

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2014  
(Including Auditors' Report Thereon)**

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Enterprise Fund Financial Statements:	
Statement of Net Position - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Notes to the Financial Statements	12
Required Supplementary Information:	
Schedule of Funding Progress for OPEB	32
Other Supplementary Information:	
Schedule of Expenditures of Federal Awards	34
Notes to the Schedule of Expenditures of Federal Awards	35
Financial Data Schedule	36
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required OMB Circular A-133	45
Status of Prior Audit Findings	48
Schedule of Findings and Questioned Costs	49

430 Verbena Court  
Pleasant Hill, CA 94523

(925) 229-1950  
Fax (925) 229-1952  
wroweassoc@aol.com

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the financial Statements**

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Alameda, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Alameda, California, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the Schedule of Funding Progress for OPEB on page 32 is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Alameda, California's basic financial statements. The Schedule of Expenditures of Federal Awards on page 34 required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Financial Data Schedule on pages 36 through 42 required by the U.S. Department of Housing and Urban Development are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Schedule of Expenditures of Federal Awards and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required By Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Alameda, California's internal control over financial reporting and compliance.

*Wallace Rowe & Associates*

Pleasant Hill, California  
November 19, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of Alameda's annual financial report presents a discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we furnished in our letter to the Board of Commissioners.

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

### Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of fiscal year 2014 resulting in a Net Position of \$31,458,226 at June 30, 2014 as opposed to \$31,641,142 at June 30, 2013.
- Total assets at June 30, 2014 were \$81,999,564. Of this, \$36,099,416 represents current assets, and \$45,900,148 represents non-current assets. Total assets at June 30, 2013 were \$68,244,078.
- Capital assets, net of accumulated depreciation at June 30, 2014 decreased by \$437,067 from \$32,005,414 at June 30, 2013 to \$31,568,347 at June 30, 2014. Capital assets are reflected at cost, less accumulated depreciation for all purchased capital assets.
- Total liabilities at June 30, 2014 were \$50,541,338. Of this, \$21,231,412 represents current liabilities and \$29,309,926 represents non-current liabilities. Total liabilities increased from \$36,602,936 at June 30, 2013 to \$50,541,338 at June 30, 2014, an increase of \$13,938,402.
- Total revenues for the Authority for fiscal year 2014 were \$ 32,980,525 versus \$34,096,515 for fiscal year 2013; a decrease of \$1,115,990. The primary sources of revenue are governmental grants and rents collected from the Authority's owned units. These combined amounts totaled \$32,275,610 for fiscal year 2014, as compared to \$33,263,040 for fiscal year 2013; a decrease of \$987,430.
- Total expenses for the Authority for fiscal year 2014 were \$32,958,524 versus \$32,150,733 for fiscal year 2013; an increase of \$807,791. The major program expenditure, as reflected on the Combined Statement of Revenues, Expenses, and Changes in Net Position, was for housing assistance payments. There was \$23,193,559 of housing assistance payment expenses for fiscal year 2014. This represents a decrease of \$107,644 of the amount for fiscal year 2013 of \$23,301,203.
- Operating revenues for the Authority for fiscal year 2014 were \$ 32,925,004 and operating expenses were \$32,352,060. Operating revenues and expenses for fiscal year 2013 were \$34,042,778 and \$31,574,830 respectively.
- Expenditures of Federal Awards amounted to \$24,859,893 for 2014 an increase of \$543,545 from the prior fiscal year's expenditures of \$24,316,348.

### Overview of the Financial Statements

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

## **Government-Wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

## **Notes to the Basic Financial Statements**

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

## **Supplementary Information**

The schedule of expenditures of federal awards, the schedule of funding progress for OPEB, the Schedule of Funding Progress for PERS, and the financial data schedule are presented for purposes of additional analysis as required by the and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, Governmental Accounting Standards Board Statements, and the requirements of the U.S Department of Housing and Urban Development. These schedules can be found in the Supplementary Information sections of this report.

## **Financial Analysis**

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

## **Economic Factors**

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

The Authority's annual revenues for the Housing Choice Voucher Program is based primarily upon the amounts received each year from the U.S. Department of Housing and Urban Development, which does not correlate directly to the amounts expended each year for administrative costs and housing assistance payments expenses associated with the Housing Choice Voucher Program. Therefore, for any given fiscal year the Authority's revenues for the Housing Choice Voucher Program may be more or less than the expenses for the program. For the fiscal year ended June 30, 2014 the Authority's expenses associated with the Housing Choice Voucher Program exceeded its revenues by \$1,130,356. For the previous 2013 fiscal year the Authority's expenses for the Housing Choice Voucher Program exceeded its revenues by \$353,196. These excess of expenses over revenues were funded by a reduction in the Authority's Net Position for the Housing Choice Voucher Program.

The U.S. Department of Housing and Urban Development over the past several years has not only been reducing the City of Alameda Housing Authority's Net Position for the Housing Choice Voucher Program but also other housing authorities across the nation.

## **Budgetary Highlights**

An agency-wide budget was prepared for the fiscal year ended June 30, 2014. 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.

## Analysis of the Changes in Government-wide Net Position

The Authority's government-wide net position increased by \$22,001 during the fiscal year 2013-2014. The changes in the Authority's specific revenue and expense accounts are reflected in the following "Comparative Statement of Revenues, Expenses, and Changes in Net Position".

### Housing Authority of the City of Alameda Comparative Statement of Net Position June 30, 2014

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b>Assets</b>				
Current Assets	\$ 36,099,416	\$ 21,966,006	\$ 14,133,410	64.3%
Notes receivable	14,331,801	14,272,658	59,143	0.4%
Capital Assets (net of accumulated depreciation)	<u>31,568,347</u>	<u>32,005,414</u>	<u>(437,067)</u>	(1.4)%
Total Assets	<u>\$ 81,999,564</u>	<u>\$ 68,244,078</u>	<u>\$ 13,755,486</u>	20.2%
<b>Liabilities</b>				
Current Liabilities	\$ 21,231,412	\$ 20,990,903	\$ 240,509	1.1%
Non-current Liabilities	<u>29,309,926</u>	<u>15,612,033</u>	<u>13,697,893</u>	87.7%
Total Liabilities	<u>50,541,338</u>	<u>36,602,936</u>	<u>13,938,402</u>	38.1%
<b>Net Position</b>				
Net investment in Capital Assets	1,624,610	16,055,162	(14,430,552)	(89.9)%
Restricted	979,720	2,124,142	(1,144,422)	(53.9)%
Unrestricted	<u>28,853,896</u>	<u>13,461,838</u>	<u>15,392,058</u>	114.3%
Total Net Position	<u>\$ 31,458,226</u>	<u>\$ 31,641,142</u>	<u>\$ (182,916)</u>	(0.6)%



**Housing Authority of the City of Alameda**  
**Comparative Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2014**

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Operating Revenues</u></b>				
Grants	\$ 29,016,779	\$ 29,980,977	\$ (964,198)	(3.2)%
Rents	3,258,831	3,282,063	(23,232)	(0.7)%
Other	<u>649,394</u>	<u>779,738</u>	<u>(130,344)</u>	(16.7)%
Total operating revenues	<u>32,925,004</u>	<u>34,042,778</u>	<u>(1,117,774)</u>	(3.3)%
<b><u>Operating Expenses</u></b>				
Administration	3,300,289	3,351,826	(51,537)	(1.5)%
Utilities	662,898	599,201	63,697	10.6%
Maintenance	2,836,956	2,574,225	262,731	10.2%
Tenant services	209,909	146,468	63,441	43.3%
Protective services	210,000	210,000	-	-
General	709,523	227,989	481,534	211.2%
Housing Assistance Payments	23,193,559	23,301,203	(107,644)	(0.5)%
Depreciation	<u>1,228,926</u>	<u>1,163,918</u>	<u>65,008</u>	5.6%
Total operating expenses	<u>32,352,060</u>	<u>31,574,830</u>	<u>777,230</u>	2.5%
Operating Income (Loss)	<u>572,944</u>	<u>2,467,948</u>	<u>(1,895,004)</u>	(76.8)%
<b><u>Non-Operating Revenue (Expenses)</u></b>				
Interest Income	55,521	53,737	1,784	3.3%
Interest Expense	<u>(606,464)</u>	<u>(575,903)</u>	<u>(30,561)</u>	(5.3)%
Net Non-Operating Revenue (Loss)	<u>(550,943)</u>	<u>(522,166)</u>	<u>(28,777)</u>	(0.2)%
Change in Net Position	<u>22,001</u>	<u>1,945,782</u>	<u>(1,923,781)</u>	(98.9)%
Net Position, Beginning of Year, as previously stated	31,641,142	29,695,360	1,945,782	6.6%
Prior period adjustment (Note 8)	<u>(204,917)</u>	<u>-</u>	<u>(204,917)</u>	
Net Position, Beginning of Year, as restated	<u>31,436,225</u>	<u>29,695,360</u>	<u>1,740,865</u>	5.9%
Net Position, End of Year	<u>\$ 31,458,226</u>	<u>\$ 31,641,142</u>	<u>\$ (182,916)</u>	(0.6)%

The following presents the changes in fixed assets (net of accumulated depreciation) versus the prior fiscal year.

**Housing Authority of the City of Alameda**  
**Changes in Capital Assets**  
**(Net of Accumulated Depreciation)**  
**June 30, 2014**

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Land	\$ 13,443,808	\$ 13,412,054	\$ 31,754	0.2%
Buildings and Improvements	18,068,158	18,503,828	(435,670)	(2.4)%
Equipment	<u>56,381</u>	<u>89,532</u>	<u>(33,151)</u>	(37.0)%
Total	<u>\$ 31,568,347</u>	<u>\$ 32,005,414</u>	<u>\$ (437,067)</u>	(1.4)%

Additional information pertaining to capital assets is found in Note 4 to the financial statements.

The following presents the changes in long-term debt versus the prior fiscal year.

**Housing Authority of the City of Alameda**  
**Changes in Long-term Debt**  
**June 30, 2014**

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Bonds Payable	\$ 5,798,955	\$ 13,576,350	\$ (7,777,395)	(57.3)%
Notes Payable	<u>24,144,782</u>	<u>2,373,902</u>	<u>21,770,880</u>	917.1%
Total	<u>\$ 29,943,737</u>	<u>\$ 15,950,252</u>	<u>\$ 13,993,485</u>	87.7%

During the fiscal year 2014 the Authority re-financed several of its properties. These refinancing activities increased the long-term debt of the Authority by \$14,154,452.

Additional information pertaining to long-term debt is found in Note 5 to the financial statements.

**Requests for information**

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>ASSETS</u>	
Current Assets:	
Cash and investments (Note 3)	\$ 35,520,922
Due from other agencies	67,322
Tenant accounts receivable	72,572
Accounts receivable - other	286,182
Interest receivable	12,486
Prepaid expenses	121,288
Inventory	18,644
Total current assets	<u>36,099,416</u>
Noncurrent assets:	
Notes receivable	14,331,801
Capital assets, net of accumulated depreciation of \$21,081,947 (Note 4)	<u>31,568,347</u>
Total non-current assets	<u>45,900,148</u>
Total assets	<u>81,999,564</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Total assets and deferred outflows of resources	<u>\$ 81,999,564</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	\$ 450,726
Tenant security deposits	491,233
Unearned grants	6,870
Prepaid rents	37,935
Unearned revenue (Note 6)	18,511,011
Interest payable	827,276
Compensated absences (Note 7)	105,486
Notes and bonds payable (Note 5)	800,875
Total current liabilities	<u>21,231,412</u>
Noncurrent liabilities:	
Compensated absences (Note 7)	79,577
OPEB payable (Note 11)	9,838
Other noncurrent liabilities	77,649
Notes and bonds payable (Note 5)	29,142,862
Total noncurrent liabilities	<u>29,309,926</u>
Total liabilities	<u>50,541,338</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Total liabilities and deferred inflows of resources	<u>50,541,338</u>
<u>NET POSITION</u>	
Net Investment in capital assets	1,624,610
Restricted	979,720
Unrestricted	28,853,896
Total Net Position	<u>\$ 31,458,226</u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION -  
PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Operating Revenues</u>	
Grants	\$ 29,016,779
Rents	3,258,831
Other	<u>649,394</u>
Total operating revenues	<u>32,925,004</u>
<u>Operating Expenses</u>	
Administrative	3,300,289
Utilities	662,898
Maintenance	2,836,956
Tenant services	209,909
Protective services	210,000
General	709,523
Housing assistance payments	23,193,559
Depreciation	<u>1,228,926</u>
Total operating expenditures	<u>32,352,060</u>
Operating income (loss)	<u>572,944</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest income	55,521
Interest expense	<u>(606,464)</u>
Net non-operating revenue	<u>(550,943)</u>
Change in net position	<u>22,001</u>
Beginning net position, as previously stated	31,641,142
Prior period adjustment, (Note 8)	<u>(204,917)</u>
Beginning net position, as restated	<u>31,436,225</u>
Total net position, ending	<u>\$ 31,458,226</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, 2014**

	<u>Enterprise Fund</u> <u>Housing</u>
<u>Cash flows from operating activities:</u>	
Cash received from grants	\$ 28,945,183
Cash received from rents	3,292,154
Other miscellaneous cash receipts	529,803
Cash payments to suppliers and landlords	(28,533,736)
Cash payments to employees	(2,880,452)
Net cash provided (used) in operating activities	<u>1,352,952</u>
<u>Cash flows from capital and related financing activities:</u>	
Interest paid on long-term debt	(524,305)
Acquisition and construction of capital assets	(791,860)
Issuance of debt	21,791,000
Principal payments of debt	(7,797,515)
Net cash (used) by capital and related financing activities	<u>12,677,320</u>
<u>Cash flows from investing activities:</u>	
Interest received	54,794
Net cash provided by investing activities	<u>54,794</u>
Net increase (decrease) in cash	14,085,066
Cash at beginning of year	21,435,856
Cash at end of year	<u>\$ 35,520,922</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating income (loss)	\$ 572,944
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,228,926
Prior period adjustment	(204,917)
Changes in assets and liabilities:	
Increase in accounts receivable	(1,915)
Increase in accounts receivable – other agencies	(39,746)
Decrease in tenants' accounts receivable - other	26,327
Increase in prepaid expenses	(23,080)
Increase in inventory	(9,203)
Increase in notes receivable	(59,143)
Decrease in accounts payable	(139,384)
Decrease in amounts due other governments	(11,273)
Increase in security deposits payable	11,467
Decrease in unearned grants	(31,850)
Increase in other liabilities	83,862
Increase in OPEB	8,470
Decrease in unearned revenues	(58,533)
Net cash provided by operating activities	<u>\$ 1,352,952</u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1 - DEFINITION OF REPORTING ENTITY**

The Housing Authority of the City of Alameda (the Authority) was established on August 8, 1940 by a resolution of the City of Alameda City Council. The Authority is governed by a seven member Board of Commissioners which is appointed by the Alameda, California City Council. However, the Housing Authority is not considered to be a component unit of the City or any other primary government. Two members of the Board of Commissioners are participants in programs administered by the Commission. The members of the Commission are selected to serve for either two or four year terms.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Government-wide and Fund Financial Statements**

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

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

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

The financial statements and the Schedule of Expenditures of Federal Awards are reported using the *economic resources measurement focus* and the *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when related cash flows take place. Nonexchange transactions are those in which the Authority receives value without directly giving equal value in exchange. These transactions include revenues from federal, state, and local assistance programs. Revenues from these sources are recognized in the fiscal year in which all eligibility requirements have been met.

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 2 (continued)**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* activities. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise housing fund are grants from federal funding agencies for housing assistance payments earned, administrative and developer fees, and rental income from its owned housing units. Operating expenses include employee services and supplies, administrative expenses, management fees, utilities, housing assistance payments to landlords, and depreciation of its capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

In fiscal year 2014 the authority implemented GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities* and Statement Number 66, *Technical corrections – 2012- An Amendment of GASB Statements No. 10 and No. 62*. The implementation of GASB Statements Number 65 and 66 did not have any financial reporting impact on the Authority for fiscal year 2014.

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

*1. Cash and Cash Equivalents*

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

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

*2. Restricted Assets*

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 2 (continued)**

*3. Receivables*

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

*4. Inventories and prepaid assets*

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

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

*5. Capital Assets*

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

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

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

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

*6. Compensated Absences*

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

*7. Taxes*

The Authority is exempt from federal and state income taxes.



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 2 (continued)**

*8. Encumbrances*

Encumbrance accounting is not employed by the Authority.

*9. Net Position*

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

*10. Deferred Outflows/Inflows of Resources*

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

**D. New GASB Pronouncement**

During fiscal year 2014 the Authority adopted GASB Statements No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*.

The implementation of this GASB Statement did not have any financial reporting impact on the Authority for fiscal year 2014.

**E. 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 FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 2 (continued)**

**F. 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.

**Note 3 - CASH AND INVESTMENTS**

**A. Policies**

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

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

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

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

**HOUSING AUTHORITY OF THE CITY OF ALAMDEA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 3 (Continued)**

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of Authority debt instruments or agency agreements. Cash and investments as of June 30, 2014 are as follows:

Unrestricted	\$ 28,759,209
Restricted	<u>6,761,713</u>
Total cash and investments	<u>\$ 35,520,922</u>

The \$35,520,922 of cash reflects \$15,648,239 maintained on deposit in banks, \$846,227 maintained by loan servicing agencies, \$19,026,206 deposited in the State of California Local Agency Investment Fund (LAIF), and \$250 in petty cash. Of the amounts deposited into banks, \$250,000 is covered by federal deposit insurance. The remaining \$15,398,239 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 \$846,227 of investments maintained by loan servicing agencies reflects amounts held by trust departments of two lending agencies. These amounts are 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. The table below also identifies certain provisions of the California Government Code, or the Authority's investment policy where the Authority's Investment Policy is more restrictive.

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 3 (continued)**

<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>
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	On Demand	N/A	30%	N/A
Reverse Repurchase Agreements	N/A	N/A	N/A	N/A

**D. Investments authorized by Debt Agreements and Governmental Grants**

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum in Investment In One Issuer</u>
<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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 3 (continued)**

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

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

**E. Interest Rate Risk**

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

<u>Investment Type</u>	<u>12 Months or Less</u>	<u>One to Five Years</u>	<u>More Than Five Years</u>	<u>Total</u>
Local Agency Investment Fund	<u>19,026,206</u>	<u>-</u>	<u>-</u>	<u>19,026,206</u>
Total Investments	<u>\$ 19,026,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,026,206</u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 3 (continued)**

**F. Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2014 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	\$ 19,026,206

**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, 2014 there were no investments of this type.

**H. Custodial Credit Risk**

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 4 - CAPITAL ASSETS**

The following is a summary of the Authority's changes in capital assets for the fiscal year ended June 30, 2014:

	Balance 6/30/13	Additions	Adjustments And Deletions	Balance 6/30/14
Land	\$ 13,412,054	\$ 31,754	\$ -	\$ 13,443,808
Buildings and improvements	38,082,467	760,106	-	38,842,573
Equipment	363,913	-	-	363,913
	<u>51,858,434</u>	<u>791,860</u>	<u>-</u>	<u>52,650,294</u>
Less accumulated Depreciation for:				
Buildings and Improvements	(19,578,639)	(1,195,776)	-	(20,774,415)
Equipment	(274,382)	(33,150)	-	(307,532)
	<u>(19,853,021)</u>	<u>(1,228,926)</u>	<u>-</u>	<u>(21,081,947)</u>
Capital assets, net	<u>\$ 32,005,413</u>	<u>\$ (437,066)</u>	<u>\$ -</u>	<u>\$ 31,568,347</u>

**Note 5 - LONG-TERM DEBT**

Following is a summary changes in long-term debt for the year ended June 30, 2014:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14	Current Portion
Bonds Payable:					
PNC Bank	\$ 5,936,802	\$ -	\$ (137,847)	\$ 5,798,955	\$ 146,108
Greystone Financial	7,639,548	-	(7,639,548)	-	-
Notes Payable:					
Northmarq Capital LLC	-	14,291,000	-	14,291,000	171,894
Northmarq Capital LLC	-	7,500,000	-	7,500,000	461,695
City of Alameda	1,080,872	-	(1,395)	1,079,477	1,411
County of Alameda	942,650	-	(-)	942,650	-
Other	350,380	-	(18,725)	331,655	19,767
Compensated Absences (Note 6)	185,846	-	(783)	185,063	-
	<u>\$ 16,136,098</u>	<u>\$ 21,791,000</u>	<u>\$ (7,798,298)</u>	<u>\$ 30,128,800</u>	<u>\$ 800,875</u>

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(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 June 30,	Principal Payments	Interest Payments	Total Payments
2015	\$ 800,875	\$ 1,171,817	\$ 1,972,692
2016	897,137	1,228,335	2,125,472
2017	938,956	1,192,541	2,131,497
2018	982,815	1,155,040	2,137,855
2019	1,028,819	1,115,749	2,144,568
2020-2024	5,917,192	4,920,194	10,837,386
2025-2029	4,978,009	3,745,363	8,723,372
2030-2034	4,462,603	2,891,206	7,353,809
2035-2039	3,706,171	1,948,663	5,654,834
2040-2044	4,320,519	927,396	5,247,915
2045-2049	120,367	299,932	420,299
2050-2054	29,974	339,400	369,374
2055-2059	817,650	224,947	1,042,597
2060-2064	-	-	-
2065-2069	942,650	1,933,741	2,876,391
	<u>\$ 29,943,737</u>	<u>\$ 23,094,324</u>	<u>\$ 53,038,061</u>

A description of the debt recorded at June 30, 2014 for the housing authority is as follows:

**Bonds Payable:**

A deed of trust bond payable was issued on April 1, 2005 totaling \$6,800,000 for the Parrot village and Eagle Avenue Apartments. The bonds payable are administered by PNC Bank. The bonds accrue interest at a variable rate based upon the weekly short term bond rest rate. The bonds require annual payments of principal and interest at least totaling \$340,016. The bonds mature April 15, 2035. The outstanding balance on the bonds total \$5,798,955 at June 30, 2014.

**Notes Payable:**

Two loans were issued during the fiscal year ended June 30, 1997 from the City of Alameda. These are non-interest bearing loans originally issued for \$518,600. 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, 2014 were \$509,477.



**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(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 outstanding balance on this note at June 30, 2014 was \$570,000.

The Authority entered into two separate note payable agreements with the County of Alameda. One of the notes for \$536,400 was entered into on March 15, 2012 and the other note for \$380,000 was entered into on September 1, 2009. Both of these notes bear interest at 3% per annum. Principal and interest are payable throughout the term of these loans if there are "Residual Receipts" as defined by the loan agreements. A final payment is due on the outstanding loans principal and accrued interest on the earlier of (1) the date of transfer of the properties, (2) the date of any defaults on the loans, (3) July 30, 2067. The combined outstanding balances on these loans at June 30, 2014 were \$916,400.

The Authority assumed a loan payable originally entered into by the Filipino American Community Services Agency payable to the County of Alameda. The principal balance assumed and outstanding at June 30, 2013 is \$26,250. This note bears no interest. However, if this note is not paid when due the note will bear interest at 7% per annum for each day the note is not paid in full. The note is payable upon sale or transfer of the property whose deed of trust secures the note. The outstanding balance on this loan at June 30, 2014 was \$26,250.

Three notes payable to the U.S. Bank 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 \$331,655 as of June 30, 2014.

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

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 6 – UNEARNED REVENUES**

On January 4, 2013 the Authority became the “Successor Agency” for the Low and Moderate Income Housing Assets of the former Community Improvement Commission of the City of Alameda. As a condition of becoming the “Successor Agency” the Authority received cash and notes receivable to pay the enforceable obligations of the prior Community Improvement Commission of the City of Alameda. The amounts received to pay these enforceable obligations are recorded as “unearned revenues”. At June 30, 2014 there was \$18,511,011 remaining to pay these enforceable obligations.

**Note 7 - COMPENSATED ABSENCES**

It is the Authority's policy to permit employees to accumulate earned but unused vacation leave up to a maximum of their annual accrual rate plus 10 days. This leave will be used in future periods or paid to employees upon separation from the Authority. Accrued vacation leave has been valued by the Authority and has been recorded at \$185,063 as of June 30, 2014.

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 8 – PRIOR PERIOD ADJUSTMENT**

As is more fully described in the following Note 10 on April 22, 2012 the Authority became a member of the California Public Employees Retirement Plan (CALPERS). Prior to that date the employees working at the Authority were legally employees of the City of Alameda, California. While being legally employees of the City of Alameda the employees participated in the CALPERS program of the City of Alameda. During fiscal year 2014 it was determined that as of the April 22, 2012 conversion date \$204,917 of the City of Alameda's CALPERS pension obligation pertained to these former City of Alameda employees. This \$204,917 pension obligation as of April 22, 2012 was recorded by the Authority during fiscal 2014 as a prior period adjustment.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 9 - 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, 2014 under the lease agreement was \$1.

At June 30, 2014, the future rental income required under the lease for the land is as follows:

Fiscal Year <u>Ending</u>	
2015	\$ 1
2016	1
2017	1
2018	1
2019	1
Thereafter	<u>58</u>
	<u>\$ 63</u>

**Note 10 - PENSION PLAN**

**Public Employees Retirement System**

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

*Funding Policy and Annual Pension Cost:* Plan members are required to contribute 7% of their annual covered salary, and the Housing Authority of the City of Alameda is required to contribute at an actuarially determined rate. The current rate for the Authority is 13.01% of covered payroll. The contribution requirements of plan members and the Housing Authority of the City of Alameda are established by resolutions and contracts of the Housing Authority and may be amended by CALPERS.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 10 (continued)**

The Housing Authority's contributions to CALPERS for the fiscal year ended June 30, 2013 were as follows:

**Trend Analysis**

<u>Plan</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
Regular employees	6/30/12	\$ 59,757	0%	\$ 59,757
Regular employees	6/30/13	\$ 385,177	100%	\$ 0
Regular employees	6/30/14	\$ 342,470	100%	\$ 0

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

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

**Note 11 – OTHER POST EMPLOYMENT BENEFITS**

**Plan Description:**

The Authority provides post-employment medical health care benefits to its retired employees and, in some instances, their spouses. Benefits include coverage in the CALPERS health plan. The Authority pays a portion of the premiums for the medical insurance for retirees. Monthly benefit amounts for 2014 were \$119 for eligible retirees. The majority of costs for medical insurance are the responsibility of each retiree.

**Eligibility:**

The Authority's retirees are eligible for membership in the plan upon retirement. Employees are eligible for retirement at age 50 and with 10 years of service or upon disability. As of June 30, 2014, the Authority had one retiree who was eligible for the program and receiving benefits. The Authority had another 31 active employees, who are eligible for the program, but are not receiving benefits as they have not yet retired from the Authority.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 11 (continued)**

**Requirements of GASB 45:**

The government Accounting Standards Board (GASB) has mandated disclosure of other post employment benefit (OPEB) liabilities for all government employers beginning in 2009. During fiscal years prior to 2012 the Authority's employees were actually employees of the City of Alameda and not employees of the Authority itself, therefore there was no OPEB obligation or expense recognized in fiscal years prior to 2012. During fiscal year 2014 the Authority administered this program on a pay-as-you-go basis and actual costs were expensed as incurred. To comply with GASB 45, the Authority estimated it's the present value of the projected benefits of the OPEB program using the *Alternative Measurement Method* as permitted by GASB Statements Numbers 43 and 45.

**Funding Policy:**

The goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned. The entry age normal cost method effectively meets this goal in most circumstances. The Authority has adopted an entry age normal cost method to determine the present value of benefits and the actuarial accrued liability. The plan currently has no assets. The amortization method is a level percent of payroll. The amortization period is thirty years. The Authority has adopted a pay-as-you-go policy and is not currently funding this liability above the monthly requirement. The Authority makes actual monthly payments for its portion of the retirees' premiums. The payments for 2014 totaled \$1,404. The Authority accrued a management determined estimate of \$9,838 at the end of the current fiscal year.

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

The Authority's annual OPEB costs (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Interest on net OPEB obligation is based on the actuarial interest rate of 2% and is computed on the unfunded amount. There was no interest on the net OPEB obligation for fiscal year 2014.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 11 (continued)**

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

Annual required contribution	\$ 9,874
Interest on net OPEB obligation	-
Adjustment of annual required contribution	-
Annual OPEB cost	<u>\$ 9,874</u>
 Annual OPEB Cost	 \$ 9,874
Contributions made	(1,404)
Change in net OPEB obligation (asset)	
Net OPEB obligation (asset), beginning of year	<u>1,368</u>
Net OPEB obligation (asset), end of year	<u>\$ 9,838</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
6/30/13	\$ 1,598	\$ 230	14.4%	\$ 1,368
6/30/14	\$ 9,874	\$ 1,404	14.2%	\$ 9,838

**Funded Status and Funding Progress:**

The funded status of the plan based on an actuarial valuation as of June 30, 2014, was as follow:

Actuarial accrued liability (AAL)	\$ 41,033
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 41,033</u>
 Funded ratio (actuarial value of plan Assets/AAL)	 0%
Covered payroll	\$ 2,735,657
UAAL as percentage of covered payroll	1.5%

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 10 (continued)**

**Actuarial Methods and Assumptions:**

For the actuarial valuation, the entry age normal cost, level percent of pay; closed group method was used. The actuarial assumptions include a 2% discount rate. A long-term inflation assumption of 2% was used in developing level percent amortization. The healthcare trend rate assumption is 9% for 2014 grading down to 6% by 2018. The actuarial value of assets is equal to the market value. The unfunded actuarial accrued liability is being amortized over a period of 30 years as a level percentage of projected payroll. The amortization period at June 30, 2014 is 30 years reflecting the Authority's use of an open amortization period.

**Note 11 - JOINT POWERS AGREEMENTS**

Workers' Compensation Insurance

The Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2013, there were thirty-three members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2013, is as follows:

Total assets	\$ 23,971,319
Total liabilities	<u>(16,767,281)</u>
Total net assets	<u>\$ 7,204,038</u>
Total revenues	\$ 4,347,888
Total expenses	<u>(4,072,510)</u>
Net decrease in net assets	<u>\$ 275,378</u>

CHWCA had \$16,156,281 of unpaid claims and claim adjustment expenses outstanding at December 31, 2013. 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, 2013 there were 87 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**(Continued)**

**Note 11 (continued)**

Condensed audited financial information for the year ended December 31, 2013 is as follows:

Total assets	\$ 30,140,684
Total liabilities	(10,207,292)
Minority interest	<u>-</u>
Total net assets	<u>\$ 19,933,392</u>
Total revenues	\$ 8,711,719
Total expenses	(12,337,239)
Increase in minority interest	<u>1,235</u>
Net increase (decrease) in net assets	<u>\$ (3,624,285)</u>

HARRP had \$5,648,096 in outstanding claims liabilities at December 31, 2013. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

**Note 12 - CONTINGENT LIABILITIES**

**Federal Grants**

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

**Note 13 - SUBSEQUENT EVENTS**

Management evaluated all activity of the Authority through November 19, 2014, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Other Than The MD&A)**

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
REQUIRED SUPPLEMENTARY INFORMATION  
AS OF JUNE 30, 2014**

**Schedule of Funding Progress for OPEB**

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of covered Payroll</u>
June 30, 2013	June 1, 2013	\$ 0	\$ 1,368	\$ 41,033	0.0%	\$2,620,894	1.6%
June 30, 2014	June 1, 2013	\$ 0	\$ 9,838	\$ 41,033	0.0%	\$2,735,657	1.5%

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

## **OTHER SUPPLEMENTARY INFORMATION**

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u><b>Federal Grantor</b></u>	<u><b>CFDA Number</b></u>	<u><b>Expenditures</b></u>
Department of Housing and <u>Urban Development (HUD):</u>		
Direct Programs:		
Section 8 Moderate Rehabilitation – Single Room Occupancy	14.249	\$ 195,041
Section 8 Housing Choice Vouchers	14.871	<u>24,664,852</u>
Total U.S. Department of Housing and Urban Development		<u>24,859,893</u>
Total Federal Expenditures		<u>\$ 24,859,893</u>

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

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2014**

1. The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Housing Authority of the City of Alameda. The Housing Authority of the City of Alameda's reporting entity is defined in Note 1 to the financial statements.
2. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Alameda Housing Authority under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of NRHA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the NRHA.
3. The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. This is the same method of accounting as was used in the preparation of the Authority's basic financial statements.
4. The individual program expenditure amounts are calculated based on the program's total expenditures, less depreciation expense, plus any transfers out.
5. The Housing Authority of the City of Alameda did not pass-through any federal awards to subrecipients during the fiscal year ended June 30, 2014.

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

**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133		Fiscal Year End: 06/30/2014					
	14,871 Housing Choice Vouchers	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$63,017	\$69,991		\$14,991,685	\$15,144,693		\$15,144,693
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted	\$133,493			\$846,227	\$979,720		\$979,720
114 Cash - Tenant Security Deposits				\$494,380	\$494,380		\$494,380
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$216,510	\$69,991	\$0	\$16,332,292	\$16,618,793		\$16,618,793
121 Accounts Receivable - PHA Projects					\$17,187		\$17,187
122 Accounts Receivable - HUD Other Projects	\$15,902	\$1,285			\$50,135		\$50,135
124 Accounts Receivable - Other Government	\$106			\$50,029	\$264,355		\$264,355
125 Accounts Receivable - Miscellaneous	\$4,922			\$259,433			
126 Accounts Receivable - Tenants				\$102,772	\$102,772		\$102,772
126.1 Allowance for Doubtful Accounts - Tenants							
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$30,200	\$30,200		\$30,200
127 Notes, Loans, & Mortgages Receivable - Current				\$0	\$0		\$0
128 Fraud Recovery	\$184,932				\$184,932		\$184,932
128.1 Allowance for Doubtful Accounts - Fraud	-\$163,105				-\$163,105		-\$163,105
129 Accrued Interest Receivable	\$1,606			\$10,880	\$12,486		\$12,486
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$44,363	\$1,285	\$0	\$392,914	\$438,562		\$438,562
131 Investments - Unrestricted	\$554,353			\$13,060,163	\$13,614,516		\$13,614,516
132 Investments - Restricted	\$77,604			\$5,210,009	\$5,287,613		\$5,287,613
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets				\$121,288	\$121,288		\$121,288
143 Inventories				\$18,644	\$18,644		\$18,644
143.1 Allowance for Obsolete Inventories				\$0	\$0		\$0
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$892,830	\$71,276	\$0	\$35,135,310	\$36,099,416		\$36,099,416
161 Land							
162 Buildings				\$13,443,808	\$13,443,808		\$13,443,808
163 Furniture, Equipment & Machinery - Dwellings				\$31,693,255	\$31,693,255		\$31,693,255
164 Furniture, Equipment & Machinery - Administration	\$40,125			\$323,788	\$363,913		\$363,913

165 Leasehold Improvements						\$7,149,318	\$7,149,318		\$7,149,318
166 Accumulated Depreciation									
167 Construction in Progress									
168 Infrastructure									
169 Total Capital Assets, Net of Accumulated Depreciation									
170 Notes, Loans and Mortgages Receivable - Non-Current									
171 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
172 Grants Receivable - Non Current									
173 Other Assets									
174 Investments in Joint Ventures									
175 Total Non-Current Assets									
180 Total Assets									
190 Deferred Outflow of Resources									
200 Total Assets and Deferred Outflow of Resources									
210 Bank Overdraft									
212 Accounts Payable <= 90 Days									
213 Accounts Payable >90 Days Past Due									
221 Accrued Wage/Payroll Taxes Payable									
222 Accrued Compensated Absences - Current Portion									
224 Accrued Contingency Liability									
225 Accrued Interest Payable									
231 Accounts Payable - HUD PHA Programs									
232 Accounts Payable - PHA Projects									
233 Accounts Payable - Other Government									
241 Tenant Security Deposits									
242 Unearned Revenue									
243 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue									
244 Current Portion of Long-term Debt - Operating Borrowings									
245 Other Current Liabilities									
246 Accrued Liabilities - Other									
247 Inter Program - Due To									
248 Loan Liability - Current									
250 Total Current Liabilities									
251 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue									
252 Long-term Debt, Net of Current - Operating Borrowings									

353 Non-current Liabilities - Other	\$77,649					\$77,649		\$77,649
354 Accrued Compensated Absences - Non Current	\$21,327				\$58,250	\$79,577		\$79,577
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities	\$2,391	\$0			\$7,447	\$9,838		\$9,838
350 Total Non-Current Liabilities	\$101,367	\$0	\$0		\$29,208,559	\$29,309,926		\$29,309,926
300 Total Liabilities	\$190,873	\$0	\$0		\$50,350,465	\$50,541,338		\$50,541,338
400 Deferred Inflow of Resources								
508.4 Net Investment in Capital Assets				\$0	\$1,624,610	\$1,624,610		\$1,624,610
511.4 Restricted Net Position	\$133,493			\$0	\$946,227	\$979,720		\$979,720
512.4 Unrestricted Net Position	\$568,464	\$71,276		\$0	\$28,214,156	\$28,853,896		\$28,853,896
513 Total Equity - Net Assets / Position	\$701,957	\$71,276		\$0	\$30,684,993	\$31,458,226		\$31,458,226
500 Total Liab, Def. Inflow of Res. and Equity - Net Assets / Position	\$892,830	\$71,276	\$0		\$81,035,458	\$81,999,564		\$81,999,564



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

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133			Fiscal Year End: 06/30/2014				
	14,871 Housing Choice Vouchers	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$1,387,991	\$1,870,840	\$3,258,831		\$3,258,831
70400 Tenant Revenue - Other			\$9,821	\$78,603	\$88,424		\$88,424
70500 Total Tenant Revenue	\$0	\$0	\$1,397,812	\$1,949,443	\$3,347,255		\$3,347,255
70600 HUD PHA Operating Grants	\$23,118,045	\$195,041			\$23,313,086		\$23,313,086
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	\$2,095		\$714	\$42,965	\$45,774		\$45,774
70800 Other Government Grants			\$1,034,321	\$4,669,372	\$5,703,693		\$5,703,693
71100 Investment Income - Unrestricted			\$714	\$42,965	\$45,774		\$45,774
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery	\$34,230				\$34,230		\$34,230
71500 Other Revenue	\$380,126		\$17,043	\$129,571	\$526,740		\$526,740
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted	\$0			\$9,747	\$9,747		\$9,747
70000 Total Revenue	\$23,534,496	\$195,041	\$2,449,890	\$6,801,098	\$32,980,525		\$32,980,525
91100 Administrative Salaries	\$834,610	\$38,925	\$290,534	\$825,138	\$1,989,207		\$1,989,207
91200 Auditing Fees	\$7,496	\$300	\$6,473	\$14,730	\$28,999		\$28,999
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$304,090		\$102,935	\$292,099	\$699,124		\$699,124

91600 Office Expenses	\$26,872		\$9,387	\$28,063	\$64,322	\$64,322
91700 Legal Expense	\$19,361		\$24,342	\$51,853	\$95,556	\$95,556
91800 Travel	\$18,498		\$7,211	\$20,679	\$46,388	\$46,388
91810 Allocated Overhead						
91900 Other	\$100,765		\$80,889	\$195,018	\$376,693	\$376,693
91000 Total Operating - Administrative	\$1,311,713	\$39,225	\$521,771	\$1,427,550	\$3,900,289	\$3,900,289
92000 Asset Management Fee						
92100 Tenant Services - Salaries	\$53,997		\$23,165	\$44,874	\$122,036	\$122,036
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services	\$15,624		\$8,292	\$17,832	\$41,748	\$41,748
92400 Tenant Services - Other	\$3,515		\$6,237	\$36,373	\$46,125	\$46,125
92500 Total Tenant Services	\$73,136	\$0	\$37,694	\$99,079	\$209,909	\$209,909
93100 Water	\$1,555		\$50,871	\$154,995	\$207,421	\$207,421
93200 Electricity	\$7,008		\$44,905	\$73,565	\$125,478	\$125,478
93300 Gas	\$543		\$26,890	\$36,296	\$62,729	\$62,729
93400 Fuel						
93500 Labor						
93600 Sewer	\$409		\$61,963	\$174,536	\$236,928	\$236,928
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense	\$160		\$15,057	\$15,125	\$30,342	\$30,342
93900 Total Utilities	\$9,675	\$0	\$199,706	\$453,517	\$662,898	\$662,898
94100 Ordinary Maintenance and Operations - Labor			\$262,818	\$627,644	\$890,462	\$890,462
94200 Ordinary Maintenance and Operations - Materials and Other	\$6,372		\$62,273	\$142,738	\$211,383	\$211,383
94300 Ordinary Maintenance and Operations Contracts	\$12,726		\$295,984	\$1,022,318	\$1,331,028	\$1,331,028
94500 Employee Benefit Contributions - Ordinary Maintenance			\$99,093	\$232,407	\$331,500	\$331,500
94000 Total Maintenance	\$19,098	\$0	\$720,166	\$2,025,107	\$2,764,373	\$2,764,373
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs	\$18,270		\$34,650	\$157,080	\$210,000	\$210,000
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$18,270	\$0	\$34,650	\$157,080	\$210,000	\$210,000
96110 Property Insurance			\$23,287	\$45,878	\$69,165	\$69,165
96120 Liability Insurance	\$3,063		\$2,677	\$16,175	\$21,915	\$21,915
96130 Workmen's Compensation	\$12,127		\$16,723	\$47,968	\$78,818	\$78,818

96140 All Other Insurance	\$469		\$24,865	\$7,756	\$33,090	\$33,090
96100 Total Insurance Premiums	\$15,659	\$0	\$69,552	\$117,777	\$202,988	\$202,988
96200 Other General Expenses	\$179,558		\$79,933	\$193,411	\$452,902	\$452,902
96210 Compensated Absences						
96300 Payments in Lieu of Taxes						
96400 Bad debt - Tenant Rents			\$4,251	\$49,352	\$53,633	\$53,633
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96900 Total Other General Expenses	\$179,558	\$0	\$84,184	\$242,793	\$506,535	\$506,535
96710 Interest of Mortgage (or Bonds) Payable			\$418,913	\$187,551	\$606,464	\$606,464
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs	\$0	\$0	\$418,913	\$187,551	\$606,464	\$606,464
96700 Total Interest Expense and Amortization Cost						
96900 Total Operating Expenses	\$1,627,109	\$39,225	\$2,086,638	\$4,710,484	\$8,463,456	\$8,463,456
97000 Excess of Operating Revenue over Operating Expenses	\$21,907,387	\$155,816	\$363,252	\$2,090,614	\$24,517,069	\$24,517,069
97100 Extraordinary Maintenance			\$12,572	\$60,011	\$72,583	\$72,583
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments	\$22,724,029	\$155,816			\$22,879,845	\$22,879,845
97350 HAP Portability-In	\$313,714				\$313,714	\$313,714
97400 Depreciation Expense	\$0		\$338,862	\$890,064	\$1,228,926	\$1,228,926
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
98000 Total Expenses	\$24,664,852	\$195,041	\$2,438,072	\$5,660,559	\$32,958,524	\$32,958,524
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						



430 Verben Court  
Pleasant Hill, CA 94523

(925) 229-1950  
Fax (925) 229-1952  
wroweassoc@aol.com

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Alameda, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 19, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Alameda, California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Alameda, California's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Alameda, California's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist and not have been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Wallace Rowe & Associates*

Pleasant Hill, California  
November 19, 2014

430 Verbena Court  
Pleasant Hill, CA 94523

(925) 229-1950  
Fax (925) 229-1952  
wroweassoc@aol.com

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditors' Report

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

**Report on Compliance for Each Major Program**

We have audited the Housing Authority of the City of Alameda, California's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Alameda, California's major federal programs for the year ended June 30, 2014. The Housing Authority of the City of Alameda, California's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of Alameda, California's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Alameda, California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the City of Alameda, California's compliance.

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

In our opinion, the Housing Authority of the City of Alameda, California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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

Management of the Housing Authority of the City of Alameda, California is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the City of Alameda's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the business-type activities, the one major fund, and the aggregate remaining fund information of the Housing Authority of the City of Alameda, California as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Alameda's basic financial statements. We issued our report thereon dated November 19, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Wallace Rave & Associates*

Pleasant Hill, California  
November 19, 2014

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

The previous audit report for the year ended June 30, 2013 contained one audit finding. As of June 30, 2014 this finding had been resolved and no longer continued to exist.

**HOUSING AUTHORITY OF THE CITY OF ALAMEDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

**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?	no
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 Housing Choice Vouchers	14.871
Dollar threshold to distinguish between Type A and Type B programs	\$745,797
Auditee qualified as low risk auditee?	yes
<b>Section II - Financial Statement Findings</b>	no
<b>Section III - Federal Award Findings</b>	no