023
Section 8 Housing Choice Vouchers	14.871	N/A	29,994,186
Family Self-Sufficiency	14.896	N/A	<u>30,035</u>
			30,247,244
<b>Pass-through from City of Alameda:</b>			
Shelter Plus Care	14.238	CA0083L9T021609	<u>290,346</u>
<b>U.S. Department of Housing and Urban Development (HUD)</b>			<u>30,537,590</u>
<b>Total Federal Expenditures</b>			<u>\$ 30,537,590</u>

See accompanying notes to the schedule of expenditures of federal awards.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2018**

1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Housing Authority of the City of Alameda (the "Authority") under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not present the financial position, changes in net position, or cash flows of the Authority.
2. The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting.
3. The Authority did not pass-through any federal awards to subrecipients during the fiscal year ended June 30, 2018.
4. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

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

***Financial Statements***

Type of auditor's report to be issued:	Unmodified
Internal control over financial reporting:	
Material weakness 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 auditor's 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	\$ 916,128
Auditee qualified as low risk auditee?	No

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**JUNE 30, 2018**

**Section II: Financial Statement Findings**

Finding 2018-001: Internal control over financial reporting (Material Weakness)

**Condition and Context:** For the year ended June 30, 2018, adjusting journal entries were required to conform the financial statements to Generally Accepted Accounting Principles.

**Effect or Potential Effect:** Numerous accounts had incorrect balances prior to the audit.

**Cause:** The accounting personnel charged with recording the journal entries into the general ledger were either inexperienced or did not understand the effect of the information they were provided.

**Criteria:** Several material adjustments were required to cash, capital assets, and net position to conform the financial statements to Generally Accepted Accounting Principles.

**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 accounting staff that did this work are no longer employed with the Authority. The Authority has hired a controller and is in the process of hiring a new finance director. The Authority also has the assistance of a fee accountant, the fee accountant intends to provide guidance and training to the new director of finance. As part of this guidance the fee accountant intends to implement a Balance Sheet Analysis (BSA) approach to the year-end financial statement preparation. The BSA approach requires that all fiscal year-end balance sheet accounts have proper documentation to support the balances reported in the year-end financial statements. This approach will provide the auditors documentation to support their audit field work and audit report. Additional automated IT checks in Yardi have been set in place to ensure that journal entries are approved over certain amounts. The Authority will require the director of finance to approve all journal entries not created by the director of finance directly and any journal entries prepared by the director of finance will be provided to the executive director for approval. Co-ordination with other departments will be strengthened to ensure timely accurate booking of complex transactions.

**Section III: Federal Awards Findings and Questioned Costs**

None noted.



# Housing Authority of the City of Alameda

PHONE (510) 747-4300  
FAX (510) 522-7848  
TTY/TRS 711

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701 Atlantic Avenue • Alameda, California 94501-2161

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 06/30/2018

**Finding Number:** 2017-001

**Finding Summary:** Journal entries were not properly recorded, including a material transaction of land and unearned revenue related to the development activities at the Authority. 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. There were a number of journal entries recorded, including client accommodation entries. One journal entry was material. The material transaction related to the donation of land 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.

**Status:** Journal entries that were not properly recorded were primarily real estate journal entries relating to the receipt and leasing of land. There were a limited number of real estate related journal entries in 2017-18. A separate consultant will review all real estate transactions going forward.





# Housing Authority of the City of Alameda

PHONE (510) 747-4300  
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TTY/TRS 711

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701 Atlantic Avenue • Alameda, California 94501-2161

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## CORRECTIVE ACTION PLAN 06/30/2018

### Finding 2018-001

Internal Control over Financial Reporting (Material Weakness)

#### **Corrective Action Plan:**

The Authority has hired a controller and is in the process of hiring a new finance director. The Authority also has the assistance of a fee accountant; the fee accountant intends to provide guidance and training to the new director of finance. As part of this guidance, the fee accountant intends to implement a Balance Sheet Analysis (BSA) approach to the year-end financial statement preparation. The BSA approach requires that all fiscal year-end balance sheet accounts have proper documentation to support the balances reported in the year-end financial statements. This approach will provide the auditors with documentation to support their audit field work and audit report. Additional automated IT checks in Yardi have been set in place to ensure that journal entries are approved over certain amounts. The Authority will require the director of finance to approve all journal entries not created by the director of finance directly and any journal entries prepared by the director of finance will be provided to the executive director for approval.

**Name of Responsible Person:** Vanessa Cooper, Executive Director

**Anticipated Completion Date:** June 30, 2019

