

**Housing Authority of the City of Livermore**

**Independent Auditor's Report  
&  
Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

Pending HUD Approval as of 3/28/2018



**Certified Public Accountant**

# HOUSING AUTHORITY OF THE CITY OF LIVERMORE

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## Independent Auditor's Report

Members of the Board of Commissioners of the  
Housing Authority of the City of Livermore  
Livermore, 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 Livermore (the Authority), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal 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 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedule for the Authority (CA 074) is presented for purposes of additional analysis as required by U.S. Department of Housing and Urban Development (HUD) and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Financial Data Schedule for the Authority (CA 074) and the schedule of expenditures of federal awards 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 Financial Data Schedule for the Authority (CA 074) and the schedule of expenditures of federal awards fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*JRB Accountancy*

Hayward, California  
January 16, 2018

Pending HUD Approval as of 3/28/2018

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2017**

The Livermore Housing Authority's ("the Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position; address the next and subsequent year challenges, and (d) identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority's net position decreased by \$304,106 (9%) during the fiscal year ending June 30, 2017. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net position was \$2.98 million and \$3.29 million for FY2017 and FY2016, respectively. Such decrease in the fiscal year is mostly due to change in net position, more commonly known as net income or loss, of \$304,106.
- The business-type activities revenue increased by \$2,173,914 (24%) during fiscal year. Total revenue was \$10.9 million and \$8.6 million for FY2017 and 2016, respectively.
- The total expenses of all Authority programs increased by \$2,460,311 (32%). Total expenses were \$11.1 million and \$8.7 million for FY2017 and FY2016, respectively.

**Authority-Wide Financial Statements**

The Authority-wide financial statements are designed similar to those of a business corporation in that all business-type activities are consolidated into columns that add to a total for the entire Authority.

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" that is, convertible into cash within one year, and "Non-current".

The focus of the Statement of Net Position is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity or net assets) are reported in three broad categories:

Net Invested in Capital Assets, Net of Related Debt: This component of net assets consist of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of net assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of net assets that do not meet the definition of “Net Assets Invested in Capital Assets, Net of Related Debt”, or “Restricted Net Assets”.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (similar to an Income Statement). This statement includes; operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenue and expenses, such as grant revenue, investment income, and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the “Change in Net Position”, which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, non-capital financing activities, and from capital and related financing activities.

## **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Some of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

## **The Authority’s Funds**

### **Business Type Funds:**

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority’s properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants’ rent at 30% of household income.

Other Non-major Funds – In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority’s total assets, liabilities, revenues or expenses:

Business Activities – represents non-HUD resources developed from a variety of activities.

Internal Service Fund – represents the Authority’s funds that do not fall into any of the other funds.

**AUTHORITY-WIDE STATEMENT**

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1  
STATEMENT OF NET POSITION**

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$3,403,094	\$3,531,878
Capital Assets	3,419,359	3,558,506
Deferred Outflows of Resources	401,065	264,566
Total Assets and Deferred Outflows of Resources	<u>7,223,518</u>	<u>7,354,950</u>
Current Liabilities	975,412	329,508
Long-Term Liabilities	3,084,085	3,465,186
Total Liabilities	<u>4,059,497</u>	<u>3,794,694</u>
Deferred Inflows of Resources	<u>182,809</u>	<u>274,938</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	838,407	951,068
Restricted –Sec 8 HAP Reserve	-	251
Unrestricted	2,142,805	2,333,999
Total Net Position	<u>2,981,212</u>	<u>3,285,318</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$7,223,518</u>	<u>\$7,354,950</u>

Major Factors Affecting the Statement of Net Position

During the fiscal year, current & other assets decreased by \$128,784 and current & other liabilities increased by \$645,905, which is mostly due to a reclassification of a loan from long-term to short-term as a result of a balloon payment due during fiscal year end June 2018. The change in current assets was mainly in cash.



Net capital assets decreased from \$3,558,506 in FY2016 to \$3,419,359 in FY2017. The \$139,147 net decrease consists of current year additions of \$100,619 reduced by current depreciation of \$239,766. For details, see page 6, “Capital Assets and Debt Administration”.

Table 2 below presents details on the change in Unrestricted Net Position:

**TABLE 2  
CHANGES OF UNRESTRICTED NET POSITION**

	(millions)
Unrestricted Net Assets 6/30/2016	\$ 2,333,999
	<hr/>
Result of Operations	(304,106)
Result of Operations – SEC 8 HAP (Restricted)	251
Adjustment: Depreciation (1)	239,766
Adjusted Results from Operation	<u>(64,089)</u>
Long Term Debt Retirement	(26,486)
Capital Assets Increase	<u>(100,619)</u>
	<u>(127,105)</u>
Unrestricted Net Assets 6/30/2017	<u><u>\$2,412,805</u></u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

While the results of operations are a significant measure of the Authority’s activities, the analysis of the changes in Unrestricted Net Assets provides a clearer measure of the change in financial well-being.

**TABLE 3  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in business-type activities.

	<u>2017</u> (thousands of dollars)	<u>2016</u> (thousands of dollars)
<b>Revenues</b>		
Tenant Revenue – Rents and Other	\$ 1,351	\$ 1,223
Operating Subsidies and Grants	9,259	7,338
Investment Income	1	1
Other Revenues	241	116
<b>Total Revenue</b>	<b>10,852</b>	<b>8,678</b>
<b>Expenses</b>		
Administrative	\$ 1,388	\$ 1,136
Tenant Services	5	14
Utilities	168	161
Maintenance	784	459
Protective Services	11	12
General	231	238
Interest Expense	82	84
Extraordinary Maintenance	89	18
Housing Assistance Payments/Port Ins	8,159	6,287
Depreciation	239	288
<b>Total Expenses</b>	<b>\$ 11,156</b>	<b>\$ 8,696</b>
<b>Net Decrease</b>	<b>(304)</b>	<b>(18)</b>

## **MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

Dwelling Rental increased by 19% for the Fiscal Year 2017, Operating and Capital Grants for Leahy increased by approximately 21%. HCV Operating Grant increased by approximately 28% in FY2017, mostly due to higher payment standards effective late in prior fiscal year 2016. HCV Units months leased in 2017 was 75% and 2016 was at 76%.

Most expenses increased or decreased moderately.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The net decrease (addition, deductions and depreciation) of \$139,147 in capital assets resulted from improvements and equipment purchase. Details are discussed in this section.

**TABLE 4  
CAPITAL ASSETS AT FISCAL YEAR END  
(NET OF DEPRECIATION)**

	Business-type Activities	
	2017	2016
Land	\$ 1,702,044	\$ 1,702,044
Buildings	7,852,035	7,852,035
Office Equipment	400,626	394,768
Improvements	1,780,804	1,686,045
Accumulated Depreciation	(8,316,150)	(8,076,386)
<b>Total</b>	<b>\$ 3,419,359</b>	<b>\$ 3,558,506</b>

The following reconciliation summarizes the Change in Capital Assets, which is presented in detail in the notes to the financial statements.

**TABLE 5  
CHANGES IN CAPITAL ASSETS**

	Business Type Activities
Ending Balance FY2016	\$ 3,558,506
Additions	100,619
Depreciation	(239,766)
Ending Balance FY2017	<u>\$ 3,419,359</u>
Ending Balance Net of related Debt	<u>838,407</u>

This year's addition was:

Business – Type Activities

Capital Improvements Programs:

- Federal Programs \$ 5,858
- Non-Federal Programs \$ 94,761

**Debt Outstanding**

As of fiscal year end, the Authority had \$2,580,952 in notes outstanding and debt retirement of \$26,485.

**TABLE 6  
OUTSTANDING DEBT AT FISCAL YEAR END**

	Totals	
	2017	2016
<u>Business Type</u>		
Las Posadas Note	\$ 1,365,768	\$1,374,748
Chestnut Apt Note	1,215,184	1,232,690
Subtotal	2,580,952	2,607,438
Less: Current Portion	(714,164)	(24,817)
Total – Long Term	\$ 1,866,788	\$ 2,582,621

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Alfred Dulay, Executive Director for the Housing Authority of the City of Livermore, at (925) 447-3600. Specific requests may be submitted to his attention at Housing Authority of the City of Livermore, 3203 Leahy Way, Livermore, CA 94550

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**COMBINED STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Federal Programs	Non-Federal Programs	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 2,854,300	\$ 437,210	\$ 3,291,510
Accounts Receivable	77,545	3,603	81,148
Prepaid Expenses	28,882	1,554	30,436
Total Current Assets	2,960,727	442,367	3,403,094
Non-Current Assets:			
Fixed Assets (Note 5)	374,640	3,044,719	3,419,359
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>367,651</b>	<b>33,414</b>	<b>401,065</b>
Total Assets and Deferred Outflow of Resources	<u>\$ 3,703,018</u>	<u>\$ 3,520,500</u>	<u>\$ 7,223,518</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts Payable	\$ 68,387	\$ -	\$ 68,387
Accounts Payable - Other Government	43,179		43,179
Tenants' Security Deposits	39,710	34,243	73,953
Current Portion of Long-Term Debt		714,164	714,164
Accrued Compensated Absence - current (Note 7)	16,868	1,065	17,934
Accrued Payroll and Taxes	43,781	3,773	47,555
Unearned Revenue	10,181		10,181
Accrued Interest Payable		61	61
Total Current Liabilities	222,106	753,306	975,412
Non-Current Liabilities:			
FSS Escrow	41,221		41,221
Accrued Compensated Absence (Note 7)	39,357	2,485	41,842
Accrued Pension and OPEB Liabilities (Note 10)	1,039,737	94,497	1,134,234
Long-Term Liabilities (Note 8)		1,866,788	1,866,788
Total Liabilities	1,342,421	2,717,076	4,059,497
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>167,578</b>	<b>15,231</b>	<b>182,809</b>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, net of related debt	374,640	463,767	838,407
Restricted	-		-
Unrestricted	1,818,379	324,426	2,142,805
Total Net Position	2,193,019	788,193	2,981,212
Total Liabilities, Deferred Inflows fo Resources, and Net Position	<u>\$ 3,703,018</u>	<u>\$ 3,520,500</u>	<u>\$ 7,223,518</u>

The accompanying notes are an integral part of the financial statements.

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE  
COMBINED STATEMENT OF REVENUE AND EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Federal Programs	Non-Federal Programs	Total
<b><u>Operating Revenue</u></b>			
Dwelling Rents	\$ 889,001	\$ 462,065	\$ 1,351,066
HUD Grants	8,671,928	218	8,672,146
Capital Grant - Operations	204,789		204,789
Interest-Unrestricted/Unrestricted	900	-	900
Operating Grant	381,843		381,843
Fraud Recovery	47,126		47,126
Other Income	183,159	11,240	194,399
Total Operating Revenue	<u>10,378,746</u>	<u>473,523</u>	<u>10,852,269</u>
<b><u>Operating Expenses</u></b>			
Administration	1,287,408	100,591	1,387,999
Tenant Services	1,970	3,141	5,111
Utilities	124,993	43,202	168,195
Ordinary Maintenance and Operations	533,172	250,695	783,867
Protective Services	10,891		10,891
General Expenses	202,812	27,948	230,760
Total Operating Expenses	<u>2,161,246</u>	<u>425,577</u>	<u>2,586,823</u>
Excess of Operating Revenue Over Operating Expenses	8,217,500	47,946	8,265,446
<b>Other Expenses:</b>			
Interest Expense		(82,059)	(82,059)
Housing Assistance Payments	(8,158,758)		(8,158,758)
Extraordinary Maintenance	(88,969)		(88,969)
Depreciation	(104,698)	(135,068)	(239,766)
Change in Net Position	(134,925)	(169,181)	(304,106)
Beginning Net Position	<u>2,327,944</u>	<u>957,374</u>	<u>3,285,318</u>
Ending Net Position	<u>\$ 2,193,019</u>	<u>\$ 788,193</u>	<u>\$ 2,981,212</u>

The accompanying notes are an integral part of the financial statements.

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

**Cash Flows from Operating Activities**

Cash received from dwelling rental Income	\$ 1,318,046
Cash received from HUD grants	9,258,778
Cash received from Interest	900
Cash received from other sources	241,525
Cash payments for interest	(82,059)
Cash payments for services	<u>(10,776,009)</u>
Net Cash Used by Operating Activities	<u>(38,819)</u>

**Cash Flows from Capital and Related Financing Activities:**

Acquisition of capital assets	(100,619)
Repayment on Long-Term Debt - Vac	<u>(26,486)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(127,105)</u>
Net decrease for the fiscal year	(165,924)
Cash and Cash Equivalents, beginning of fiscal year	<u>3,457,434</u>
Cash and Cash Equivalents, end of fiscal year	<u>\$ 3,291,510</u>

Change in Net Position	\$ (304,106)
Adjustments to reconcile change in net position to net cash provided by (used in ) operating activities:	
Depreciation	239,766
Decrease (increase) in Assets:	
Accounts Receivable	(33,020)
Prepaid Expenses	(4,120)
Increase/(Decrease) in Liabilities:	
Accounts Payable	(70,246)
Other Government	2,187
Tenant Security Deposits	3,174
FSS Escrow	(4,110)
Accrued Pension and OPEB	114,109
Accrued Compensated Absence	3,281
Accrued Payroll and Taxes	15,890
Accrued Liabilities	<u>(1,624)</u>
Net Cash Used by Operating Activities	<u>\$ (38,819)</u>

Supplemental Disclosure of Cash Flow Information:

Interest Paid	<u>\$ 82,059</u>
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The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

NOTE 1: ORGANIZATION AND CONTRACTS

A. Organization

The Housing Authority of the City of Livermore (the Authority, HACL) was established, under the provisions of the Housing Act of 1937. HACL was established to administer funds provided by the Department of Housing and Urban Development (HUD) to assist low-income families in obtaining decent, safe and sanitary housing. The Housing Authority of the City of Livermore is a separate legal entity. It is therefore, not a component unit of the City of Livermore.

The accompanying financial statements are those of the Low Rent Housing Program (Contract SF-414) and the Section 8 Housing Program (Contract SF-1568), which includes, Existing and Voucher programs, all subsidized by HUD. A summary of the programs administered by HACL is provided below to assist the reader in interpreting such financial statements.

Following is a summary of the major programs operated by the Authority:

B. Low-Rent Housing Program

The Low-Rent Housing Program (also referred to as PHA Owned Housing, Contract SF-414) is designed to provide low cost housing within the city limits of Livermore, California. Housing consists of apartments (125 units) owned and operated by HACL. Funding is provided by tenant rent payments and subsidies provided by HUD.

C. Modernization and Development Funding

Substantially all additions to land, structures and equipment are accomplished through Modernization Programs or Development Programs. Modernization Programs replace or materially upgrade deteriorated portions of the Authority's housing units. Funding is provided through grants. Development Programs are used to acquire additional housing units for the Public Housing Program. Funding is provided also, through grants.

D. Section 8 Housing Choice Voucher

HACL has contracted with the HUD (Contract No. SF-1568) to provide rent subsidy payments to low and moderate income families pursuant to the United States Housing Act of 1937 and the Department of Housing and Urban Development Act.

HUD makes annual contributions to the program for Housing Assistance Payments on behalf of the families. Included in this annual contribution is an allowance for administrative costs. Under this program, tenants lease directly with private owners after being certified as eligible under program guidelines. Tenants make payments directly to owners and HACL makes monthly subsidy payments to the owners. Program included in this annual contribution is as follows:

- Housing Choice Voucher Program – 723 units

Non HUD Programs:

HACL also, administer two other non-HUD programs namely, Administrative Management Fund and the General Fund programs.



**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accounts of the Authority have been prepared on the accrual basis of accounting and in accordance with Generally Accepted Accounting Principles (GAAP) using the enterprise fund method for financial accounting and reporting. The Authority has also, determined that the costs of providing service to the public be recovered through user charges from tenant rent payments for its low rent program and rent subsidies provided by HUD for its Section 8 programs. HACL has elected to follow Financial Accounting Standard Board (FASB) statements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Revenues are recorded when they are earned and expenses are recorded at the time liabilities are incurred.

The financial statements of the Authority's programs have been organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses, as appropriate.

Budgetary controls have been established at the individual fund level. Individual line items are reviewed and analyzed for budgetary compliance.

B. Uncollectible Accounts Receivable

An allowance for uncollectible receivables has been established for tenant rent receivables.

C. Fixed Assets

Expenditures for land, structures, and modernization programs which substantially increase the useful lives of existing buildings are capitalized. Equipment is recorded at cost and includes expenditures which substantially increase the useful lives of existing equipment. Depreciation has been provided for on fixed assets computed on a straight-line basis over the useful lives of the assets.

The Authority's fixed assets are depreciated over their useful lives as follows:

Buildings	25 years
Building Improvements	10 years
Office Equipment	5 years
Computer Equipment and related Software	3 years

D. Expendable Equipment

Items of unused expendable equipment, which are held in stock (estimated value less than \$5000) pending issuance to projects as needed, are expensed as purchased in the same manner as materials and supplies.

E. Taxes

The Housing Authority is exempt from federal and state income taxes. The Authority is also exempt from property taxes but makes payments to the City of Livermore for sewage charges.

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

Low-Rent Housing Program

The subsidy for this Program is based upon a formula that takes into consideration factors such as: prior formula funding, population of the area, number of dwelling units, bedroom sizes, building height and building age, utility costs, rental income and other income to arrive at the funding amount.

Section 8 Subsidy

The Section 8 Housing Program subsidy provides for full reimbursement to the Authority for all payments to landlords and provides for a fee for administering the program.

The administrative fee earned each month is based on a percentage of the Fair Market Rents (as determined by HUD) of a two-bedroom unit multiplied by the number of units under lease on the first day of each month.

NOTE 3: CASH AND CASH EQUIVALENTS

The California Government Code requires California banks and savings and loan associations to secure deposits of public institutions not covered by federal deposit insurance by pledging government securities as collateral. The market value of pledged securities must equal 110% of the deposits. The collateral must be held at the pledged bank's trust department or other bank, acting as the pledging bank's agent. Of the deposits in financial institutions, \$250,000 is covered by federal depository insurance. The remaining amounts were fully collateralized by the financial institution's trust department or other banks acting as the financial institution's agent, but were not in the Authority's name.

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents.

NOTE 4: INTER-FUND RECEIVABLES / PAYABLES

During the course of operation, numerous transactions occur between the individual programs of the Housing Authority for goods provided and services rendered. The receivables and payables balances at June 30, 2017, between the various funds of the Housing Authority of the City of Livermore are as follows:

	<u>Receivables</u>	<u>Payables</u>
Federal Programs:		
Conventional Housing	\$ -	\$ -
Non-Federal Programs	-	-
	\$ -	\$ -
	\$ -	\$ -

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

NOTE 5: CHANGES IN LAND, STRUCTURES AND EQUIPMENT

The following is a summary of changes in land, structures and equipment of the Housing Authority for the year ended June 30, 2017:

Capital Assets	Balance @ July 1, 2016	Increases	Decreases	Balance @ June 30, 2017
<i>Non-depreciable</i>				
Land	\$ 1,702,044	\$ -	\$ -	\$ 1,702,044
<i>Depreciable</i>				
Buildings & improvements	9,538,080	94,759	-	9,632,839
Furniture & equipment	394,768	5,858	-	400,626
Sub-total	9,932,848	100,617	-	10,033,465
Accumulated depreciation	(8,076,386)	(239,766)	-	(8,316,150)
Total capital assets, net	\$ 3,558,506	\$ (139,147)	\$ -	\$ 3,419,359

NOTE 6: ACCOUNTS PAYABLE

Accounts payable consists of payments to vendors at June 30, 2017.

NOTE 7: COMPENSATED ABSENCES

Employees earn vacation at rates ranging from 10 days per year for the first five years of service up to a maximum of 20 days per year after 15 years of service. There is no requirement that vacation be taken in the year earned; however, there is a 40-day limit on the number of days an employee may accrue. Sick leave for employees is earned at a rate of one day for each calendar month of service. Sick leave over the maximum of sixty days may be carried into the new fiscal year. At June 30, 2017, the total compensated absences balance was \$59,776. Following is a summary of changes during the fiscal year:

<u>7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/17</u>	<u>Current Portion</u>
\$ 56,494	\$ 101,223	\$ 97,941	\$ 59,776	\$ 17,934

NOTE 8: LONG-TERM DEBT

The Authority purchased, during the fiscal year ended June 30, 2009, two triplexes for \$1,600,000. As part of the City of Livermore's effort to preserve affordable rental housing and to allow the Authority to acquire the units, the City appropriated funding to the Authority, in the amount of \$510,000 to cover the cost of acquisition of the six units. The regulatory agreement specifies that funds advanced (principal and accrued interest) shall become payable on the earlier of the following: (a) the date the Property is sold or the permanent loan is refinanced, or (b) an Event of Default by Borrower. The City also, provided up to \$195,000 in rehabilitation funds for the units. In addition, the Authority obtained a loan for \$850,000

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

originally from the Bank of Walnut Creek at a variable interest rate of 6.95% and monthly payment of \$5,685.40. The loan was transferred to its current lender, First Republic. Loan matured on May 18, 2017.

Effective during the fiscal year ended June 30, 2011, the Authority assumed transfer of ownership of Las Posadas Apartments, a nine-unit apartment complex, from Allied Housing, Inc., a non-profit housing developer. The agreement includes the assignment of an \$899,000 loan from Allied Housing, Inc. to the Authority. In addition, the Authority obtained a loan for \$525,000 from Fremont Bank at a five-year fixed rate of 6.875% and at a variable rate based on a weekly average yield on US Treasury Securities for subsequent years until the maturity date of May 3, 2024.

Balance of long-term debt at June 30, 2017 is as follows:

	<u>7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/17</u>	<u>Current Portion</u>
First Republic	\$ 722,690	\$ -	\$ 17,506	\$ 705,184	\$ 705,184
Fremont Bank	475,748		8,980	466,768	8,980
City of Livermore	<u>1,409,000</u>	<u>-</u>	<u>-</u>	<u>1,409,000</u>	<u>-</u>
Total	<u>\$ 2,607,438</u>	<u>\$ -</u>	<u>\$ 26,486</u>	<u>\$ 2,580,952</u>	<u>\$ 714,164</u>

Aggregate maturities of debt as of June 30, 2017 are due in future years as follows:

	Principal	Interest	Total
2018	\$ 714,164	\$ 31,567	\$ 745,731
2019	8,990	30,837	39,827
2020	9,772	30,055	39,827
2021	10,609	29,218	39,827
2022	11,507	28,320	39,827
Thereafter	<u>1,825,910</u>	<u>53,777</u>	<u>1,879,667</u>
Total	<u>\$ 2,580,952</u>	<u>\$203,774</u>	<u>\$2,784,726</u>

**NOTE 9: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year end June 30, 2016, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure.

**NOTE 10: RETIREMENT PLAN**

The Housing Authority participates in the California Public Employees Retirement System (CALPERS).

**1. Plan Description and Contribution Information**

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

All permanent employees of the Authority are required to participate in CALPERS. CALPERS is an agent multiple-employer public employee defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. CALPERS provide retirement and disability benefits based on the employee's years of service, age, and average monthly salary over the highest twelve months. Employees vest after five years of service and may receive retirement benefits at age fifty. These benefit provisions and all other requirements are established by State statute and County ordinance.

**2. Funding Policy**

The employees contribute 7% of their covered salary to the fund. The Authority is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CALPERS actuaries and actuarial consultants and adopted by the Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2017 was 8.468% of the employees' annual covered payroll. The contribution requirements of the plan members are established by the State Statute and the employer rate established and may be amended by CALPERS.

**3. Annual Pension Cost**

The Authority's annual pension cost for the fund was equal to the Authority's required and actual contributions which was determined as part of the June 30, 2017 actuarial valuation using the entry age normal actuarial cost method. Significant actuarial assumptions used to compute the CALPERS pension benefit obligation include an actuarial interest rate of 8.25% per annum and projected salary increases that vary by length of service. The total increase in future year includes an assumed 3.5% inflation rate and no across the board or merit increases. The actuarial value of the Authority's assets was determined using a technique that smoothed the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and losses. The plan's unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of any unfunded actuarial liabilities of the Authority ends on June 30, 2017.

For the current year ended June 30, 2017, the Authority's annual pension cost for CalPERS was equal to the Authority's required and actual contributions, which were determined as part of the June 30, 2016 actuarial valuations, using the entry age actuarial cost method. The actuarial assumptions for the June 30, 2016 actuarial valuation include the following:

Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPers' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

The actuarial value of assets was determined using a technique that smooths the effect of short-term volatility in the market value of investments over a three-year period depending on the size of the investment gain and/or loss. Unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis over twelve years as of the actuarial valuation date.

**4. Pension Liabilities, Expense, and Deferred Outflows and Inflows of Resources**

At June 30, 2017, the Authority reported a liability of \$1,134,235 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined.

The table below illustrates the pension plans' proportionate share of the risk pool collective net pension liability over the measurement period:

	6/30/14	6/30/15	6/30/16
Total Pension Plan Liability	\$5,345,415	\$5,486,490	\$5,796,375
Total Fiduciary Net Position	<u>4,409,088</u>	<u>4,694,993</u>	<u>4,662,140</u>
Plan Net Pension Liability	<u>\$ 936,327</u>	<u>\$ 791,497</u>	<u>\$1,134,235</u>

For the fiscal year ended June 30, 2017, the Authority recognized pension expense of (\$169,995). Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Total
Changes of assumptions	\$ -	\$ (30,727)	
Differences between Expected and Actual Expenses	3,802		
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>240,867</u>	<u>(152,082)</u>	
Total	<u>\$ 244,669</u>	<u>\$(182,909)</u>	<u>\$ (61,860)</u>

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**Notes to Financial Statements**  
**For the Fiscal Year Ended June 30, 2017**

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The \$244,669 reported as deferred outflows of resources related to pensions resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement period ended June 30:	Outflows /(Inflows)
2017	\$ 20,358
2018	21,107
2019	(66,892)
2020	(36,433)
hereafter	-
	<u>\$ (61,860)</u>

**NOTE 11: CONTINGENT LIABILITIES**

The Authority has received funds from various Federal 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 amounts, 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 12: SUBSEQUENT EVENTS**

Events subsequent to June 30, 2017 have been evaluated through January 16, 2018, the date at which the Authority's financial statements were made available to be issued. No events requiring disclosures have occurred through this date.

**Supplementary Information**

Pending HUD Approval as of 3/28/2018



**HOUSING AUTHORITY OF THE CITY OF LIVERMORE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal/Pass-Through Grantor Program Title	CFDA Number	Revenue Recognized
Department of Housing and Urban Development - Direct		
Capital Grant	14.872	\$ 204,789
Low Rent Housing	14.850a	381,843
Section 8 Programs Choice Voucher	14.871	8,671,928
TOTAL		\$ 9,258,560

Pending HUD Approval as of 3/28/2018

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2017**

**NOTE 1 – GENERAL**

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Housing Authority of the City of Livermore (the Authority). Federal awards received directly from federal agencies, as federal awards passed through from other governmental agencies, are included on the Schedule.

**NOTE 2 – BASIS OF ACCOUNTING**

The Schedule is presented using the accrual basis of accounting.

**NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal award revenues and expenditures agree to or can be reconciled with the amounts reported in the Authority's basic financial statements.

Pending HUD Approval as of 3/28/2018

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**COMBINING STATEMENT OF NET POSITION - FEDERAL PROGRAMS**  
**JUNE 30, 2017**

	Conventional Housing	Section 8 Voucher	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 2,106,708	\$ 747,592	\$ 2,854,300
Accounts Receivable	1,080	76,465	77,545
Prepaid Expenses	26,614	2,268	28,882
	2,134,402	826,325	2,960,727
Non-Current Assets:			
Fixed Assets	374,640	-	374,640
	194,264	173,387	367,651
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Assets and Deferred Outflow of Resources	\$ 2,703,306	\$ 999,712	\$ 3,703,018
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts Payable	\$ 68,387	\$	\$ 68,387
Accounts Payable - Other Government	43,179		43,179
Tenants Security Deposits	39,710		39,710
Deferred Revenue	372	9,809	10,181
Accrued Compensated Absences	6,825	10,043	16,868
Accrued Payroll and Taxes	23,702	20,079	43,781
	182,175	39,931	222,106
Non-Current Liabilities:			
FSS Escrow		41,221	41,221
Accrued Compensated Absences - Long-Term	15,924	23,433	39,357
Accrued Pension and OPEB Liabilities (Note 10)	549,389	490,348	1,039,737
	747,488	594,933	1,342,421
<b>DEFERRED INFLOWS OF RESOURCES</b>	88,547	79,031	167,578
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, net of related debt	374,640	-	374,640
Restricted		-	-
Unrestricted	1,492,632	325,748	1,818,379
	1,867,271	325,748	2,193,019
Total Liabilities, Deferred Inflows fo Resources, and Net Position	\$ 2,703,306	\$ 999,712	\$ 3,703,018

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**COMBINING STATEMENT OF REVENUE AND EXPENSES AND CHANGES**  
**IN NET POSITION - FEDERAL PROGRAMS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Conventional Housing	Section 8 Voucher	Total
<b><u>Operating Revenue</u></b>			
Dwelling Rents	\$ 889,001	\$	\$ 889,001
HUD Contribution		8,671,928	8,671,928
Capital Grant - Operations	204,789		204,789
Operating Grant	381,843		381,843
Investment Income- Unrestricted/Restricted	790	110	900
Fraud Recovery		47,126	47,126
Other Income	108,680	74,479	183,159
Total Operating Revenue	<u>1,585,103</u>	<u>8,793,643</u>	<u>10,378,746</u>
<b><u>Operating Expenses</u></b>			
Administration	593,893	693,515	1,287,408
Tenant Services	1,970		1,970
Utilities	124,993		124,993
Ordinary Maintenance and Operations	532,861	311	533,172
Protective Services	10,891		10,891
General Expenses	153,627	49,185	202,812
Total Operating Expenses	<u>1,418,235</u>	<u>743,011</u>	<u>2,161,246</u>
Excess of Operating Revenue over Operating Expenses	166,868	8,050,632	8,217,500
<b><u>Other Expenses</u></b>			
Housing Assistance Payments		(8,158,758)	(8,158,758)
Extraordinary Maintenance	(88,969)		(88,969)
Depreciation	(104,660)	(38)	(104,698)
Change in Net Position	(26,761)	(108,164)	(134,925)
Beginning Net Position	<u>1,894,032</u>	<u>433,912</u>	<u>2,327,944</u>
Ending Net Position	<u>\$ 1,867,271</u>	<u>\$ 325,748</u>	<u>\$ 2,193,019</u>

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**COMBINING STATEMENT OF NET POSITION - NON FEDERAL PROGRAM**  
**JUNE 30, 2017**

	Admin Mgmt Fund	General Fund	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 20,606	\$ 416,604	\$ 437,210
Account Receivable	3,603		3,603
Prepaid Expenses	1,554		1,554
Total Current Assets	25,763	416,604	442,367
Non-Current Assets:			
Fixed Assets	3,044,719		3,044,719
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>33,414</b>		<b>33,414</b>
Total Assets and Deferred Outflow of Resources	<u>\$ 3,103,896</u>	<u>\$ 416,604</u>	<u>\$ 3,520,500</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts Payables	\$ -	\$ -	\$ -
Tenant Security Deposits	34,243		34,243
Current Portion of Long-Term Debt	714,164		714,164
Accrued Compensated Absences	1,065		1,065
Accrued Payroll and Taxes	3,773		3,773
Deferred Revenue	61		61
Total Current Liabilities	753,306	-	753,306
Non-Current Liabilities:			
Accrued Compensated Absences - Long-Term	2,485		2,485
Accrued Pension and OPEB Liabilities	94,497		94,497
Note Payable	1,866,788		1,866,788
Total Liabilities	2,717,076	-	2,717,076
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>15,231</b>	<b>-</b>	<b>15,231</b>
<b><u>NET POSITION</u></b>			
Restricted			
Invested In Capital Assets, net of related debt	463,767		463,767
Unrestricted	(92,178)	416,604	324,426
Total Net Position	371,589	416,604	788,193
Total Liabilities, Deferred Inflows fo Resources, and Net Position	<u>\$ 3,103,896</u>	<u>\$ 416,604</u>	<u>\$ 3,520,500</u>

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE  
COMBINING STATEMENT OF REVENUE AND EXPENSES  
AND CHANGES IN NET POSITION - (NON FEDERAL)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Admin Mgmt Fund	General Fund	Total
<b><u>Operating Revenue</u></b>			
Dwelling Rents	\$ 462,065	\$ -	\$ 462,065
Other Governmental Grants	100	118	218
Other Income	5,277	5,963	11,240
	<hr/>	<hr/>	<hr/>
Total Operating Revenue	467,442	6,081	473,523
	<hr/>	<hr/>	<hr/>
<b><u>Operating Expenses</u></b>			
Administration	99,082	1,509	100,591
Tenant Services	3,141		3,141
Utilities	43,202		43,202
Ordinary Maintenance and Operations	250,587	108	250,695
General Expenses	27,987	(39)	27,948
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	423,999	1,578	425,577
	<hr/>	<hr/>	<hr/>
Excess of Operating Revenue over Operating Expenses	43,443	4,503	47,946
<b><u>Other Expenses:</u></b>			
Interest Expense	(82,059)		(82,059)
Depreciation	(135,068)		(135,068)
	<hr/>	<hr/>	<hr/>
Change in Net Position	(173,684)	4,503	(169,181)
Beginning Net Position	545,273	412,101	957,374
	<hr/>	<hr/>	<hr/>
Ending Net Position	\$ 371,589	\$ 416,604	\$ 788,193
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
**COMBINING STATEMENT OF NET POSITION - FEDERAL PROGRAM**  
**JUNE 30, 2017**

	Leahy Low Rent	CFP 115	Total
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 2,106,708	\$ -	\$ 2,106,708
Accounts Receivable	1,080		1,080
Prepaid Expenses	26,614		26,614
Total Current Assets	<u>2,134,402</u>		<u>2,134,402</u>
Non-Current Assets:			
Fixed Assets	374,640		374,640
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	194,264		194,264
Total Assets and Deferred Outflow of Resources	<u>\$ 2,703,306</u>	<u>\$ -</u>	<u>\$ 2,703,306</u>
<b><u>LIABILITIES AND NET POSITION</u></b>			
Current Liabilities:			
Accounts Payable	\$ 68,387	\$ -	\$ 68,387
Accounts Payable - Other Government	43,179		43,179
Tenant Security Deposit	39,710		39,710
Deferred Revenue	372		372
Accrued Compensated Absences	6,825		6,825
Accrued Payroll and Taxes	23,702		23,702
Total Current Liabilities	<u>182,175</u>	<u>-</u>	<u>182,175</u>
Non-Current Liabilities:			
Long-Term Liabilities	15,924		15,924
Accrued Pension and OPEB Liabilities	549,389		549,389
Total Liabilities	<u>747,488</u>	<u>-</u>	<u>747,488</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	88,547	-	88,547
Net Position:			
Invested in Capital Assets, Net	374,640		374,640
Unrestricted	1,492,631		1,492,631
Total Net Position	<u>1,867,271</u>	<u>-</u>	<u>1,867,271</u>
Total Liabilities, Deferred Inflows fo Resources, and Net Position	<u>\$ 2,703,306</u>	<u>\$ -</u>	<u>\$ 2,703,306</u>

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE  
COMBINING STATEMENT OF REVENUE AND EXPENSES  
AND CHANGES IN NET POSITION - (FEDERAL)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Leahy Low Rent	CFP115	Total
<b><u>Operating Revenue</u></b>			
Dwelling Rents	\$ 889,001	\$ -	\$ 889,001
HUD Operating Grant	381,843		381,843
Capital Grant - Operations		204,789	204,789
Investment Income - Unrestricted	790		790
Other Income	108,680		108,680
	1,380,314	204,789	1,585,103
<b><u>Operating Expenses</u></b>			
Administration	593,893		593,893
Tenant Services	1,970		1,970
Utilities	124,993		124,993
Ordinary Maintenance and Operations	532,861		532,861
Protective Services	10,891		10,891
General Expenses	153,627		153,627
	1,418,235	-	1,418,235
Excess of Operating Revenue over Operating Expenses	-37,921	204,789	166,868
<b><u>Other Expenses:</u></b>			
Extraordinary Maintenance	(88,969)		(88,969)
Depreciation	(104,660)		(104,660)
	(231,550)	204,789	(26,761)
Change in Net Position	(231,550)	204,789	(26,761)
Beginning Net Position	1,894,032	-	1,894,032
Equity Transfer	204,789	(204,789)	0
	1,867,271	-	1,867,271
Ending Net Position	\$ 1,867,271	\$ -	\$ 1,867,271



**HOUSING AUTHORITY OF THE CITY OF LIVERMORE  
STATEMENT OF ACTUAL MODERNIZATION COSTS  
JUNE 30, 2017**

**COMPLETED PROJECTS**

	CFP114	CFP115	Total
Funds Approved	\$ 114,714	\$ 204,789	\$ 319,503
Funds Expended	<u>114,714</u>	<u>204,789</u>	<u>319,503</u>
Excess (Deficit) of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Pending HUD Approval as of 3/28/2018

**Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Members of the Board of Commissioners of the  
Housing Authority of the City of Livermore  
Livermore, California

We have audited, in accordance with auditing standards generally accepted in 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 governmental activities, the business-type activities, each major fund of the Housing Authority of the City of Livermore (the Authority), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 16, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*JRB Accountancy*

Hayward, California  
January 16, 2018

Pending HUD Approval as of 1/16/2018

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Members of the Board of Commissioners of the  
Housing Authority of the City of Livermore  
Livermore, California

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

We have audited the Housing Authority of the City of Livermore's (The Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority'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 on the Authority's compliance.

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

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2017.

### ***Report on Internal Control over Compliance***

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*JRB Accountancy*

Hayward, California  
January 16, 2018

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2017

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

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**Financial Statements**

Type of auditor's report issued on the basic financial statements of the Authority: Unmodified opinion.

Internal control over financial reporting:

- ◆ Material Weakness(es) identified? No
- ◆ Reportable condition(s) identified that are not considered to be material Weaknesses? No

Noncompliance material to the financial statements noted? No

**Federal Awards**

Internal control over major programs:

- ◆ Material Weakness(es) identified? No
- ◆ Reportable condition(s) identified that are not considered to be material Weaknesses? No

Type of auditor's report issued on compliance for major programs: Unmodified opinion.

Any audit findings disclosed that are required to be reported as required by the Uniform Guidance? None

Identification of major programs? U.S. Department of Housing and Urban Development  
 Section 8 Housing Choice Vouchers -CFDA Number 14.871

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes

Pending HUD Approval as of 3/28/2018

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2017

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**Section II**  
**Financial Statement Findings**

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None

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**Section III**  
**Federal Award Findings and Questioned Costs**

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None

Pending HUD Approval as of 3/28/2018

**HOUSING AUTHORITY OF THE CITY OF LIVERMORE**  
Status of Prior Year Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2017

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There were no findings in the prior year.

Pending HUD Approval as of 3/28/2018