

**HOUSING AUTHORITY
OF THE CITY OF ALAMEDA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2011
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
FINANCIAL STATEMENTS
JUNE 30, 2011**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and the major funds of the Housing Authority of the City of Alameda, California, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the City of Alameda, California's, management. Our responsibility is to express opinions on these financial statements based on our audit.

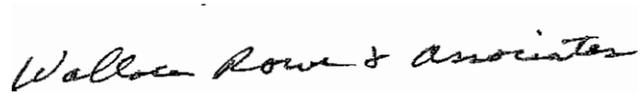
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major funds of the Housing Authority of the City of Alameda, California, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011, on our consideration of the Housing Authority of the City of Alameda, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Wallace Rowe & Associates". The signature is written in dark ink on a light-colored background.

September 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Housing Authority of the City of Alameda (the Authority) we offer readers of the Authority's financial statements this narrative, overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented in this report.

The financial statements for the fiscal year 2011 are being issued in the format prescribed by the provisions of Government Accounting Standards Board Statement Number 34 (or GASB 34), which requires the Authority to provide this overview of its financial statements for the fiscal year. Please read it in conjunction with the Basic Financial Statements.

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

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

Financial Highlights

- As stated above, the two primary sources of revenue are governmental grants and rents collected from owned units. These combined amounts totaled \$32,349,931 in fiscal year 2011 as compared to \$31,754,238 in fiscal year 2010.
- The assets of the Authority exceeded its liabilities at June 30, 2011 by \$27,389,261, as opposed to \$24,064,261 at June 30, 2010.
- Total assets at June 30, 2011 were \$45,774,147. Of this, \$13,196,243 represents current assets, \$32,577,904 are non-current assets consisting of \$243,109 of notes receivable and \$32,334,795 invested in capital assets, net of accumulated depreciation.
- Cash, cash equivalents, and investment balances for the fiscal year 2011 were \$12,939,059, representing an increase of \$1,520,884 over the prior year's balance of \$11,418,175.
- Operating revenues for the fiscal year 2011 were \$32,599,138 and operating expenses were \$30,453,196.
- Additions to fixed assets for the fiscal year amounted to \$4,260,896. There were no fixed assets either sold or otherwise disposed of during fiscal year 2011. Fixed assets are reflected at cost, less accumulated depreciation.
- Expenditures of Federal Awards amounted to \$24,079,915.
- The major program expenditure, as reflected on the Statement of Revenues, Expenses, and Changes in Net Assets, was for Housing Assistance Payments.
- Total expenditures for Housing Assistance payments were \$22,724,877 for the fiscal year 2011. This reflects an increase of \$1,048,686 from fiscal year 2010 balance of \$21,676,191.
- Long term liabilities increased by \$567,048 from June 30, 2010 to June 30, 2011.

Overview of the Financial Statements

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

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some programs are required to be established by the United States Department of Housing and Urban Development (HUD). However, the Authority also administers other programs to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other moneys. All of the funds of the Authority are classified as an enterprise housing fund as a result of GASB 34.

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

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

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

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

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

Supplemental Information

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

Financial Analysis

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

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

Debt

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

Economic Factors

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

Budgetary Highlights

An agency-wide budget was prepared for the fiscal year ended June 30, 2011. The budget was primarily used as a management tool. Budgets are prepared in accordance with the accounting procedures prescribed by the applicable funding agency and revised during the year as appropriate.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
COMPARATIVE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Assets			
Current Assets	\$ 13,196,243	\$ 11,915,705	10.7%
Notes receivable	243,109	243,109	0.0
Capital Assets (net of accumulated depreciation)	<u>32,334,795</u>	<u>29,154,353</u>	<u>10.9</u>
Total Assets	<u>\$ 45,774,147</u>	<u>\$ 41,313,167</u>	<u>10.8%</u>
Liabilities			
Current Liabilities	\$ 1,970,511	\$ 1,402,122	40.5%
Non-current Liabilities	<u>16,413,832</u>	<u>15,846,784</u>	<u>3.6</u>
Total Liabilities	<u>18,384,343</u>	<u>17,248,906</u>	<u>6.6</u>
Net Assets			
Invested in Capital Assets, net of related debt	15,613,155	13,020,972	19.9
Restricted Assets	2,267,987	3,277,877	(30.8)
Unrestricted Assets	<u>9,508,662</u>	<u>7,765,412</u>	<u>22.4</u>
Total Net Assets	<u>\$ 27,389,804</u>	<u>\$ 24,064,261</u>	<u>13.8%</u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
COMPARATIVE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
<u>Operating Revenues</u>			
Grants	\$ 29,390,234	\$ 28,527,140	3.0%
Rents	2,959,697	2,957,381	0.1
Other	<u>249,207</u>	<u>506,590</u>	<u>(50.8)</u>
Total Operating Revenues	<u>32,599,138</u>	<u>31,991,111</u>	<u>1.9</u>
<u>Operating Expenses</u>			
Administration	3,147,282	3,157,025	(0.3)
Utilities	541,663	487,191	11.2
Maintenance	2,415,993	2,580,350	(6.4)
Tenant services	117,600	176,897	(33.5)
Protective services	210,000	210,000	0.0
General	215,327	236,622	(9.0)
Housing Assistance Payments	22,724,877	21,676,191	4.7
Depreciation	<u>1,080,454</u>	<u>983,745</u>	<u>9.8</u>
Total Operating Expenses	<u>30,453,196</u>	<u>29,508,021</u>	<u>3.2</u>
Operating Income (Loss)	<u>2,145,942</u>	<u>2,483,090</u>	<u>(13.6)</u>
<u>Non-Operating Revenue (Expenses)</u>			
Investment Income	53,212	50,816	4.7
Interest Expense	(624,550)	(606,124)	3.0
Gain on Acquisition of Capital Assets	<u>1,750,939</u>	<u>-</u>	<u>-</u>
Net Non-Operating Revenue (Loss)	<u>1,179,601</u>	<u>(555,308)</u>	<u>(312.4)</u>
Capital fund grant revenues	<u>-</u>	<u>269,717</u>	<u>-</u>
Increase (decrease) in net assets	3,325,543	2,197,499	51.3
Net Assets, Beginning of Year	<u>24,064,261</u>	<u>21,866,762</u>	<u>10.0</u>
Net Assets, End of Year	<u>\$ 27,389,804</u>	<u>\$ 24,064,261</u>	<u>13.8%</u>

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation for its business-type activities as of June 30, 2011 was \$32,334,795 as reflected below. Additional information for the Authority's capital assets are found in Note 4 to the financial statements.

CAPITAL ASSETS (Net of Accumulated Depreciation) JUNE 30,

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Non-Depreciable Assets:			
Land	\$ 13,412,054	\$ 11,962,854	0.0%
Depreciable:			
Buildings and improvements	18,851,844	17,098,370	10.3
Equipment	<u>70,897</u>	<u>93,129</u>	<u>(23.9)</u>
Total	<u>\$ 32,334,795</u>	<u>\$ 29,154,353</u>	<u>10.9%</u>

Requests for information

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>ASSETS</u>	
Current Assets:	
Cash and investments (Note 3)	\$ 12,939,059
Due from other governments	527
Tenant accounts receivable (net of allowance for doubtful accounts)	68,023
Accounts receivable - other	27,755
Interest receivable	12,734
Prepaid expenses	138,499
Inventory	9,646
Total current assets	13,196,243
Notes receivable	243,109
Capital assets, net of accumulated depreciation of \$17,535,394 (Note 4)	32,334,795
Total noncurrent assets	32,577,904
Total assets	\$ 45,774,147
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable-vendors	\$ 392
Interest payable	665,658
Tenant security deposits	464,056
Accrued liabilities	376,645
Notes payable - current	374,867
Compensated absences	88,893
Total current liabilities	1,970,511
Long term debt (Note 5)	
Compensated absences	67,059
Notes payable	16,346,773
Total noncurrent liabilities	16,413,832
Total liabilities	18,384,343
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	15,613,155
Restricted	2,267,987
Unrestricted	9,508,662
Total Net Assets	\$ 27,389,804

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS -
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Operating Revenues</u>	
Grants	\$ 29,390,234
Rents	2,959,697
Other	<u>249,207</u>
Total operating revenues	<u>32,599,138</u>
<u>Operating Expenses</u>	
Administration	3,147,282
Utilities	541,663
Maintenance	2,415,993
Tenant services	117,600
Protective services	210,000
General	215,327
Housing assistance payments	22,724,877
Depreciation	<u>1,080,454</u>
Total operating expenditures	<u>30,453,196</u>
Operating income (loss)	<u>2,145,942</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment income	53,212
Interest expense	(624,550)
Gain on acquisition of capital assets	<u>1,750,939</u>
Net non-operating revenue (expenses)	<u>1,179,601</u>
Change in net assets	3,325,543
Net assets, beginning of year	<u>24,064,261</u>
Total net assets, ending	<u>\$ 27,389,804</u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u>
	<u>Housing</u>
<u>Cash flows from operating activities:</u>	
Cash received from grants	\$ 29,396,426
Cash received from rents	2,942,819
Other cash receipts	268,085
Cash payments to suppliers and consultants	(6,287,097)
Cash payments to landlords	<u>(22,724,877)</u>
Net cash provided (used) in operating activities	<u>3,595,356</u>
 <u>Cash flows from capital and related financing activities:</u>	
Acquisition of fixed assets	(2,509,957)
Principal paid on capital debt	(354,391)
Additional capital debt acquired	942,650
Interest paid on capital debt	<u>(205,522)</u>
Net cash (used) by capital and related financing activities	<u>(2,127,220)</u>
 <u>Cash flows from investing activities:</u>	
Interest received	<u>52,748</u>
Net cash provided by investing activities	<u>52,748</u>
 Net increase (decrease) in cash	1,520,884
Cash at beginning of year	<u>11,418,175</u>
Cash at end of year	<u>\$ 12,939,059</u>
 <u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating income (loss)	\$ 2,145,942
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,080,454
Changes in assets and liabilities:	
Decrease in accounts receivable	2,000
Decrease in due from other governments	6,192
Decrease in prepaid expenses	233,000
Increase in inventories	(382)
Decrease in accounts payable	(3,612)
Increase in tenants' security deposits payable	4,274
Decrease in compensated absences	(1,642)
Increase in other accrued liabilities	<u>129,130</u>
Net cash used by operating activities	<u>\$ 3,595,356</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - DEFINITION OF REPORTING ENTITY

The Housing Authority of the City of Alameda (the Authority) was established on August 8, 1940 by a resolution of the City of Alameda City Council. The Authority is governed by a six member Board of Commissioners. Five of these members are also members of the City Council of the City of Alameda, California and one member is a resident in one of the Authority's complexes. The Board retains authority over the budget but has delegated authority for most other policy decisions to the seven member Housing Commission. The City Council appoints the members of the Housing Commission who serve for either two or four year terms.

During the year ended June 30, 2011, the Authority did not exercise oversight responsibility over any other organizations. The financial statements present information for the activities of only that portion of funds and account groups of the Housing Authority of the City of Alameda. These financial statements do not present information of any other component unit or department of the City of Alameda.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government-wide Statements: The Statement of Net Assets and Statement of Activities display information about the primary government (the Authority). These statements include the financial activities of the overall Authority. These statements distinguish between the *governmental and business-type activities* of the Authority. Business-type activities are financed in whole or in part by fees charged to external parties. There were no governmental type activities for the Authority for fiscal year 2011.

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

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 2 (continued)

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

B. Basis of Accounting

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

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

Proprietary Fund Types

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

C. Fixed Assets

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 2 (continued)

D. Receivables

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

E. Income Taxes

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

F. Encumbrances

Encumbrance accounting is not employed by the Authority.

G. Inventories

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

H. Employee Leave Benefits

Regular full-time employees earn from 15 to 25 vacation days per year, depending upon their length of employment. Each employee also earns 12 sick leave days per year. Unused annual leave may be accumulated not to exceed 10 days in addition to that accrued in the current calendar year. Unused sick leave will be allowed to accumulate, however, no sick leave is paid to the employee upon his termination from the Authority. An employee terminating employment shall be paid for any accumulated annual leave at their current hourly rate of pay.

I. Operating and Non-Operating Revenues and Expenses

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essential equal values. Nonoperating revenues such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, housing assistance payments to landlords, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

J. Grant Restrictions

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

K. Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued, which was September 30, 2011.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 3 - CASH AND INVESTMENTS

A. Policies

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

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

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

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

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agency agreements. Cash and investments as of June 30, 2011 are as follows:

Cash and cash equivalents	\$ 12,324,924
Investments with trustees	<u>614,135</u>
Total cash and investments	<u>\$ 12,939,059</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 3 (continued)

The \$12,324,924 of cash and equivalents reflects \$1,501,705 maintained on deposit in banks, \$250 of petty cash, and \$10,822,969 deposited in the State of California Local Agency Investment Fund (LAIF). Of the amounts deposited into banks and certificates of deposit, \$250,000 is covered by federal deposit insurance. The remaining \$1,251,705 as previously stated is required by California law to be collateralized by governmental securities with a market value of 110% of the deposit or with first trust deed mortgages with a value of 150% of the uninsured amount.

The \$614,135 of investments with trustees reflects amounts held by trust departments of various Authority lending agencies. These amounts will be used for future rehabilitation and operating costs of the Authority's multifamily projects. Investments are carried at fair value.

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment One Issuer</u>
Repurchase Agreements	N/A	N/A	N/A	N/A
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	N/A	N/A
U.S. Treasury Bonds, Notes & Bills	N/A	N/A	N/A	N/A
U.S. Agency & U.S. Government	N/A	N/A	N/A	N/A
Bankers acceptances	270 Days	N/A	40%	30%
Negotiable Certificates of Deposit	N/A	AA	30%	N/A
Time Certificates of Deposit	N/A	N/A	30%	N/A
Medium Term Corporate Notes	5 Years	N/A	30%	N/A
Money Market Mutual Funds	N/A	AAA	20%	N/A
County Agency Investment fund	Upon Demand	N/A	30%	N/A
Reverse Repurchase Agreements	N/A	N/A	N/A	N/A

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 3 (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 Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum in Investment In One Issuer</u>
<u>For U.S. Department of Housing and Urban Development Funds</u>				
Repurchase Agreements	N/A	N/A	No Limit	No Limit
U.S. Government Obligations & Agencies	No Limit	N/A	No Limit	No Limit
State Obligations	N/A	N/A	No Limit	No Limit
Commercial Paper	N/A	N/A	No Limit	No Limit
Bankers acceptances	270 Days	N/A	40%	30%
Certificates of Deposit	N/A	N/A	30%	No Limit
Time Deposits	N/A	N/A	No Limit	No Limit
Qualified Financial Institution				
General Obligations	Upon Demand	AAA	No Limit	No Limit
Money Market Mutual Funds	N/A	AAA	20%	No Limit
U.S. Treasury Bills, Notes and Bonds	No Limit	N/A	No Limit	No Limit
<u>For Non U.S. Department of Housing and Urban Development Funds</u>				
Prime Commercial Paper	180 Days	Highest Rating	15%	30%
Medium Term Notes	5 Years	A	30%	N/A
City of Alameda Bonds	N/A	N/A	No Limit	No Limit
State of California Obligations	N/A	N/A	No Limit	No Limit
U.S. Government Obligations & Agencies	N/A	N/A	No Limit	No Limit
Bankers Acceptances	270 Days	N/A	40%	30%
Certificates of Deposit	N/A	N/A	30%	No Limit
Repurchase Agreements	N/A	N/A	No Limit	No Limit
Money Market Mutual Funds	N/A	N/A	No Limit	No Limit

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 3 (continued)

Trust Indentures	N/A	N/A	No Limit	No Limit
Mortgage & Equipment Lease Obligations	5 Years	AA	30%	No Limit

E. Interest Rate Risk

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

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>One to Five Years</u>	<u>More Than Five Years</u>	<u>Total</u>
U.S. Treasury Notes and Bills	614,135	-	-	614,135
Local Agency Investment Fund	<u>10,822,969</u>	-	-	<u>10,822,969</u>
Total Investments	<u>\$ 11,437,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,437,184</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, 2011 for each Authority investment type as provided by Standard and Poor's except as noted:

<u>Investment Type</u>	
Not Rated:	
Local Agency Investment Fund	\$ 10,822,969

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, 2011 there were no investments of this type.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 4 - FIXED ASSETS

The following is a summary of the Authority's changes in fixed assets for the fiscal year ended June 30, 2011:

	Balance <u>7/1/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/11</u>
Land	\$ 11,962,854	\$ 1,449,200	\$ -	\$ 13,412,054
Buildings & Improvements	33,349,289	2,811,696	-	36,160,985
Equipment	<u>297,150</u>	<u>-</u>	<u>-</u>	<u>297,150</u>
	<u>\$ 45,609,293</u>	<u>\$ 4,260,896</u>	<u>\$ -</u>	49,870,189
Less accumulated Depreciation				<u>(17,535,394)</u>
Fixed assets, net				<u>\$ 32,334,795</u>

Note 5 - LONG-TERM DEBT

Following is a summary changes in long-term debt for the year ended June 30, 2011:

	Balance <u>7/1/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/11</u>	Current <u>Portion</u>
ARCS Comm. Co. L.P.	\$ 6,305,309	\$ -	\$ 115,759	\$ 6,189,550	\$ 122,697
PMC Financial Services	8,342,373	-	221,383	8,120,990	234,034
Notes Payable – City of Alameda	1,083,646	-	68	1,083,578	1,322
Note Payable – County of Alameda	-	942,650	-	942,650	-
Notes Payable - Other	402,053	-	17,181	384,872	16,814
Compensated Absences	<u>157,595</u>	<u>-</u>	<u>1,643</u>	<u>155,952</u>	<u>-</u>
	<u>\$ 16,290,976</u>	<u>\$ 942,650</u>	<u>\$ 356,034</u>	<u>\$ 16,877,592</u>	<u>\$ 374,867</u>

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 5 (continued)

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2012	\$ 374,867	\$ 620,256	\$ 995,123
2013	396,560	602,798	999,358
2014	419,508	584,334	1,003,842
2015	443,785	564,807	1,008,592
2016	469,469	544,156	1,013,625
2017-2021	2,787,799	2,366,899	5,154,698
2022-2026	3,693,836	1,639,896	5,333,732
2027-2031	4,502,334	704,993	5,207,327
2032-2036	1,730,602	87,077	1,817,679
2037-2041	47,768	-	47,768
2042-2046	42,491	-	42,491
2047-2051	35,333	-	35,333
2052-2056	210,860	-	210,860
2057-2061	623,778	2,032,854	2,656,632
2062-2066	-	-	-
2067	942,650	1,933,741	2,876,391
	<u>\$ 16,721,640</u>	<u>\$ 11,681,811</u>	<u>\$29,403,451</u>

The deed of trust note dated April 1, 2005 of \$6,800,000 for the Parrot Village and Eagle Village Apartments with ARCS Commercial Co. L.P. accrues interest at a variable rate based upon the weekly short term bond reset rate. The note requires annual payments of principal and interest in amounts at least totaling \$340,016. The note matures April 15, 2035. The outstanding balance on the note at June 30, 2011 was \$6,189,550.

Four other notes are secured by deeds of trust on six properties located throughout the City of Alameda. These notes were issued during the fiscal years ended June 30, 1997 and June 30, 2004. The notes have interest rates ranging from 5.05% to 6.72% per annum and require annual principal and interest payments totaling \$37,298. These notes have a balance owing of \$384,872 as of June 30, 2011.

Issued during the fiscal year ended June 30, 1997 were two deferred loans from the City of Alameda. These loans were issued for \$518,600 and carry no interest rate. They are secured by deeds of trust on nine properties located in Alameda, California. One of the notes is deferred until January 1, 2027. The combined balances outstanding on these notes at June 30, 2011 was \$513,578.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 5 (continued)

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

The mortgage note payable to PMC Financial Services was entered into on August 25, 1998. It is payable in monthly installments of \$56,705, including principal and interest at 5.57%. Final payment is due February 1, 2031. The outstanding balance on this loan at June 30, 2011 was \$8,120,990.

The Authority entered into two separate note payable agreements with the County of Alameda. One of the notes for \$536,400 was entered into on March 15, 2011 and the other note for \$380,000 was entered into on September 1, 2009. Both of these notes bear interest at 3% per annum. Principal and interest are payable throughout the term of these loans if there are "Residual Receipts" as defined by the loan agreements. A final payment is due on the outstanding loans principal and accrued interest on the earlier of (1) the date of transfer of the properties, (2) the date of any defaults on the loans, (3) July 30, 2067. The combined outstanding balances on these loans at June 30, 2011 was \$916,400.

The Authority assumed a loan payable originally entered into by the Filipino American Community Services Agency payable to the County of Alameda. The principal balance assumed and outstanding at June 30, 2011 is \$26,250. This note bears no interest. However, if this note is not paid when due the note will bear interest at 7% per annum for each day the note is not paid in full. The note is payable upon sale or transfer of the property whose deed of trust secures the note.

Note 6 - COMPENSATED ABSENCES

It is the Authority's policy to permit employees to accumulate earned but unused vacation leave up to a maximum of 10 days. This leave will be used in future periods or paid to employees upon separation from the Authority. Accrued vacation leave has been valued by the Authority and has been recorded at \$155,952 as of June 30, 2011.

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

Note 7 - OPERATING LEASE

The Authority on March 14, 2003 entered into a lease agreement with the Resources for Community Development (RCD) to lease land to RCD until March 14, 2078. Total rental income for the year ended June 30, 2011 under the lease agreement was \$1.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 8 - EMPLOYEES RETIREMENT PLAN

On July 1, 2000, the employees of the Housing Authority of the City of Alameda officially became employees of the City of Alameda. The individuals continue to work at the Authority as contracted staff. Upon becoming employees of the City of Alameda these employees became entitled to the benefits offered all other employees of the City, including participation in the City's employees' retirement plan. On July 2003 the Board of Commissioners approved the merger of the Authority's previous pension plan with the existing plan of the City of Alameda. This merger became retroactive to July 1, 2000, the date the employees of the Housing Authority became employees of the City of Alameda. The information pertaining to the retirement plan for staff at the Authority is included in the financial report of the City of Alameda.

Note 9 - JOINT POWERS AGREEMENTS

Workers' Compensation Insurance

The Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2010, there were thirty-two members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2010, is as follows:

Total assets	\$ 24,335,634
Total liabilities	<u>(11,246,706)</u>
Total net assets	<u>\$ 13,008,928</u>
Total revenues	\$ 5,080,007
Total expenses	<u>(5,545,185)</u>
Net decrease in net assets	<u>\$ (465,178)</u>

CHWCA had \$10,706,414 of unpaid claims and claim adjustment expenses outstanding at December 31, 2010. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

Property and Liability Insurance

The Authority participates in a joint venture under a joint powers agreement (JPA) with the Housing Authorities Risk Retention Pool (HARRP). HARRP was formed to provide property and liability insurance coverage for member housing authorities. At December 31, 2010 there were 89 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 9 (continued)

Condensed audited financial information for the year ended December 31, 2010 is as follows:

Total assets	\$ 32,181,747
Total liabilities	(5,331,702)
Minority interest	<u>(10,017)</u>
Total net assets	<u>\$ 26,840,028</u>
Total revenues	\$ 5,997,225
Total expenses	(5,048,083)
Minority income	<u>(1,243)</u>
Net increase in net assets	<u>\$ 947,899</u>

HARRP had \$2,692,103 in outstanding claims liabilities at December 31, 2010. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

Note 10 - CONTINGENT LIABILITIES

Federal Grants

The Authority has received funds from various federal, state, and local grant programs. It is possible that at some future date it may be determined that the Authority was not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

SUPPLEMENTAL INFORMATION

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Housing and <u>Urban Development (HUD)</u>		
Direct Programs:		
Section 8 Housing Choice Vouchers	14.871	\$ 23,675,044
Family Unification Program	14.880	185,196
Rent Supplements - Rental Housing for Lower Income Families	14.149	<u>219,675</u>
Total federal expenditures, all U.S. Department of Housing and Urban Development		<u>\$ 24,079,915</u>

This statement was prepared on the accrual basis of accounting.

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

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

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

We have audited the financial statements of the Housing Authority of the City of Alameda, California, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Housing Authority of the City of Alameda, California is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Housing Authority of the City of Alameda's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Alameda, California's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Wallace Rowe & Associates

September 30, 2011

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

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

Compliance

We have audited the Housing Authority of the City of Alameda, California's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Housing Authority of the City of Alameda, California's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Alameda, California's management. Our responsibility is to express an opinion on the Housing Authority of the City of Alameda, California's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Alameda, California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Authority of the City of Alameda, California's compliance with those requirements.

In our opinion, the Housing Authority of the City of Alameda, California complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Housing Authority of the City of Alameda, California is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of the City of Alameda, California's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Alameda, California's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However we noted certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Finding Number One. 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.

The Housing Authority of the City of Alameda, California's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Authority of the City of Alameda, California's responses and, accordingly, we express no opinion on the responses.

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

Wallace Kowal & Associates

September 30, 2011

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

The previous audit report for the year ended June 30, 2010, contained no audit findings.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified not considered material weaknesses?	yes
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a)?	no
Identification of major programs:	
Section 8 Vouchers Cluster Programs:	
Section 8 Housing Choice Vouchers	14.871
Family Unification Program	14.880
Dollar threshold to distinguish between Type A and Type B programs	\$ 722,398
Auditee qualified as low risk auditee?	yes
Section II - Financial Statement Findings	no
Section III - Federal Award Findings	no

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011
(Continued)

Finding - Numerous Errors Were Noted During our Examination of the Calculation of Individual Housing Assistance Payments During Fiscal Year 2011. (CFDA No. 14.871)

During the performance of our audit procedures and testing the accuracy of individual Housing Assistance Payments (HAPs) calculations and the tenant's rent portion for the Housing Choice Voucher Program we tested the accuracy of 51 HAP calculations. Of our examination of the 51 HAP and tenant's rents we found that the calculation was performed incorrectly for 13 of the calculations tested. These errors resulted in the HAP amount and the tenant's rent amount being incorrect for 8 calculations tested. For 5 other calculations tested we noted that an incorrect utility allowance was used in the calculation, however, the actual amount of HAP and tenant's rent portion were not incorrect for these calculations since the HAP was based upon the Payment Standard and not the contract rent. In some instances, for the 8 calculations where the HAP amount was found to be incorrect, it appears that the tenant paid more for their share of rent than they should have and in some cases the tenant paid less than they should have if the HAP calculation had been performed correctly.

Cause - For 7 calculations tested the HAP and tenant's rent was calculated incorrectly because an incorrect utility allowance was used. For another calculation the HAP and tenant's rent was calculated incorrectly because an incorrect payment standard was used.

Effect - The use of incorrect utility allowances and payment standards resulted in an excessive number of errors in the calculation of the HAP and the tenant's rent amounts for the calculations tested.

Questioned Costs –

As we only tested a sample of the many HAP calculations performed during fiscal year 2011 we were unable to determine an exact amount of costs to question as a result of this finding.

Recommendation –

The errors found during our tests of the HAP calculations occurred throughout the Authority's 2011 fiscal year. Therefore, it does not appear feasible for the Authority to enter into the process of re-examining all of the housing assistance payment calculations made during the fiscal year 2011 as a single project. However, since approximately 25 percent of the calculations tested contained errors in the utility allowances or payment standards used in the HAP calculation we recommend that all HAP calculations that were performed during fiscal year 2011 be reviewed for accuracy during the performance of the tenant's next interim or re-examination. We recommend that the Authority reimburse all tenants who have been paying more in rent than they would have if the HAP calculation had been performed correctly.

We also recommend that the Authority immediately implement revised quality control procedures which would establish a review process for all or a percentage of HAP calculations made. An employee other than the one performing the original certification, re-certification, or interim calculation should review the HAP calculations for accuracy.

HOUSING AUTHORITY OF THE CITY OF ALAMEDA
FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011
(Continued)

Authority's Response –

The Housing Authority of the City of Alameda agrees with our auditor's findings that a portion of the 51 files sampled contained errors which resulted in incorrect calculation of HAP and tenant rent to owner. Although the AHA strives for accuracy in all calculations, our auditor's findings point to a HAP calculation error rate of approximately 18%. In seven of these cases, an incorrect utility allowance was applied, and in one case, an incorrect payment standard was applied. It has been acknowledged by all parties that opportunity for error is compounded by multiple changes in Payment Standards and in Utility Allowances, as has been the case for the past several years at the AHA. In order to prevent errors arising from implementation of new utility allowance schedules going forward, the housing authority has already modified its implementation procedures to announce new schedules in advance of effective date in order to ensure congruence between effective date of UA schedules and participant re-examinations as they are processed.

In accord with our auditor's recommendation, as re-examinations are performed during the coming year, care will be taken to review previous year's transactions to determine if errors may remain in HAP payments or participant files and we will increase the percentage of files and transactions reviewed for quality control purposes by supervisory staff. The AHA further agrees with the recommendation that, where applicable, tenants be reimbursed for any overpayment of rent or underpayment of Utility Reimbursement payments (URP) that may have occurred as a result of AHA errors. Where applicable, the AHA will hold tenants harmless for any rent underpayments which may have resulted from AHA error.

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)

ALAMEDA, CA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.880 Family Unification Program (FUP)	14.149 Rent Supplement s_Rental Housing for Lower	Subtotal	ELIM	Total
111 Cash - Unrestricted			\$21,212	\$810,183		\$68,306	\$899,701		\$899,701
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted		\$261,089	\$391,101	\$223,035			\$875,225		\$875,225
114 Cash - Tenant Security Deposits			\$143,808	\$320,248			\$464,056		\$464,056
115 Cash - Restricted for Payment of Current Liabilities									
100 Total Cash	\$0	\$261,089	\$556,121	\$1,353,466	\$0	\$68,306	\$2,238,982		\$2,238,982
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects									
124 Accounts Receivable - Other Government		\$527					\$527		\$527
125 Accounts Receivable - Miscellaneous				\$27,755			\$27,755		\$27,755
126 Accounts Receivable - Tenants			\$1,783	\$80,918			\$82,701		\$82,701
126.1 Allowance for Doubtful Accounts - Tenants			\$0	-\$14,678			-\$14,678		-\$14,678
126.2 Allowance for Doubtful Accounts - Other		\$0	\$0	\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery		\$179,850					\$179,850		\$179,850
128.1 Allowance for Doubtful Accounts - Fraud		-\$179,850					-\$179,850		-\$179,850
129 Accrued Interest Receivable		\$2,091	\$214	\$10,429			\$12,734		\$12,734
120 Total Receivables, Net of Allowances for Doubtful	\$0	\$2,618	\$1,997	\$104,424	\$0	\$0	\$109,039		\$109,039
131 Investments - Unrestricted		\$260,145	\$58,824	\$8,737,032			\$9,056,001		\$9,056,001
132 Investments - Restricted		\$1,644,076					\$1,644,076		\$1,644,076
135 Investments - Restricted for Payment of Current									

142	Prepaid Expenses and Other Assets			\$35,466	\$103,033			\$138,499	\$138,499
143	Inventories				\$9,646			\$9,646	\$9,646
143.1	Allowance for Obsolete Inventories				\$0			\$0	\$0
144	Inter Program Due From								
145	Assets Held for Sale								
150	Total Current Assets	\$0	\$2,167,928	\$652,408	\$10,307,601	\$0	\$68,306	\$13,196,243	\$13,196,243
161	Land			\$2,159,925	\$11,252,129			\$13,412,054	\$13,412,054
162	Buildings			\$11,980,740	\$19,664,268			\$31,645,008	\$31,645,008
163	Furniture, Equipment & Machinery - Dwellings		\$40,125	\$55,602	\$201,423			\$297,150	\$297,150
164	Furniture, Equipment & Machinery - Administration								
165	Leasehold Improvements			\$229,397	\$4,286,580			\$4,515,977	\$4,515,977
166	Accumulated Depreciation		-\$40,125	-\$5,878,232	-\$11,617,037			-\$17,535,394	-\$17,535,394
167	Construction in Progress								
168	Infrastructure								
160	Total Capital Assets, Net of Accumulated	\$0	\$0	\$8,547,432	\$23,787,363	\$0	\$0	\$32,334,795	\$32,334,795
171	Notes, Loans and Mortgages Receivable - Non-				\$243,109			\$243,109	\$243,109
172	Notes, Loans, & Mortgages Receivable - Non Current								
173	Grants Receivable - Non Current								
174	Other Assets								
176	Investments in Joint Ventures								
180	Total Non-Current Assets	\$0	\$0	\$8,547,432	\$24,030,472	\$0	\$0	\$32,577,904	\$32,577,904
190	Total Assets	\$0	\$2,167,928	\$9,199,840	\$34,338,073	\$0	\$68,306	\$45,774,147	\$45,774,147
311	Bank Overdraft								
312	Accounts Payable <= 90 Days		\$392					\$392	\$392
313	Accounts Payable >90 Days Past Due								
321	Accrued Wage/Payroll Taxes Payable								
322	Accrued Compensated Absences - Current Portion		\$23,823	\$16,978	\$48,092			\$88,893	\$88,893

324	Accrued Contingency Liability								
325	Accrued Interest Payable				\$665,658			\$665,658	\$665,658
331	Accounts Payable - HUD PHA Programs								
332	Account Payable - PHA Projects								
333	Accounts Payable - Other Government								
341	Tenant Security Deposits			\$143,808	\$320,248			\$464,056	\$464,056
342	Deferred Revenues			\$30,689	\$14,818			\$45,507	\$45,507
343	Current Portion of Long-term Debt - Capital			\$234,034	\$140,833			\$374,867	\$374,867
344	Current Portion of Long-term Debt - Operating								
345	Other Current Liabilities								
346	Accrued Liabilities - Other		\$58,224	\$36,220	\$236,694			\$331,138	\$331,138
347	Inter Program - Due To								
348	Loan Liability - Current								
310	Total Current Liabilities	\$0	\$82,439	\$461,729	\$1,426,343	\$0	\$0	\$1,970,511	\$1,970,511
351	Long-term Debt, Net of Current - Capital			\$7,886,956	\$8,459,817			\$16,346,773	\$16,346,773
352	Long-term Debt, Net of Current - Operating								
353	Non-current Liabilities - Other								
354	Accrued Compensated Absences - Non Current		\$17,972	\$12,808	\$36,279			\$67,059	\$67,059
355	Loan Liability - Non Current								
356	FASB 5 Liabilities								
357	Accrued Pension and OPEB Liabilities								
350	Total Non-Current Liabilities	\$0	\$17,972	\$7,899,764	\$8,496,096	\$0	\$0	\$16,413,832	\$16,413,832
300	Total Liabilities	\$0	\$100,411	\$8,361,493	\$9,922,439	\$0	\$0	\$18,384,343	\$18,384,343
508.1	Invested In Capital Assets, Net of Related Debt			\$426,443	\$15,186,712			\$15,613,155	\$15,613,155
509.2	Fund Balance Reserved								
511.2	Unreserved, Designated Fund Balance								
511.1	Restricted Net Assets		\$1,876,886	\$391,101				\$2,267,987	\$2,267,987
512.1	Unrestricted Net Assets	\$0	\$190,631	\$20,803	\$9,228,922	\$0	\$68,306	\$9,508,662	\$9,508,662

512.2 Unreserved, Unclassified Fund Balance									
513 Total Equity/Net Assets	\$0	\$2,067,517	\$838,347	\$24,415,634	\$0	\$68,306	\$27,389,804		\$27,389,804
600 Total Liabilities and Equity/Net Assets	\$0	\$2,167,928	\$9,199,840	\$34,338,073	\$0	\$68,306	\$45,774,147		\$45,774,147

CITY OF ALAMEDA HOUSING AUTHORITY (CA062)
ALAMEDA, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2011

	Project Total	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	14.880 Family Unification Program (FIUP)	14.149 Rent Supplements Rental Housing for Lower Income	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$1,289,991	\$1,669,706			\$2,959,697		\$2,959,697
70400 Tenant Revenue - Other			\$5,926	\$46,922			\$52,848		\$52,848
70500 Total Tenant Revenue	\$0	\$0	\$1,295,917	\$1,716,628	\$0	\$0	\$3,012,545	\$0	\$3,012,545
70600 HUD PHA Operating Grants		\$23,675,044			\$185,196	\$219,675	\$24,079,915		\$24,079,915
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							\$0	\$0	\$0
70800 Other Government Grants			\$727,898	\$4,582,421			\$5,310,319		\$5,310,319
71100 Investment Income - Unrestricted		\$0	\$780	\$56,383			\$57,163	-\$13,658	\$43,505
71200 Mortgage Interest Income									
71300 Proceeds from Disposition of Assets Held									
71310 Cost of Sale of Assets									
71400 Fraud Recovery		\$17,036					\$17,036		\$17,036
71500 Other Revenue		\$36,604	\$25,584	\$117,135			\$179,323		\$179,323
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted		\$9,707					\$9,707		\$9,707
70000 Total Revenue	\$0	\$23,738,391	\$2,050,179	\$6,472,567	\$185,196	\$219,675	\$32,666,008	-\$13,658	\$32,652,350

91100	Administrative Salaries		\$1,028,777	\$241,773	\$508,837	\$0	\$38,280	\$1,817,667		\$1,817,667
91200	Auditing Fees		\$5,830	\$6,911	\$17,309			\$30,050		\$30,050
91300	Management Fee									
91310	Book-keeping Fee									
91400	Advertising and Marketing									
91500	Employee Benefit contributions -		\$335,781	\$79,506	\$165,039			\$580,326		\$580,326
91600	Office Expenses		\$51,899	\$70,216	\$36,308			\$158,423		\$158,423
91700	Legal Expense		\$3,649		\$7,426			\$11,075		\$11,075
91800	Travel		\$17,346		\$11,812			\$29,158		\$29,158
91810	Allocated Overhead									
91900	Other		\$393,098		\$127,485			\$520,583		\$520,583
91000	Total Operating - Administrative	\$0	\$1,836,380	\$398,406	\$874,216	\$0	\$38,280	\$3,147,282	\$0	\$3,147,282
92000	Asset Management Fee									
92100	Tenant Services - Salaries			\$23,619	\$43,572			\$67,191		\$67,191
92200	Relocation Costs									
92300	Employee Benefit Contributions - Tenant									
92400	Tenant Services - Other			\$425	\$49,984			\$50,409		\$50,409
92500	Total Tenant Services	\$0	\$0	\$24,044	\$93,556	\$0	\$0	\$117,600	\$0	\$117,600
93100	Water		\$1,810	\$43,459	\$126,842			\$172,111		\$172,111
93200	Electricity		\$9,590	\$44,202	\$70,345			\$124,137		\$124,137
93300	Gas		\$3,084	\$22,301	\$46,598			\$71,983		\$71,983
93400	Fuel									
93500	Labor									
93600	Sewer		\$399	\$29,023	\$144,010			\$173,432		\$173,432
93700	Employee Benefit Contributions - Utilities									
93800	Other Utilities Expense									
93000	Total Utilities	\$0	\$14,883	\$138,985	\$387,795	\$0	\$0	\$541,663	\$0	\$541,663

94100 Ordinary Maintenance and Operations -		\$4,317	\$261,906	\$589,278			\$855,501		\$855,501
94200 Ordinary Maintenance and Operations -			\$54,293	\$119,280			\$173,573		\$173,573
94300 Ordinary Maintenance and Operations		\$25,766	\$264,954	\$735,809			\$1,026,529		\$1,026,529
94500 Employee Benefit Contributions - Ordinary		\$1,409	\$86,131	\$193,741			\$281,281		\$281,281
94000 Total Maintenance	\$0	\$31,492	\$667,284	\$1,638,108	\$0	\$0	\$2,336,884	\$0	\$2,336,884
95100 Protective Services - Labor				\$158,375			\$158,375		\$158,375
95200 Protective Services - Other Contract Costs		\$15,435	\$36,190				\$51,625		\$51,625
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective									
95000 Total Protective Services	\$0	\$15,435	\$36,190	\$158,375	\$0	\$0	\$210,000	\$0	\$210,000
96110 Property Insurance			\$14,640	\$68,249			\$82,889		\$82,889
96120 Liability Insurance		\$7,113	\$1,641	\$6,909			\$15,663		\$15,663
96130 Workmen's Compensation		\$11,092	\$20,611	\$45,078			\$76,781		\$76,781
96140 All Other Insurance		\$2,145	\$32,863	\$2,259			\$37,267		\$37,267
96100 Total insurance Premiums	\$0	\$20,350	\$69,755	\$122,495	\$0	\$0	\$212,600	\$0	\$212,600
96200 Other General Expenses									
96210 Compensated Absences									
96300 Payments in Lieu of Taxes									
96400 Bad debt - Tenant Rents			\$512	\$2,215			\$2,727		\$2,727
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$0	\$0	\$512	\$2,215	\$0	\$0	\$2,727	\$0	\$2,727
96710 Interest of Mortgage (or Bonds) Payable			\$459,075	\$179,133			\$638,208	-\$13,658	\$624,550
96720 Interest on Notes Payable (Short and Long									
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization	\$0	\$0	\$459,075	\$179,133	\$0	\$0	\$638,208	-\$13,658	\$624,550

96900 Total Operating Expenses	\$0	\$1,918,540	\$1,794,251	\$3,455,893	\$0	\$38,280	\$7,206,964	-\$13,658	\$7,193,306
97000 Excess of Operating Revenue over	\$0	\$21,819,851	\$255,928	\$3,016,674	\$185,196	\$181,395	\$25,459,044	\$0	\$25,459,044
97100 Extraordinary Maintenance			\$560	\$78,549			\$79,109		\$79,109
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments		\$22,004,745			\$535,773	\$184,359	\$22,724,877		\$22,724,877
97350 HAP Portability-In									
97400 Depreciation Expense			\$314,812	\$765,642			\$1,080,454		\$1,080,454
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$0	\$23,923,285	\$2,109,623	\$4,300,084	\$535,773	\$222,639	\$31,091,404	-\$13,658	\$31,077,746
10010 Operating Transfer In									
10020 Operating transfer Out									
10030 Operating Transfers from/to Primary									
10040 Operating Transfers from/to Component									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss				\$1,750,939			\$1,750,939		\$1,750,939
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project -									
10094 Transfers between Project and Program -									
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$1,750,939	\$0	\$0	\$1,750,939	\$0	\$1,750,939
10000 Excess (Deficiency) of Total Revenue Over	\$0	-\$184,894	-\$59,444	\$3,923,422	-\$350,577	-\$2,964	\$3,325,543	\$0	\$3,325,543

11020	Required Annual Debt Principal Payments	\$0	\$0	\$234,034	\$140,833	\$0	\$0	\$374,867	\$374,867
11030	Beginning Equity	\$0	\$2,252,411	\$897,791	\$20,492,212	\$350,577	\$71,270	\$24,064,261	\$24,064,261
11040	Prior Period Adjustments, Equity Transfers								
11050	Changes in Compensated Absence								
11060	Changes in Contingent Liability Balance								
11070	Changes in Unrecognized Pension								
11080	Changes in Special Term/Severance								
11090	Changes in Allowance for Doubtful								
11100	Changes in Allowance for Doubtful								
11170	Administrative Fee Equity		\$190,631					\$190,631	\$190,631
11180	Housing Assistance Payments Equity		\$1,876,886					\$1,876,886	\$1,876,886
11190	Unit Months Available	0	21540	2232	4632	600	360	29364	29364
11210	Number of Unit Months Leased	0	20839	2133	4299	401	331	28003	28003
11270	Excess Cash	\$0						\$0	\$0
11610	Land Purchases	\$0						\$0	\$0
11620	Building Purchases	\$0						\$0	\$0
11630	Furniture & Equipment - Dwelling	\$0						\$0	\$0
11640	Furniture & Equipment - Administrative	\$0						\$0	\$0
11650	Leasehold Improvements Purchases	\$0						\$0	\$0
11660	Infrastructure Purchases	\$0						\$0	\$0
13510	CFFP Debt Service Payments	\$0						\$0	\$0
13901	Replacement Housing Factor Funds	\$0						\$0	\$0