

# AGENDA

## BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE COUNTY OF MERCED

Quarterly Meeting  
Tuesday, July 19, 2016  
5:30 p.m.

**Closed session immediately following**

Housing Authority of the County of Merced  
Administration Building  
405 "U" Street  
Board Room – Building B (Second Floor)  
Merced, CA 95341  
(209) 386-4139

Rachel Torres, Chairperson  
Jose Resendez, Vice-Chair  
Lyle Davis  
Jose Delgadillo  
Evelyn Dorsey  
Rick Osorio  
Margaret Pia

**All persons requesting disability related modifications or accommodations may contact the Housing Authority of the County of Merced at (209) 386-4139, 72 hours prior to the public meeting.**

All supporting documentation is available for public review in the office of the Administrative Assistant located in the Housing Authority Administration Building, Second Floor, 405 "U" Street, Merced, CA 95341 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday.

The Agenda is available online at [www.merced-pha.com](http://www.merced-pha.com)

**Use of cell phones, pagers, and other communication devices is prohibited while the Board Meeting is in session. Please turn all devices off or place on silent alert and leave the room to use.**

**I. CALL TO ORDER AND ROLL**

**II. COMMISSIONER and/or AGENCY ADDITIONS/DELETIONS TO THE AGENDA**

(M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

**III. APPROVAL OF THE FOLLOWING MEETING MINUTES:**

A. June 21, 2016 Regular Meeting

(M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

**IV. UNSCHEDULED ORAL COMMUNICATION**

**NOTICE TO THE PUBLIC**

This portion of the meeting is set aside for members of the public to comment on any item within the jurisdiction of the Commission, but not appearing on the agenda. Items presented under public comment may not be discussed or acted upon by the Commission at this time.

For items appearing on the agenda, the public is invited to comment at the time the item is called for consideration by the Commission. Any person addressing the Commission under Public Comment will be limited to a 5-minute presentation.

All persons addressing the Commission are requested to state their name and address for the record.

**V. CONSENT CALENDAR:**

A. Rent Delinquency Report for June 2016

B. Financial Reports for June 2016

(M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

**VI. BUSINESS (INFORMATION AND DISCUSSION, RESOLUTION and ACTION ITEMS):**

A. Information/Discussion Item(s):

- 1.) FSS Graduate Presentation – Charlene Cardenas
- 2.) RD Property Transfer Update – Emily Haden
- 3.) Financial Audit 2015 – John Daugherty
- 4.) Department Reviews (provided in Board packet)
- 5.) Director’s Updates

B. Resolution Item(s):

- 1.) **Resolution No. 2016-13:** Approving repayment of loan balance of the Housing Enable by Local Partnerships (HELP) Program Loan #080101-05.

(M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

- 2.) **Resolution No. 2016-14:** Approving entering into agreement with Merced The Grove, L.P. for repayment of loan of the Housing Enable by Local Partnerships (HELP) program loan.

(M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

- 3.) **Resolution No. 2016-15:** Approving the award of construction contract for driveway and walkway replacement in Dos Palos and authorizing the Executive Director to sign the agreement.

(M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

C. Action Item(s):

- 1.) **Action Item No. 2016-A-02:** Recommendation to deny application for leave to file a late claim.

(M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

- 2.) **Action Item No. 2016-A-03:** Recommendation to deny tort claim.

(M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

**VII. COMMISSIONER'S COMMENTS**

**VIII. CLOSED SESSION ITEM(S):** None

**IX. ADJOURNMENT**

# MINUTES

## BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE COUNTY OF MERCED

Regular Meeting  
Tuesday, June 21, 2016

- I. The meeting was called to order by Chairperson Torres at 5:30 p.m. and the Secretary was instructed to call the roll.

**Commissioners Present:**

Rachel Torres, Chairperson  
Jose Resendez, Vice-Chair  
Lyle Davis  
Jose Delgadillo  
Evelyne Dorsey  
Rick Osorio

**Commissioners Absent:**

None

Chairperson Torres declared there was a quorum present.

**Staff Present:**

Rennise Ferrario, Executive Director/Board Secretary  
John Daugherty, Finance Officer  
Gina Thexton, Director of Housing Programs  
Blanca Arrate, Director of Housing Programs  
Maria F. Alvarado, Executive Assistant  
Emily Haden, Legal Counsel

**Others Present:**

Supervisor Jerry O'Banion, Merced County Board of Supervisors  
Christina Alley, Central Valley Coalition for Affordable Housing

II. **COMMISSIONER and/or AGENCY ADDITIONS/DELETIONS TO THE AGENDA:**

None

(M/S/C): Commissioner Pia/Commissioner Delgadillo/passed unanimously

III. **APPROVAL OF THE FOLLOWING MEETING MINUTES:**

A. May 17, 2016, Regular Meeting

(M/S/C): Commissioner Resendez/Commissioner Pia/ Commissioner Davis abstained

IV. **PUBLIC HEARING: PUBLIC HOUSING AGENCY ANNUAL PLAN, ACOP AND ADMINISTRATIVE PLAN CHANGES**

The Public Hearing opened at 5:31 p.m., there being no comments or concerns, the Public Hearing closed at 5:32 p.m.

**V. UNSCHEDULED ORAL COMMUNICATION:**

County Supervisor Jerry O'Banion was in attendance to commemorate Commissioner Lyle Davis for his six years of service to the Board of Commissioner of the Housing Authority of the County of Merced.

**VI. CONSENT CALENDAR:**

**A. Rent Delinquency Report for May 2016**

**B. Financial Reports for May 2016**

(M/S/C): Commissioner Delgadillo/Commissioner Resendez/passed unanimously

**VII. BUSINESS (INFORMATION AND DISCUSSION, RESOLUTION and ACTION ITEMS):**

**A. Information/discussion Item(s):**

- 1.) Agency/Department Updates – Executive Director Ferrario provided the following updates:
  - a. All Migrant Centers are now open and fully lease with the exception of Felix Torres Seasonal.
  - b. Staff Updates:
    - i. Blanca Arrate is now the Director of Housing Programs for Public Housing and Migrant and will provide the monthly updates at the Board meetings.
    - ii. Gina Thexton is now the Director of the Housing Choice Voucher Program and will provide the monthly updates at the Board meetings.
    - iii. There is a new center manager at Felix Torres Year Round.
    - iv. Interviews for the Finance Officer position were held yesterday and there is one more candidate interviewing June 27, 2016.
  - c. Special Programs:
    - i. The agency has been awarded 11 additional VASH vouchers which brings the total to 66.
  - d. Staff is focused on the Compliance Review which is coming up in July.
  - e. The Board will be reviewing the PHA Annual Plan, revisions to the ACOP and Admin Plan, Procurement Policy and the Accounting Policies and Procedures Guidebook later on in this meeting.
  - f. A special meeting will be held next week to pass a resolution regarding the HELP Loan. It is recommended that the loan note be paid.
  - g. Christina Alley from Central Valley Coalition for Affordable Housing provided an update on the Gateway II Project.

**B. Resolutions Item(s):**

- 1.) **Resolution No. 2016-04:** Awarding contract for roof replacement of six (6) residential buildings in Project 23-02, Merced to STW Construction.

(M/S/C): Commissioner Osorio/Commissioner Resendez/passed unanimously

- 2.) **Resolution No. 2016-05:** Approving the 2015-2016 Fiscal Year Rehabilitation contract between the State of California Department of Housing and Community Development and the HACM Contract 15-OMS-15047 for rehabilitation for the Merced Migrant Center.

(M/S/C): Commissioner Delgadillo/Commissioner Pia/passed unanimously

- 3.) **Resolution No. 2016-06:** Approving updating the Housing Authority of the County of Merced Procurement Policy

(M/S/C): Commissioner Osorio/Commissioner Pia/passed unanimously

- 4.) **Resolution No. 2016-07:** Approving the PHA Operational Budget for Fiscal Year 2016-2017.

(M/S/C): Commissioner Pia/Commissioner Resendez/passed unanimously

- 5.) **Resolution No. 2016-08:** Approving the Housing Authority of the County of Merced Accounting Policies and Procedures Guidebook.

(M/S/C): Commissioner Delgadillo/Commissioner Dorsey/passed unanimously

- 6.) **Resolution No. 2016-09:** Approving the PHA Annual Plan FY 2016 for submission to HUD.

(M/S/C): Commissioner Pia/Commissioner Delgadillo/passed unanimously

- 7.) **Resolution No. 2016-10:** Approving the revisions to the Public Housing Admissions and Continued Occupancy Policy (ACOP).

(M/S/C): Commissioner Resendez/Commissioner Dorsey/passed unanimously

- 8.) **Resolution No. 2016-11:** Approving the revisions to the Housing Choice Voucher Administrative Plan.

(M/S/C): Commissioner Pia/Commissioner Resendez/passed unanimously

- 9.) **Resolution No. 2016-12:** Recognizing, commending and thanking Commissioner Lyle Davis for six years of outstanding service to the Housing Authority of the County of Merced.

(M/S/C): Commissioner Delgadillo/Commissioner Resendez/passed unanimously

C. Action Item(s):

None

**VIII. COMMISSIONER'S COMMENTS:**

None

**IX. CLOSED SESSION ITEM(S):**

None

**X. ADJOURNMENT**

There being no further business to discuss, the meeting was adjourned at 6:36 p.m.

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Chairperson Signature / Date

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Secretary Signature/ Date

## PHAS Tracking Summary Fiscal Year Ending 09/30/16

Indicators		Estimated Status at End of Month											
		Performance Scoring	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Sub-Indicator #1													
Lease Up Days		2	3	3	3	8	8	9	53	98			
Average Lease Up Days		0	0	0	0	0	0	0	1	2			
Make Ready Time		45	74	111	128	136	203	257	269	274			
Average Make Ready Days		6	7	7	8	6	7	8	7	7			
Down Days		4	7	8	8	8	13	16	31	31			
Average Down Days		1	1	1	1	0	0	1	1	1			
Total # Vacant Units Turned		7	11	16	17	24	31	34	39	41			
Total # Turn Around Days		51	84	122	139	152	219	275	339	403			
Average Turn Around Days (To Date)	A = 0-20 B = 21-25 C = 26-30 D = 31-40 F = more than 50	7	8	8	8	7	7	8	9	10			

% Emergency Work Orders Abated W/in 24 hours	A = 99% B=98% C=97% D=96% E=95% F= less than 95%	0%	0%	0%	0%	0%	0%	0%	0%	73%	58%		
Average # days to complete Non-Emergency Work Orders	A = 25 days or less B=26-360 C=31-40 D=41-50 E=51-60 F= greater than 60	9	9	8	8	7	7	7	7	7	12		



**HOUSING AUTHORITY OF THE COUNTY OF MERCED  
TENANTS' DELINQUENT BALANCES**

Jun-16

Project Name	Project #	Total Units	Total # delinquent	Delinquent	Work Orders	Retro Charges	Repay. Agreements	Total Rent	% of Delinq.
Gateway Homes	Proj 1	101	24	28	436	-	1,356	31,097	0.09%
Linda Vista Homes	Proj 2	20	4	245	65	-	-	5,945	4.12%
Cameo Court Homes	Proj 3	15	7	-	518	-	-	5,406	0.00%
Abby Circle Homes	Proj 4	40	5	5	92	-	88	14,408	0.03%
Globe Ave. Homes	Proj 5	30	5	255	-	-	962	7,261	3.51%
Livingston Homes	Proj 6	60	11	595	183	1,169	163	23,973	2.48%
Merced Turnkey Homes	Proj 10	44	8	170	213	-	230	15,741	1.08%
Los Banos Homes	Proj 11	10	2	11	-	-	-	4,676	0.24%
Atwater Homes	Proj 12.A	36	9	33	627	-	215	10,839	0.30%
Winton Homes	Proj 12.B	6	-	-	-	-	-	2,735	0.00%
Dos Palos Homes	Proj 12.C	12	-	-	-	-	-	2,706	0.00%
So. Dos Palos Homes	Proj 12.D	10	2	23	-	-	-	3,212	0.72%
Merced Elderly Complex	Proj 13	28	3	-	112	-	-	6,246	0.00%
Merced 1st Acquisition	Proj 21	1	-	-	-	-	-	390	0.00%
Atwater Acquisition	Proj 23	2	-	-	-	-	-	731	0.00%
AMP 4	Proj 24	6	-	-	-	-	-	1,239	0.00%
		421	80	1,365	2,246	1,169	3,014	136,605	1.00%

Percent Delinquent <b>2016</b>	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
	2.59%	2.57%	1.86%	0.52%	0.93%	1.00%
Percent Delinquent	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16

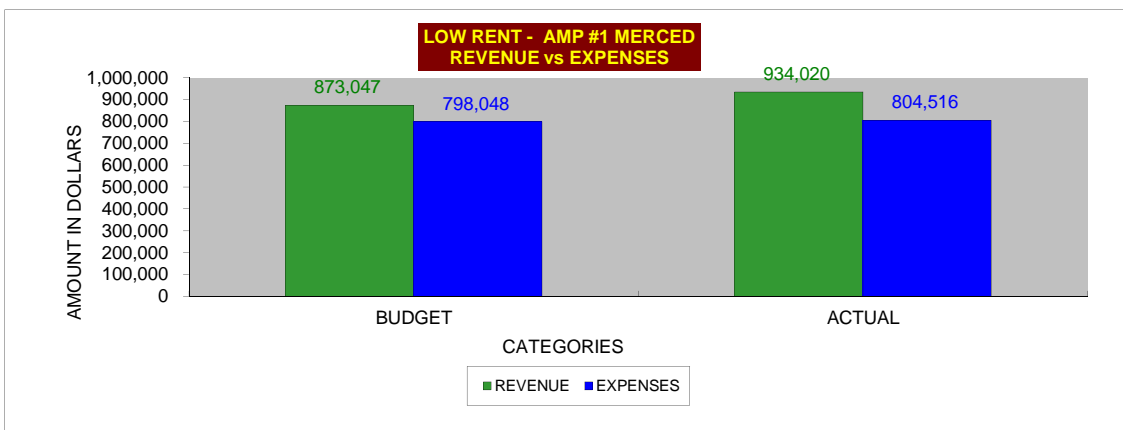
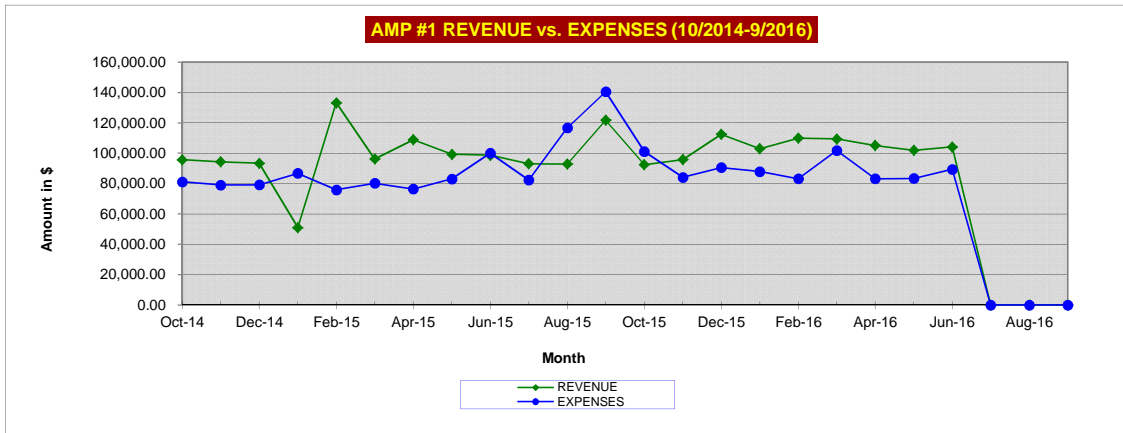
Average  
Delinquency **1.58%**

Percent Delinquent <b>2015</b>	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
	3.15%	3.12%	3.36%	3.34%	2.03%	1.72%
Percent Delinquent	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
	2.81%	4.09%	4.45%	4.85%	4.38%	3.01%

Average  
Delinquency **3.36%**

01-Oct-15

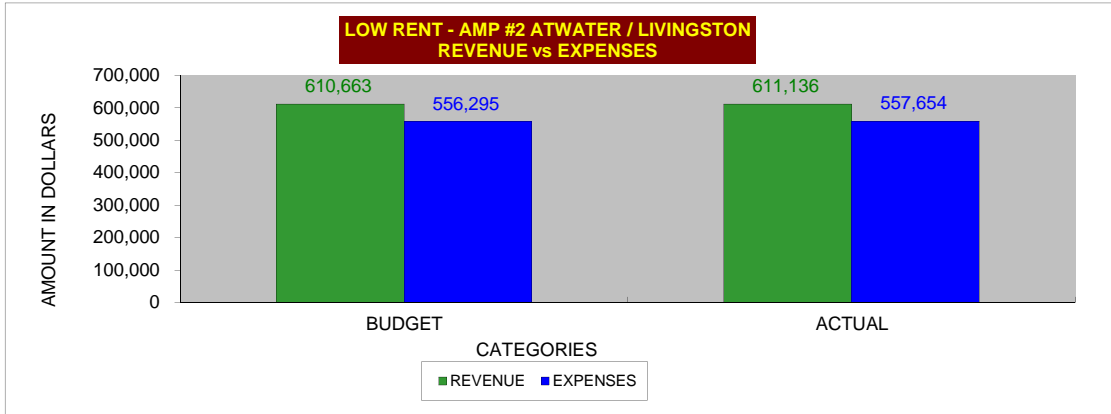
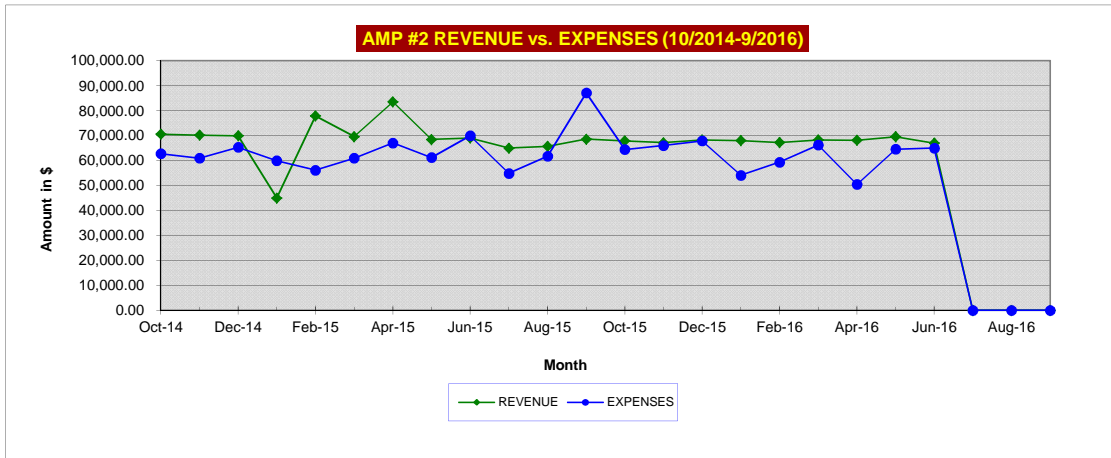
TO: 30-Jun-16



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	450,411	453,168	284.09	285.83
INTEREST	751	0	0.47	0.00
OTHER INCOME	12,762	17,589	8.05	11.09
PFS SUBSIDY	409,123	417,218	258.05	263.15
	<b>873,047</b>	<b>934,020</b>	550.66	589.11
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	267,219	248,477	168.54	156.72
TENANT SERVICES	0	40,800	0.00	25.73
UTILITIES	130,543	130,812	82.34	82.51
MAINT.	223,051	212,974	140.69	134.33
GENERAL	81,674	75,981	51.51	47.92
DEPRECIATION	95,561	95,472	60.27	60.22
EQUITY TRANSFERS	0	0	0.00	0.00
	<b>798,048</b>	<b>804,516</b>	503.35	507.43
NET SURPLUS	74,999	129,504		
NET FROM OPERATIONS	<b>74,999</b>	<b>129,504</b>		
ENDING EQUITY BALANCE	<b>2,333,838</b>	<b>2,279,333</b>		
NET SURPLUS	74,999	129,504		
ADD BACK DEPRECIATION	95,561	95,472		
<b>CASH FLOW</b>	<b>170,560</b>	<b>224,976</b>		

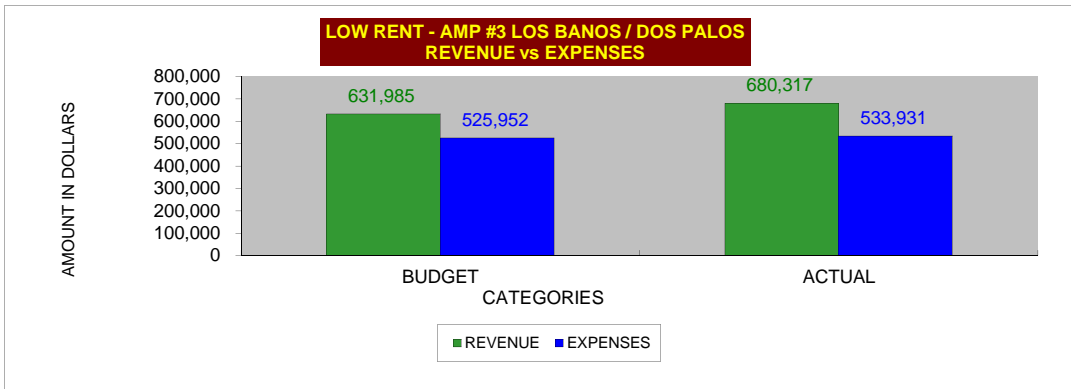
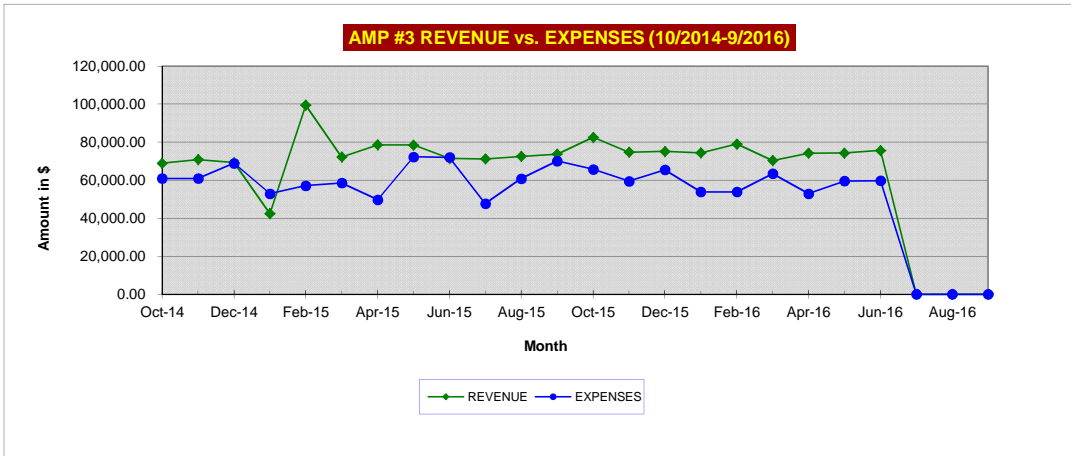
01-Oct-15

TO: 30-Jun-16



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	390,356	384,475	370.37	364.79
INTEREST	1,201	0	1.14	0.00
OTHER INCOME	6,306	9,627	5.98	9.13
PFS SUBSIDY	212,800	217,034	201.91	205.92
	<b>610,663</b>	<b>611,136</b>	579.40	579.84
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	198,070	188,055	187.93	178.43
UTILITIES	107,948	112,381	102.42	106.63
MAINT.	138,297	147,675	131.22	140.11
GENERAL	58,402	56,011	55.41	53.14
DEPRECIATION	53,578	53,532	50.83	50.79
EQUITY TRANSFERS	0	0	0.00	0.00
	<b>556,295</b>	<b>557,654</b>	527.81	529.10
NET SURPLUS	54,368	53,483		
NET FROM OPERATIONS	<b>54,368</b>	<b>53,483</b>		
ENDING EQUITY BALANCE	<b>1,773,720</b>	<b>1,774,605</b>		
NET SURPLUS	54,368	53,483		
ADD BACK DEPRECIATION	53,578	53,532		
CASH FLOW	<b>107,946</b>	<b>107,015</b>		

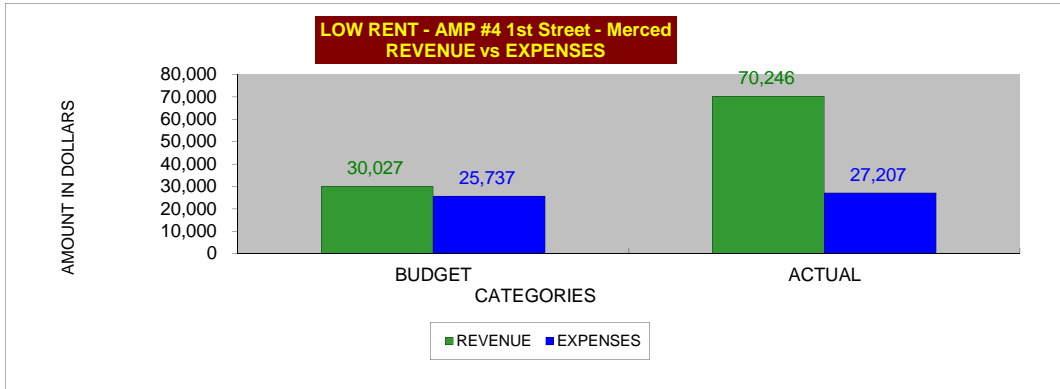
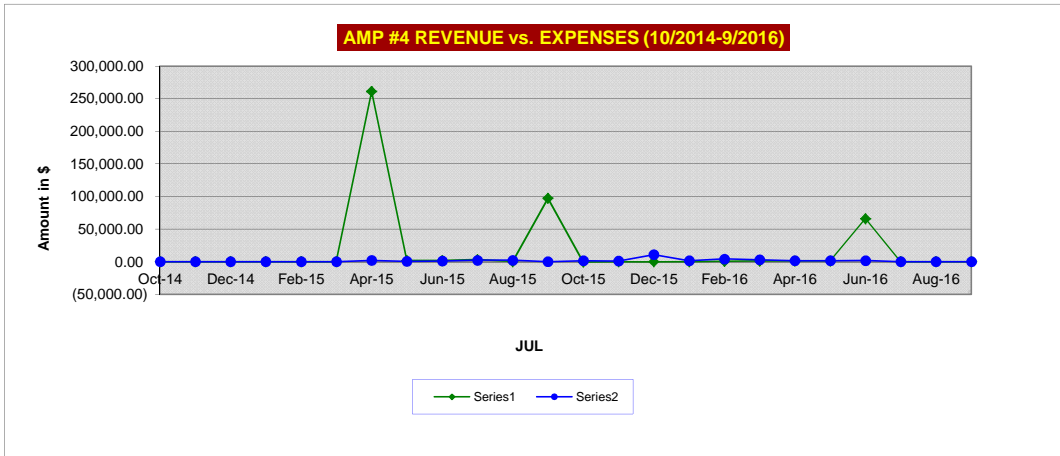
01-Oct-15 TO: 30-Jun-16



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	325,047	354,397	295.77	322.47
INTEREST	450	0	0.41	0.00
OTHER INCOME	12,011	18,773	10.93	17.08
PFS SUBSIDY	294,477	307,148	267.95	279.48
	<b>631,985</b>	<b>680,317</b>	575.06	619.03
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	170,683	168,617	155.31	153.43
UTILITIES	105,997	102,743	96.45	93.49
MAINT.	150,538	168,855	136.98	153.64
GENERAL	54,875	49,895	49.93	45.40
DEPRECIATION	43,859	43,821	39.91	39.87
EQUITY TRANSFERS	0	0	0.00	0.00
	<b>525,952</b>	<b>533,931</b>	478.58	485.83
NET SURPLUS	106,033	146,387		
NET FROM OPERATIONS	<b>106,033</b>	<b>146,387</b>		
ENDING EQUITY BALANCE	<b>1,671,094</b>	<b>1,630,740</b>		
NET SURPLUS	106,033	146,387		
ADD BACK DEPRECIATION	43,859	43,821		
CASH FLOW	<b>149,892</b>	<b>190,208</b>		

01-Oct-15

TO: 30-Jun-16



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	30,027	5,252	952.38	166.58
OTHER INCOME	0	64,994	0.00	2,061.41
PFS SUBSIDY	0	0	0.00	0.00
CFP FUNDS	0	0	0.00	0.00
	<b>30,027</b>	<b>70,246</b>	952.38	2,227.99
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	11,533	4,044	365.79	128.25
UTILITIES	4,354	3,981	138.10	126.25
MAINT.	8,690	18,254	275.62	578.95
GENERAL	1,160	929	36.79	29.47
DEPRECIATION	0	0	0.00	0.00
EQUITY TRANSFERS	0	0	0.00	0.00
	<b>25,737</b>	<b>27,207</b>	816.30	862.92
<b>NET SURPLUS</b>	4,290	43,039		
<b>NET FROM OPERATIONS</b>	<b>4,290</b>	<b>43,039</b>		
<b>ENDING EQUITY BALANCE</b>	<b>849,088</b>	<b>810,340</b>		
<b>NET SURPLUS</b>	4,290	43,039		
<b>ADD BACK DEPRECIATION</b>	0	0		
<b>CASH FLOW</b>	<b>4,290</b>	<b>43,039</b>		

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
 VOUCHER  
 REVENUE & EXPENDITURE STATUS REPORT  
 FISCAL YEAR PERIOD FROM: 10/01/15 TO: 9/30/2016  
 REPORT PERIOD FROM:

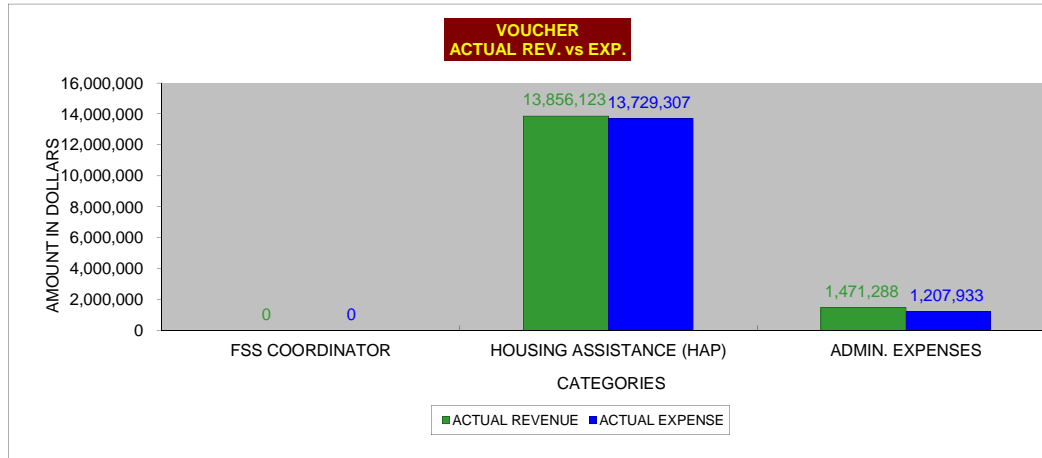
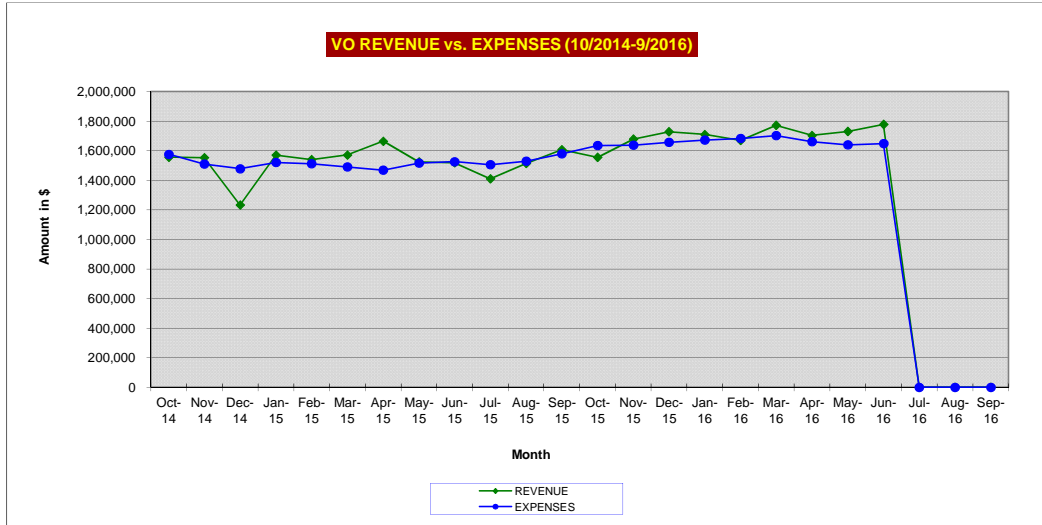
EXPEND. RATE: 75.1%  
 BUDGET # VOUCHER MONTHS: 33,360

YTD VOUCHERS 16,684  
 YTD % 50.0%

01-Oct-15

TO: 30-Jun-16

ACCOUNT CODE      DETAIL      YTD BUDGET      BUDGET      JAN      YTD      BUDGET BALANCE (OVER)/UNDER      % OF REV



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
FSS COORDINATOR	0	0	0.00	0.00
HOUSING ASSISTANCE (HAP)	12,648,784	13,856,123	505.09	553.30
ADMIN. FEES	1,264,560	1,471,288	50.50	58.75
	<b>13,913,344</b>	<b>15,327,411</b>	555.59	612.05

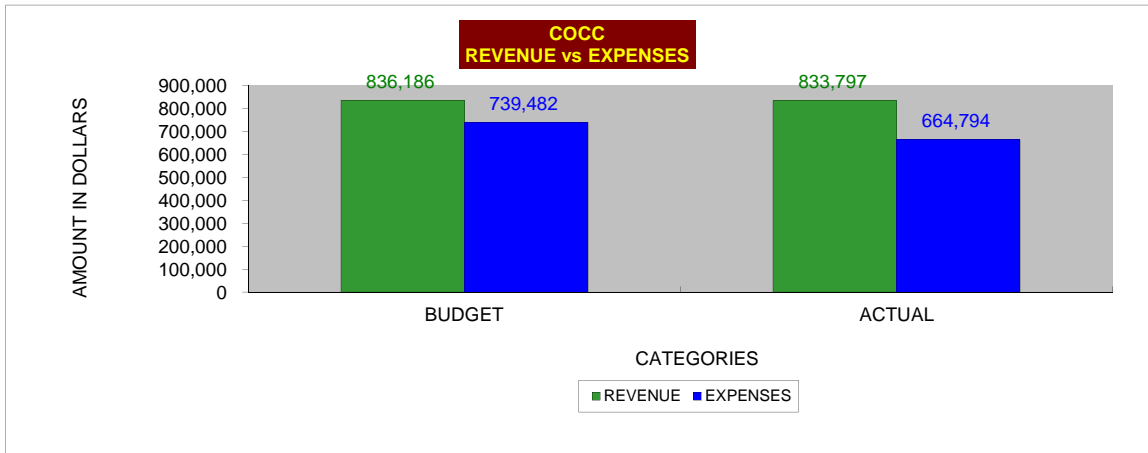
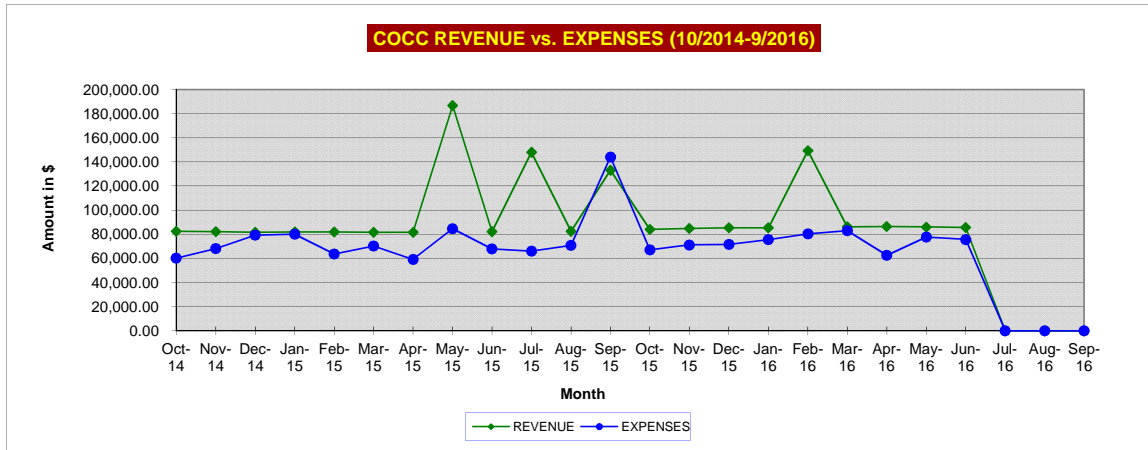
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
FSS COORDINATOR	360	0	0.01	0.00
HOUSING ASSISTANCE (HAP)	12,763,377	13,729,307	509.66	548.23
ADMIN. EXPENSES	1,264,083	1,207,933	50.48	48.23
	<b>14,027,820</b>	<b>14,937,240</b>	560.15	596.46

<b>NET SURPLUS</b>	<b>(114,476)</b>	<b>390,171</b>		
HAP SURPLUS YTD Change	(114,593)	127,780		
ADMIN SURPLUS YTD Change	117	262,391		
<b>HAP SURPLUS BALANCE</b>	<b>(127,122)</b>	<b>115,251</b>		
<b>ADMIN SURPLUS BALANCE</b>	<b>(518,019)</b>	<b>(255,745)</b>		

01-Oct-15

TO: 30-Jun-16



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
INTEREST	0	0	0.00	0.00
OTHER INCOME	0	44	0.00	0.02
MANAGEMENT FEES	751,285	770,455	343.92	352.69
ASSET MANAGEMENT FEES	37,384	0	17.11	0.00
CFP ADMIN FEES	47,517	63,298	21.75	28.98
	<b>836,186</b>	<b>833,797</b>	382.78	381.69
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	644,221	575,192	294.91	263.31
UTILITIES	21,470	23,090	9.83	10.57
MAINT.	29,727	23,191	13.61	10.62
GENERAL	44,064	43,320	20.17	19.83
	<b>739,482</b>	<b>664,794</b>	338.52	304.33
NET SURPLUS	96,704	169,003		
NET FROM OPERATIONS	<b>96,704</b>	<b>169,003</b>		
ENDING RESERVE BALANCE	(193,235)	(120,936)		
NET SURPLUS	96,704	169,003		
ADD BACK DEPRECIATION	0	0		
<b>CASH FLOW</b>	<b>96,704</b>	<b>169,003</b>		

HOUSING AUTHORITY OF THE COUNTY OF MERCED

Langdon

REVENUE & EXPENDITURE STATUS REPORT

FISCAL YEAR PERIOD FROM: 10/01/15 TO: 9/30/2016

REV. RATE: 75.1%

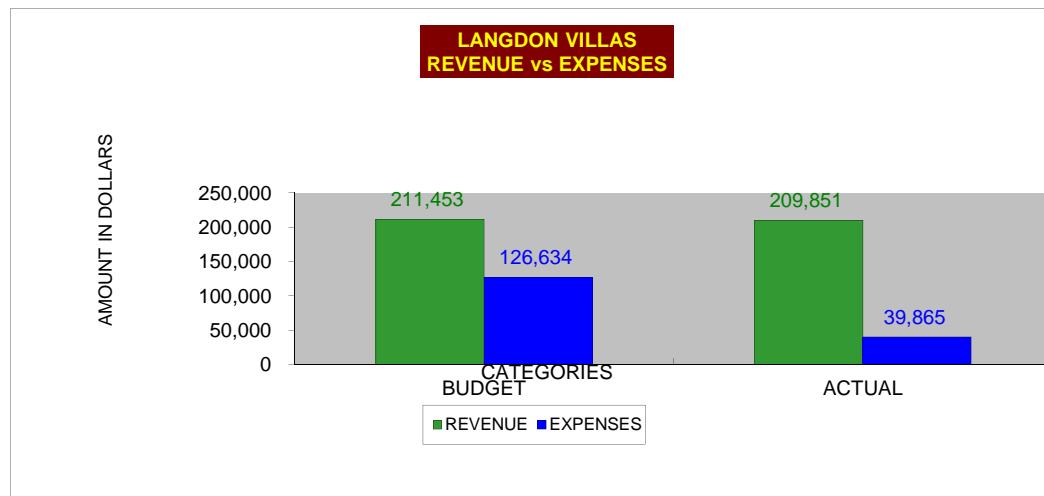
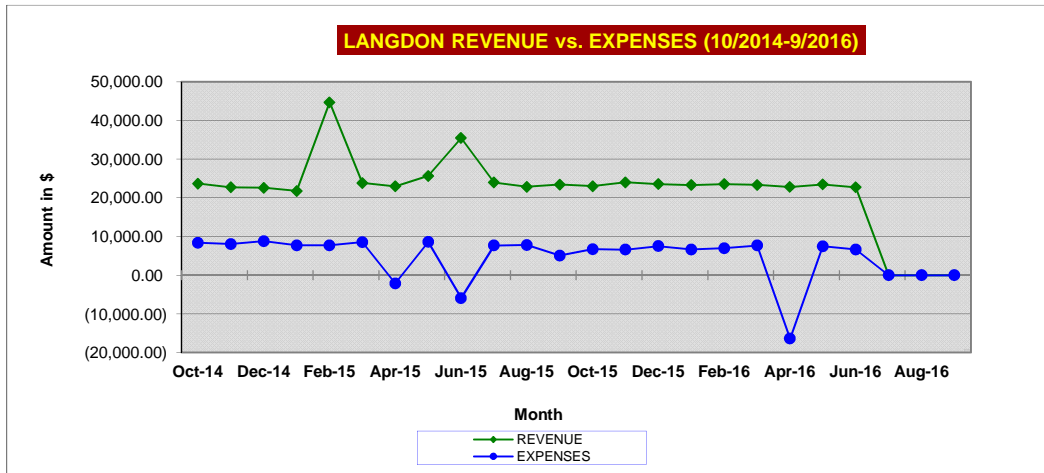
# UNIT/MONTH: 12

REPORT PERIOD FROM:

01-Oct-15

TO:

30-Jun-16



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	34,682	34,650	3,850.04	3,846.49
INTEREST	450	1	49.95	0.09
MANAGEMENT FEES	167,313	167,000	18,573.37	18,538.63
OTHER INCOME	9,008	8,201	999.98	910.36
	<b>211,453</b>	<b>209,851</b>	23,473.34	23,295.57

EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	89,674	27,400	9,954.69	3,041.68
UTILITIES	1,275	992	141.54	110.10
MAINT. & OPER.	1,801	1,401	199.93	155.52
GENERAL	33,884	10,073	3,761.45	1,118.15
	<b>126,634</b>	<b>39,865</b>	14,057.61	4,425.45

<b>NET SURPLUS</b>	<b>84,819</b>	<b>169,986</b>		
<b>ENDING EQUITY BALANCE</b>	<b>9,901,964</b>	<b>9,987,131</b>		



**HOUSING AUTHORITY OF THE COUNTY OF MERCED**

Langdon

**ASSETS, LIABILITIES & FUND EQUITY**

FISCAL YEAR PERIOD FROM: 10/01/15 TO: 9/30/2016

REPORT PERIOD FROM:

01-Oct-15

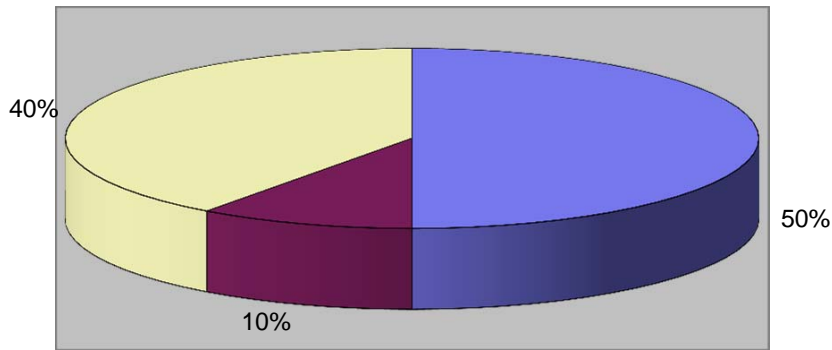
TO:

30-Jun-16

EXPEND. RATE:

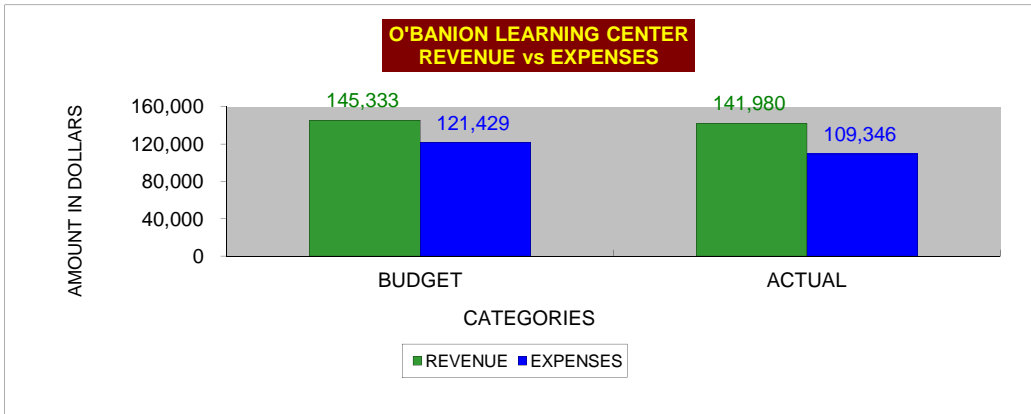
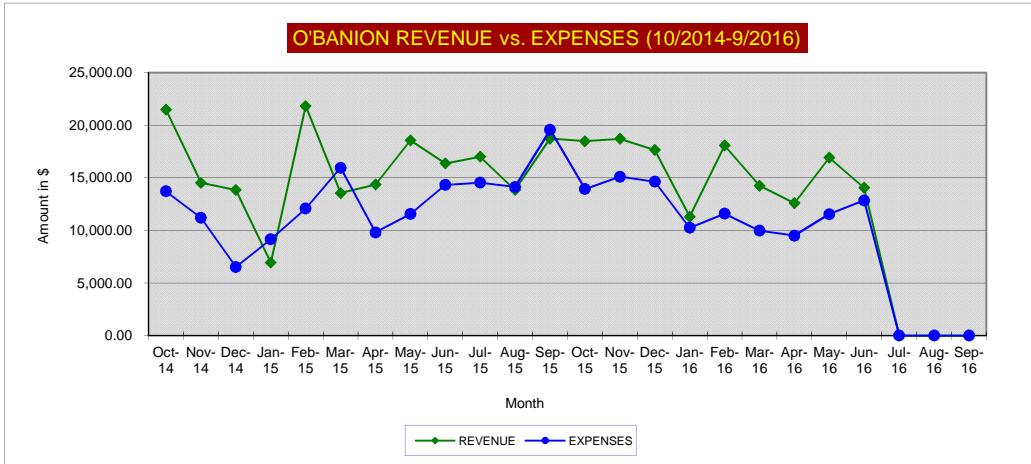
# UNIT/MONTH:

**LANGDON VILLA  
BALANCE SHEET**



■ ASSETS ■ LIABILITIES ■ EQUITY

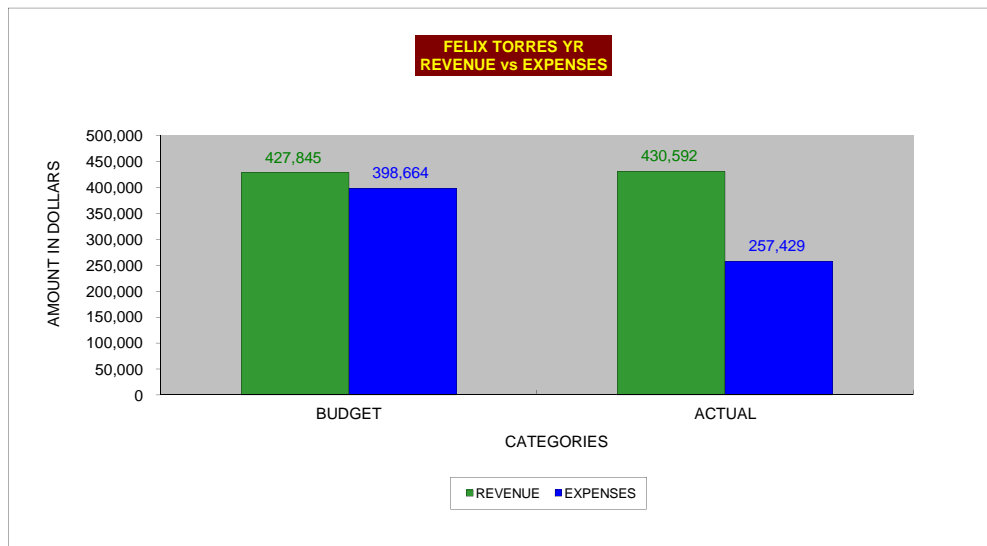
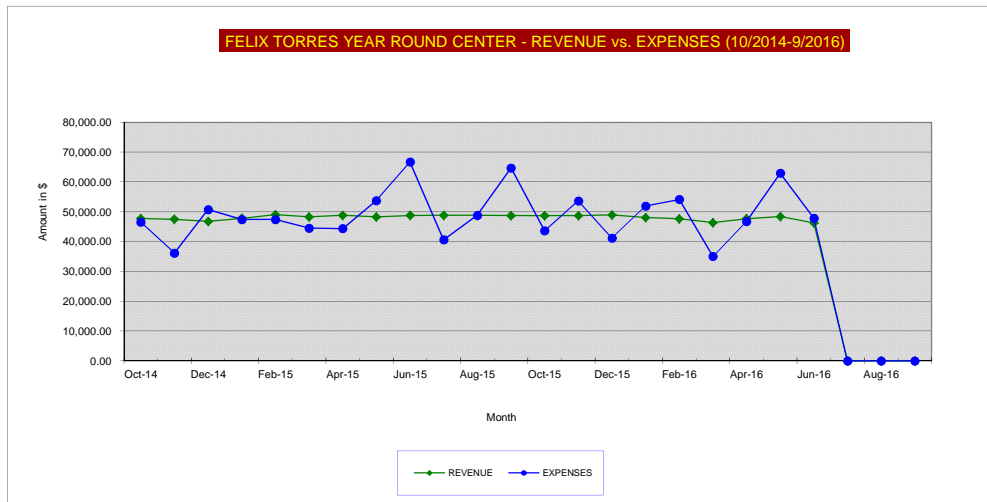
CATEGORIES	ASSETS	LIABILITIES	EQUITY	
CASH	4,294,465			
ACCTS. RECEIVABLE	131			
FIXED ASSETS	128,165			
NOTES RECEIVABLE	988,492			
2nd Trust Deeds	4,343,437			
OTHER L/T ASSETS	2,625,299			
DEFERRED OUTFLOWS	120,881			
ACCOUNTS PAYABLE		19,670		
Other Current Liabilities		127,017		
NOTES PAYABLE		808,492		
Other Non Current Liabilities		1,385,138		
DEFERRED INFLOWS		173,421		
PRIOR YEARS			9,817,145	
CURRENT YEAR			169,987	
EQUITY TRANSFERS			0	
	<b>\$12,500,870</b>	<b>\$2,513,738</b>	<b>\$9,987,132</b>	<b>\$12,500,870</b>
				<b>LIAB. + EQUITY</b>



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
NON-DWELL. RENTS	145,333	141,980	2,688.90	2,626.86
OTHER INCOME	0	0	0.00	0.00
	<b>145,333</b>	<b>141,980</b>	2,688.90	2,626.86
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	15,884	14,456	293.88	267.45
UTILITIES	46,241	36,694	855.53	678.90
MAINT. & OPER.	16,665	16,701	308.33	309.00
GENERAL	2,252	1,148	41.67	21.24
DEPRECIATION	40,387	40,347	747.23	746.48
	<b>121,429</b>	<b>109,346</b>	2,246.64	2,023.07
NET SURPLUS	23,904	32,634		
ENDING EQUITY BALANCE	2,455,623	2,464,353		
ADD BACK DEPRECIATION	40,387	40,347		
CASH FLOW	64,291	72,981		

01-Oct-15

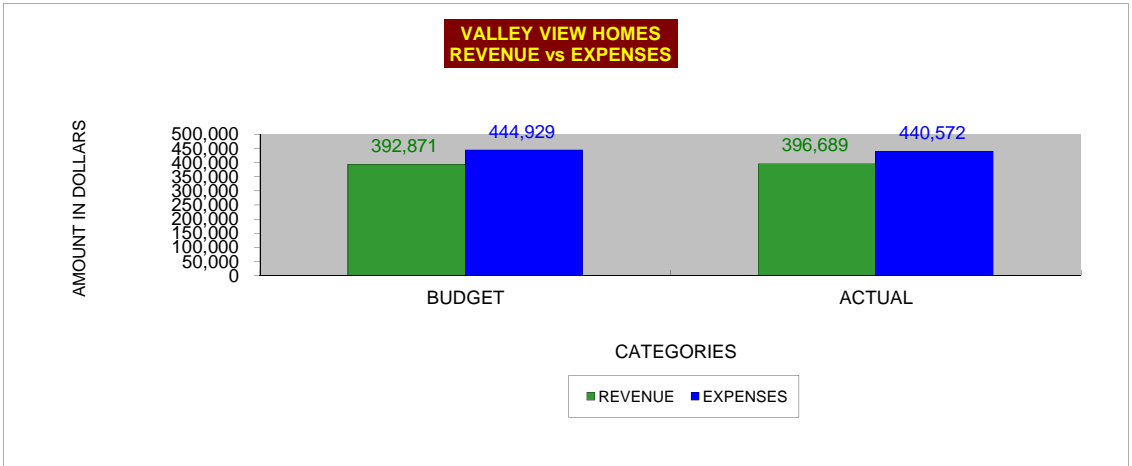
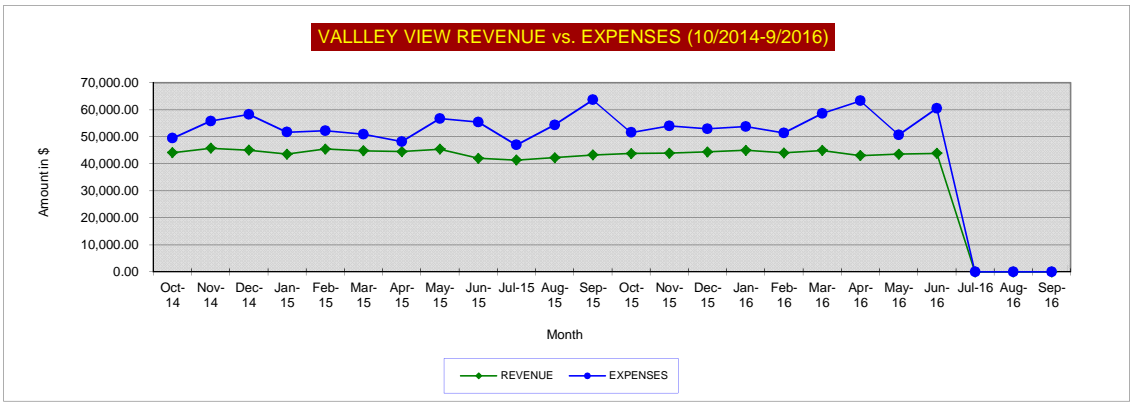
TO: 30-Jun-16



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	425,286	429,537	1,026.32	1,036.58
INTEREST	158	41	0.38	0.10
OTHER INCOME	2,402	1,014	5.80	2.45
	<b>427,845</b>	<b>430,592</b>	1,032.50	1,039.13
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	37,685	57,889	90.94	139.70
UTILITIES	71,466	57,879	172.47	139.68
MAINT.	100,328	66,505	242.12	160.49
GENERAL	36,862	102,604	88.96	247.61
DEPRECIATION	152,323	152,181	367.59	367.25
EQUITY TRANSFERS	0	(179,630)	0.00	(433.49)
	<b>398,664</b>	<b>257,429</b>	962.08	621.24
NET SURPLUS	29,181	173,163		
NET FROM OPERATIONS	29,181	(6,467)		
ENDING EQUITY BALANCE	(135,646)	8,336		
NET SURPLUS	29,181	173,163		
ADD BACK DEPRECIATION	152,323	152,181		
LESS CAPITAL EXPENDITURES	0	0		
<b>CASH FLOW</b>	<b>181,504</b>	<b>325,344</b>		

01-Oct-15

TO: 30-Jun-16



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	383,750	387,458	583.56	589.20
INTEREST	113	0	0.17	0.00
OTHER INCOME	9,008	9,231	13.70	14.04
	<b>392,871</b>	<b>396,689</b>	597.43	603.24
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	92,596	83,893	140.81	127.57
UTILITIES	69,364	76,843	105.48	116.85
MAINT. & OPER.	74,189	77,497	112.82	117.85
GENERAL	34,851	28,567	53.00	43.44
DEPRECIATION	30,417	30,393	46.25	46.22
BOND INTEREST	129,812	129,690	197.40	197.22
BOND REPLACEMENT RESV	13,700	13,689	20.83	20.82
	<b>444,929</b>	<b>440,572</b>	676.59	669.97
<b>NET SURPLUS</b>	<b>(52,058)</b>	<b>(43,883)</b>		
BOND PRINCIPAL	56,301	56,250		
<b>ADJUSTED SURPLUS</b>	<b>(108,359)</b>	<b>(100,133)</b>		
ADD BACK DEPRECIATION	30,417	30,393		
ADD BACK BOND COST AMORT	12,555	12,546		
<b>CASH FLOW</b>	<b>(65,387)</b>	<b>(57,194)</b>		
<b>ENDING EQUITY BALANCE</b>	<b>(2,562,220)</b>	<b>(2,553,993)</b>		

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**

Migrant (.migrant)

REVENUE & EXPENDITURE STATUS REPORT

FISCAL YEAR PERIOD FROM: 07/01/2015 TO: 06/30/2016

REPORT PERIOD

FROM:

01-Jul-15

TO:

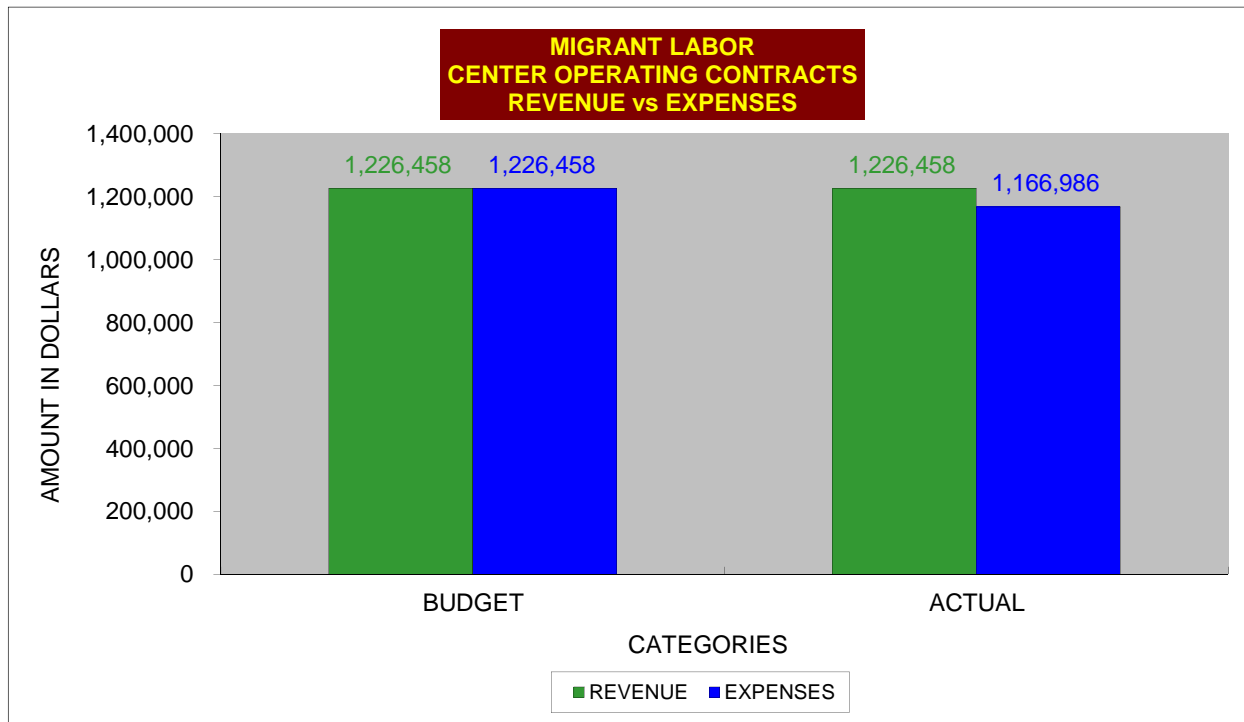
30-Jun-16

EXPEND. RATE:

100.3%

# UNIT/MONTH:

1,548



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
OMS OPERATING	1,226,458	1,226,458	790.12	790.12
	<b>1,226,458</b>	<b>1,226,458</b>	790.12	790.12
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
PERSONNEL	603,319	603,319	388.68	388.68
OPERATIONS	323,073	268,964	208.13	173.27
MAINTENANCE	24,718	21,007	15.92	13.53
ADMINISTRATION	116,409	115,191	74.99	74.21
DEBT SERVICE	158,939	158,505	102.39	102.11
	<b>1,226,458</b>	<b>1,166,986</b>	790.11	751.80
<b>NET SURPLUS</b>	<b>0</b>	<b>59,472</b>		

**HOUSING AUTHORITY OF THE  
COUNTY OF MERCED  
MERCED, CALIFORNIA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015 AND 2014**

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Housing Authority of the County of Merced  
Merced, California

I have audited the accompanying basic financial statements of the Housing Authority of the County of Merced (the Authority), as of and for the years ended September 30, 2015 and 2014 as listed in the table of contents. These financial statements are the responsibility of the Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits 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 I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, I have also issued a report dated June 28, 2016 on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

*Management's Discussion and Analysis* on pages 3 through 8 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information, and accordingly, express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards 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 required by the Department of Housing and Urban Development listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Michael L. Oxenreider  
Certified Public Accountant  
June 28, 2016

# HOUSING AUTHORITY OF THE COUNTY OF MERCED

## Management's Discussion and Analysis

### Year Ended September 30, 2015

This section of the Housing Authority of the County of Merced (the "Authority") annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the Authority's basic financial statements following this section.

#### FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded liabilities at the close of the 2014-2015 fiscal year by \$21,197,165 (*net assets*). Of this amount, \$2,833,512 is restricted for specific use (*restricted net assets*), \$10,915,072 may be used to meet ongoing obligations to citizens and creditors (*unrestricted net assets*), and \$7,448,581 is invested in capital assets, net of related debt.
- The Authority's total net assets decreased by \$2,808,615 during the fiscal year.
- The Authority's total long-term debt decreased by \$1,925,899 in comparison with the prior year.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: (1) **Agency-wide** financial statements and (2) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

#### Agency-wide Financial Statements

The agency-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These statements, which are presented on the accrual basis of accounting, consist of the following:

- The **Statement of Net Assets** presents information on all Authority assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Authority is improving or deteriorating.
- The **Statement of Revenues, Expenses and Changes in Fund Net Assets** presents all of the authority's revenues and expenses on the accrual basis of accounting for the year and shows if the costs incurred are being covered by revenues generated for the year.
- The **Statement of Cash Flows** presents information showing how the Authority's cash and cash equivalents changed during the most recent fiscal year.

#### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the agency-wide financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
**Management's Discussion and Analysis**  
**Year Ended September 30, 2015**

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees.

**Combining Statements**

The combining and individual fund statements and schedules are presented to provide more detailed information about the Authority's significant activities, and not the Authority as a whole. These statements are divided into groupings that are used to maintain control over resources segregated for specific activities or objectives.

**AGENCY-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by \$21,197,165 at the close of the fiscal year ended September 30, 2015.

**STATEMENT OF NET ASSETS**

	<u><b>9/30/2015</b></u>	<u><b>9/30/2014</b></u>
Assets:		
Current assets	\$ 16,432,748	\$ 14,758,038
Capital assets, net	25,686,551	27,225,406
Other non-current assets	6,747,217	6,760,734
Deferred Outflows of Resources	<u>700,002</u>	<u>0</u>
 Total Assets	 <u><u>49,566,518</u></u>	 <u><u>48,744,178</u></u>
Liabilities:		
Current liabilities	2,653,657	3,349,999
Long-term liabilities	24,874,160	21,388,399
Deferred Inflows of Resources	<u>841,536</u>	<u>0</u>
 Total Liabilities	 <u><u>28,369,353</u></u>	 <u><u>24,738,398</u></u>
Net assets:		
Invested in capital assets, net of related debt	7,448,581	7,061,537
Restricted net assets	2,833,512	2,195,044
Unrestricted net assets	<u>10,915,072</u>	<u>14,749,199</u>
 Total Net Assets	 <u><u>21,197,165</u></u>	 <u><u>24,005,780</u></u>
 Total Liabilities & Net Assets	 <u><u>\$ 49,566,518</u></u>	 <u><u>\$ 48,744,178</u></u>

# HOUSING AUTHORITY OF THE COUNTY OF MERCED

## Management's Discussion and Analysis

Year Ended September 30, 2015

### Analysis of Net Assets

The largest portion of the Authority's net assets, unrestricted net assets, \$10,915,072 (52%) may be used to meet the authority's ongoing obligations to citizens and creditors. The restricted net assets, \$2,833,512 (13%), are net assets that have restrictions from outside of the Authority on their use. The remaining balance of net assets \$7,448,581 (35%) reflects its investment in capital assets (e.g. land, buildings and improvements, and furniture and other equipment), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets in its goal to provide quality and affordable housing to the residents of the County; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase in current assets (\$1,674,710) is due to the increase in cash and investment balances (\$929,966), an increase in Account Receivable balances (\$354,418) and an increase in prepaid expenses (\$390,326).

The decrease in capital assets (\$1,538,855) is due to the annual depreciation expense (-\$920,523) and the sale of one property, Planada Village (-\$976,732) partially offset by the addition of construction in progress costs using Replacement Housing Factor Funding in our public housing program (\$358,403).

The decrease in current liabilities (-\$696,342) is due to primarily to the sale of the Planada Village property (-\$858,777) and a reduction in Central Office Cost Center (-\$120,196). These are partially offset by an increases in Public Housing (\$88,044) and Other State/Local Programs (\$193,356).

The increase in long term liabilities (\$3,485,761) is the result of the recognition of Pension Liability required by GASB 68 (\$5,284,318) and additions to OPEB accrued liability (\$150,355) and other non-current liabilities (\$16,236). These are partially offset by the elimination of the mortgage note payable on the sale of the Planada Village property (-\$1,401,732) and other reductions in Long Term Debts reclassified to current portion (-\$563,416).

The increase in Net Assets Invested in Capital Assets (\$387,044) is the result of annual principal payments on long term debt (\$524,167), construction in progress on public housing Replacement Housing Factor grants (\$358,403) and the sale of the Planada Village property (\$425,000) partially offset by the annual of depreciation expense (-\$920,523).

The increase in restricted net assets (\$638,468) is primarily due to the reclassification of restricted cash in Valley View Homes which is part of our State/Local programs (\$732,491), the increase in other restricted cash account balances in the State/Local programs (\$117,578) and an increase in restricted balances other than cash in the State/Local programs (\$263,847) partially offset by a decreases in restricted cash balance in the Planada Village property which was sold (-\$66,040), HAP equity in the housing choice voucher program from HUD (-\$124,691) and a decrease in restricted cash in public housing (-\$29,367).

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
**Management's Discussion and Analysis**  
**Year Ended September 30, 2015**

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

	<u>FYE 9/30/2015</u>	<u>FYE 9/30/2014</u>
Revenues:		
Program revenues:		
Tenant Revenue	\$ 2,960,729	\$ 2,775,094
Operating grants and contributions	23,382,091	24,039,771
General revenues:		
Interest and investment income	11,555	7,960
Other Miscellaneous Revenues	<u>1,434,575</u>	<u>300,495</u>
Total revenues	<u>27,788,950</u>	<u>27,123,320</u>
Expenses:		
Administrative Expenses	2,123,878	2,220,483
Tenant Services	54,738	54,400
Utilities	851,770	907,777
Maintenance & Operations	2,358,010	2,393,548
General Expenses	1,499,888	1,489,583
Other Expenses	<u>17,930,936</u>	<u>19,265,803</u>
Total Expenses	<u>24,819,220</u>	<u>26,331,594</u>
Change in net assets	2,969,730	791,726
Net assets, beginning	24,005,780	23,214,054
Adjustments	<u>-5,778,345</u>	<u>0</u>
Net assets, ending	<u>\$ 21,197,165</u>	<u>\$ 24,005,780</u>

**Analysis of Revenues, Expenses and Changes in Net Assets**

The increase in tenant revenue (\$185,635) is due to the increase in rents from public housing (\$101,162) and the State & Local Properties (\$84,473).

The decrease in operating grant revenue (-\$666,597) comes primarily from two items. A decrease from 2014 to 2015 HAP funding for the HCV program (-\$723,051). This is partially offset by an increase in HCV program Administrative Fees (\$95,330).

The increase in Other Miscellaneous Revenue (\$1,134,080) is due primarily to The gain recognized on the sale of the Planada Village property (\$1,280,622). This is partially offset by Port-In revenue recognized in 2014 versus 2015 in the HCV program (-\$198,801).

The decrease in Administrative Expense (\$96,605) is due to an decrease in salary & benefit costs in 2015 due to an decrease in the recognized cost for CalPERS pension expense.

The decrease in utility expense (-\$56,007) is from decreases in cost for water (-\$20,796) and electricity (-\$25,794) and other utility expense (-\$8,984).

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
**Management's Discussion and Analysis**  
**Year Ended September 30, 2015**

The decrease in other expenses (-\$1,334,867) is due to several items. Decreases in several items including Housing Choice Voucher HAP payments for 2015 (-\$712,612), Port-In voucher HAP expense for 2015 (-\$184,448), extraordinary maintenance expense related to work done under public housing capital funds program (-\$416,973) and finally a reduction in depreciation expense in 2015 (-\$20,834).

The Prior Period Adjustment (-\$5,778,345) is based on the recognition of Net Pension Liability, Deferred Outflows of Resources and Deferred Inflows of Resources, all related to the CalPERS pension, as required by the implementation of GASB 68.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Authority's investment in capital assets, net of accumulated depreciation, as of September 30, 2015, amounted to \$25,686,551. This investment in capital assets includes land, buildings and improvements, furniture and equipment and construction in progress.

Capital assets for the agency-wide activities are presented below to illustrate changes from the prior year:

**Schedule of Capital Assets**

	<u>Authority Wide Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 3,127,913	\$ 3,529,645
Building	55,290,604	56,290,604
Furniture, equipment and Machinery	<u>562,035</u>	<u>562,035</u>
Total cost	58,980,552	60,382,284
Less accumulated depreciation	(33,652,404)	(33,156,878)
Construction in progress	358,403	0
Capital assets, net	<u>\$ 25,686,551</u>	<u>\$ 27,225,406</u>

**Long-term debt**

At September 30, 2015, the Authority had total long-term debt outstanding of \$19,046,462 as compared to \$20,972,361 in the prior year. The decrease in long-term debt (-\$1,925,899) was due to the sale of Planada Village and the elimination of the associated mortgage note payable (-\$1,401,732) and the annual principal payments on the long term notes and bonds (-\$524,167).

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
**Management's Discussion and Analysis**  
**Year Ended September 30, 2015**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The outlook for 2015-2016 appears to be fairly stable at this time. The Authority does not expect any significant increase in the area rental rates. The Authority will continue to complete the sale single family homes under HUD's homeownership program (3 units remain as of September 30, 2015).

Operation of the four migrant centers continues with operating contracts in place from the State of California, Office of Migrant Services.

At this time, the Authority believes that for the 2015-2016 fiscal year its administrative costs in the Housing Choice Voucher Program will be fully covered due to a continued reduction in staffing implemented in prior years for the Housing Choice Voucher Program. We expect to fully utilize the HAP funding provided from HUD.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Housing Authority of the County of Merced - Finance Officer, 405 U Street, Merced CA 95341.

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2015**

**ASSETS**

Current Assets		
Cash - Unrestricted	\$	11,717,130
Cash - Restricted Modernization & Development		1,639,341
Cash - Other Restricted		1,308,854
Cash - Tenant Security		167,764
Total Cash		<u>14,833,089</u>
Receivables		
Accounts Receivable - PHA Projects		286,925
Accounts Receivable - HUD Other Projects		47,119
Accounts Receivable - Other Government		482,437
Accounts Receivable - Miscellaneous		312,968
Accounts Receivable - Tenant Dwelling Rents		82,382
Allowance for Doubtful Accounts - Dwelling Rents		(36,465)
Allowance for Doubtful Accounts - Other		0
Notes , Loans, & Mortgages Receivable - Current		0
Total Receivables		<u>1,175,366</u>
Investments		0
Prepaid Expenses and Other Assets		424,293
Inventories		0
Allowance for Obsolete Inventory		0
TOTAL CURRENT ASSETS		<u>16,432,748</u>
Noncurrent Assets		
Fixed Assets		
Land		3,127,913
Buildings		55,290,604
Furniture, Equipment & Machinery - Administration		562,035
Accumulated Depreciation		(33,652,404)
Construction in Progress		358,403
Total Fixed Assets		<u>25,686,551</u>
Notes, Loans & Mortgages Receivable - Non-current		5,331,929
Other Assets		1,415,288
Total Non-Current Assets		<u>32,433,768</u>
Deferred Outflow of Resources		<u>700,002</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$	<u><u>49,566,518</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.



**HOUSING AUTHORITY OF THE COUNTY OF MERCED  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2015**

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**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Current Liabilities

Accounts Payable, < 90 days	\$ 147,343
Accrued Wage/Payroll Taxes Payable	33,977
Accrued Compensated Absences - Current Portion	174,539
Accrued Interest Payable	357,819
Accounts Payable - HUD PHA Programs	455
Accounts Payable - Other Government	514,862
Tenant Security Deposits	163,610
Deferred Revenues	22,224
Current Portion of Long-term Debt - Capital Projects/ Mortgage Revenue Bonds	563,416
Other Current Liabilities	80,281
Accrued Liabilities - Other	595,131
<b>Total Current Liabilities</b>	<u>2,653,657</u>

Noncurrent Liabilities

Long-term Debt, net of Current - Capital Projects/Mortgage Revenue Bonds	17,674,554
Noncurrent Liabilities - Other	46,327
Accrued Compensated Absences - Noncurrent	174,526
Loan Liability - Noncurrent	808,492
Accrued Pension Liability	5,284,318
Accrued OPEB Liability	885,943
<b>Total Noncurrent Liabilities</b>	<u>24,874,160</u>

**TOTAL LIABILITIES**

27,527,817

Deferred Inflow of Resources

841,536

**NET ASSETS:**

Investments in Capital Assets, Net of Related Debt	<u>7,448,581</u>
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Restricted Net Assets

2,833,512

Unrestricted Net Assets

10,915,072

**TOTAL NET ASSETS**

21,197,165

**TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET ASSETS**

**\$ 49,566,518**

SEE NOTES TO FINANCIAL STATEMENTS.

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Operating Revenues

Operating Subsidy	23,023,688
Rental Income, Net	2,858,383
Miscellaneous	153,953
	26,036,024
Total Operating Revenues	26,036,024

Operating Expenses

Personnel Services	2,583,531
Contractual Services	916,845
Administrative Services	701,584
Utilities	851,770
Materials and Supplies	626,848
Insurance	335,636
Housing Assistance Payments	16,663,493
Miscellaneous	330,096
Depreciation	920,523
	23,930,326

Total Operating Expenses 23,930,326

Operating Income (Loss) 2,105,698

Nonoperating Revenues (Expenses)

Interest Revenue	11,555
Debt Forgiveness	0
Gain on Sale of Fixed Assets	1,280,622
Bond Income Net of Fees	0
Interest Expense	(786,548)
	505,629

Total Nonoperating Revenue and Expenses 505,629

Net Income (Loss) Before Contributions and Transfers 2,611,327

Contributions and Transfers

Capital Contributions	358,403
Transfers In	1,052,783
Transfers Out	(1,052,783)
	358,403

Net Income From Contributions and Transfers 358,403

Change in Net Assets 2,969,730

Net Assets at Beginning of Year 24,005,780  
 Prior Period Adjustments (5,778,345)

Net Assets at End of Year 21,197,165

SEE NOTES TO FINANCIAL STATEMENTS.

**HOUSING AUTHORITY OF THE COUNTY OF MERCED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Cash Flows from Operating Activities:	
Tenant Revenue	\$ 2,516,402
Non - Tenant Revenue	23,177,641
Operating and Maintenance Expense	(24,288,850)
Net Cash Provided (Used) by Operating Activities	<u>1,405,193</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Construction and Capital Assets	(358,403)
Proceeds from Sale of Capital Assets	2,225,610
Collections on Notes Receivable	0
Capital Contributions	358,403
Interest Paid	(786,548)
Net Cash Used by Capital and Related Financing Activities	<u>1,439,062</u>
Cash Flows from Investing Activities	
Purchase of Investments	329,201
Interest on Cash and Investments	11,555
Net Cash Used by Investing Activities	<u>340,756</u>
Cash Flows from Financing Activities	
New Borrowings (Repayment) of Long Term Debt	(1,925,899)
Net Cash Provided by Financing Activities	<u>(1,925,899)</u>
Net Increase (Decrease) in Cash	1,259,112
Cash – Beginning of Year	13,573,977
Cash – End of Year	<u><u>14,833,089</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	2,105,698
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided by Operating Activities:	
Depreciation	920,523
Equity Transfers	(5,778,345)
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts Receivable	(354,473)
Prepaid Expenses and Deferred Charges	(390,326)
Other Assets	(686,485)
Inventory	0
Increase (decrease) in:	
Accounts Payable	(76,814)
Tenant Security Deposits	3,988
Compensated Absences Payable	3,314
Deferred Revenue	12,492
Interest Payable	(807,861)
Other Accrued Liabilities	6,453,482
Net Cash Provided by Operating Activities	<u>\$ 1,405,193</u>

SEE AUDITOR'S REPORT AND NOTES TO FINANCIAL STATEMENTS.

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MERCED, CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** – The Housing Authority of the County of Merced (the “Authority”) is a municipal corporation located in Merced, California and was established under Section 3420 of the California Health and Safety Code as a local agency within the Ralph M. Brown Act of 1937. Public Housing Authorities were authorized by the Federal Housing Act of 1937. Under that authority, the Merced County Housing Authority was incorporated in February 1942 to provide and promote safe and sanitary housing for low-income persons residing in Merced County.

A seven member board of Commissioners appointed by the Merced County Board of Supervisors governs the Authority. The Executive Director is appointed by the Board and is responsible for the daily functions of the Authority.

**Financial Reporting Entity** – The Authority’s financial statements include the accounts of all the Authority’s operations. The criteria for including organizations as component units within the Authority’s reporting entity, as set forth in Section 2100 of Government Accounting Standards Board’s (GASB’s) Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization’s board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit / burden on the Authority
- There is a fiscal dependency by the organization on the Authority

Based on the foregoing criteria, no entities were identified as component units of the Authority.

**Programs Administered by the Authority** – The Authority administers annual contribution contract to provide low-income housing with primary financial support from the U.S. Department of Housing and Urban Development (HUD). Contracts administered by the Authority are as follows:

**Conventional Housing**

The *Conventional Housing Program* is used to account for the operations of the Authority’s own rental housing units subsidized by HUD through annual contributions contract SF-192. The program has 415 dwelling units under management as of September 30, 2015. Transactions related to the Comprehensive Grant Program are included in Conventional Housing Program. The Housing Authority administers a HUD approved 5(h) Home Ownership Program. The program is designed to provide home ownership opportunities to public housing residents and qualifying low-income families in the community.

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MERCED, CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**Housing Choice Voucher Program**

The *Housing Choice Voucher Program* is used to account for the Housing Choice Voucher Program including administration and housing assistance payments under annual contributions contract number CA023VO from HUD. There are 2,780 vouchers authorized and as of September 30, 2015 there were 2,735 units under lease.

**Valley View Housing Program**

The *Valley View Homes Program* accounts for three housing projects owned by the Housing Authority of the County of Merced. They are Midway and Dos Palos Elderly located in the city of Dos Palos, and Atwater Elderly located in the city of Atwater. There are a total of 73 rental units in the three projects. There is a \$3,385,000 Affordable Housing Agency Bond issue (\$2,770,000 outstanding) secured by this project, which will be fully matured on January 1, 2033.

**Other Programs**

The other programs administered by the Authority include the following:

1. The *Migrant Program* accounts for the operations administered by the Authority under funding from the California Department of Housing and Community Development (HCD).
2. The *Felix Torres Year Round Center* accounts for a 50 unit year round farm labor center. The Center is owned and operated by the Housing Authority with Rental Assistance provided by USDA Rural Development. The Center was opened in 2011.
3. The *Langdon Villa Program* accounts for the Authority's Office building and some computer hardware and software. It is also considered the "Local Fund".
4. The *John O'banion Learning Center* houses a child development provider, a health clinic, an adult education resource room and a retail market.
5. The *Merced Commons 1 & 2* are project based, section 8 housing developments. They have a total of 147 units, 76 units in Merced Commons 1 and 71 units in Merced Commons 2. They are managed by a property manager, Winn Residential.
6. The *Oak Terrace* is a market rate apartment complex, acquired in March of 2007. It has a total of 65 units which are administered by the Authority, through a property manager, Winn Residential.

***Basis of Accounting*** – The Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issues on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MERCED, CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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All activities of the Authority are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management a control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are rents collected from tenants and subsidies provided by federal agencies. The Authority also recognized as operating revenue and expenses the portion of interest on bonds and notes related to housing developments of the Authority and its partnerships. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and amortization of bond discounts. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

***Use of Estimates*** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reporting amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from such estimates.

***Cash and cash equivalents*** consist of amounts deposited in checking, money market and investment accounts with an original maturity of three months or less. For purposes of cash flow, cash and cash equivalents include restricted cash.

***Investments*** are carried at cost, which approximates fair market value.

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MERCED, CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**Restricted Cash – FSS Program** consists of amounts deposited under the Family Self-Sufficiency (FSS) program. Under the FSS program, when a tenant’s income increases, instead of decreasing the subsidy amount, the original subsidy continues to be paid and the difference between the original and new subsidy amount is deposited into an escrow account. If the tenant enrolled in the program attains certain target goals, the tenant is awarded money from the escrow account to use for various purposes (e.g. down payments for home purchases).

**Restricted Cash** – Other consists of cash and bond reserve funds that are required to be set aside by third party covenants and Housing Choice Vouchers HAP Equity of \$12,529.

**Land, Structures, and Equipment** is recorded at cost. Non-expendable assets of \$10,000 or more are capitalized and depreciated from the respective place-in-service date. Depreciation is computed on the straight-line method based on the estimated useful lives of the individual assets: 40 years for building and improvements and 5-8 years for equipment. Maintenance and repairs are charged to expense when incurred.

**2. CASH AND INVESTMENTS**

The Authority maintains a cash pool that is available for use by all funds. Included in the cash balance at September 30, 2015 is restricted cash of \$46,327 as required by the U.S. Department of Housing and Urban Development to be set aside for family self sufficient program participants.

Deposits are comprised of the following:

Unrestricted Cash – Wells Fargo Bank	\$11,708,165
Restricted Cash – Wells Fargo Bank	594,288
Unrestricted Cash – West America	0
Restricted Cash – West America	413,460
Restricted Cash – Bank of New York	1,297,677
Merced Commons Cash	100,658
Oak Terrace Cash	35,023
Cash – CHAFA	682,793
Cash on Hand	1,000
	<u>\$ 14,833,089</u>

The Authority also has money market funds in trust accounts with Bank of New York. These funds are held in the Authority’s name for the purpose of making payments on the 2003A and 2007B Multifamily Revenue Bonds. The balance at September 30, 2015 was \$1,297,677 and was included on the Balance Sheet as a part of cash.

The Authority’s deposits are categorized to give an indication of the level of risk assumed by the Authority at year-end. Category 1 includes insured deposits that are insured or collateralized with securities held by the Authority or its agent in the Authority’s name. Category 2 includes uninsured deposits collateralized by securities held by the pledging financial institution’s trust department or agent in the authority’s name. Category 3 include uninsured and uncollateralized deposits including any bank balance that is collateralized with

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MERCED, CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

securities held by the pledging financial institution or by its trust department or agent but not the Authority's name. Uninsured and collateralized deposits are classified into these three categories depending on who holds the collateral security and how they are held.

At September 30, 2015, the Authority's deposits with various financial institutions have a carrying amount of \$14,832,089 and bank value of \$14,832,089.

The Authority's cash management practices are governed by HUD requirements and State of California statutes. These requirements authorize the Authority to invest in banker's acceptances, time certificates of deposit, repurchase agreements, certain commercial paper, obligations of the United States and its agencies and instrumentalities allowed for the California State Treasurer's Local Investment Pool.

Regulations require that amounts on deposit with financial institutions be collateralized at a rate of 100% of amounts in excess of deposit insurance coverage.

The Authority maintains cash balances in excess of the federally insured amount of \$250,000 at various financial institutions. These balances are fully collateralized, with securities pledged and held by the bank, as required by the U.S. Department of Housing and Urban Development.

Balances are presented on the Statement of Net Assets as follows:

Cash	\$ 11,717,130
Restricted Cash, Modernization & Development	1,639,341
Restricted Cash, other	1,308,854
Restricted Cash, Tenant Security Deposits	<u>167,764</u>
Total Cash	<u>\$ 14,833,089</u>

***Custodial Credit Risk*** – is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial risk. As of September 30, 2014, \$11,238,307 of the Authority's bank balance of \$14,833,089 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,480,469
Uninsured and collateral held by a third party bank's trust department not in the Authority's name	<u>9,757,838</u>
Total	<u>\$ 11,238,307</u>



HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MERCED, CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

**3. NOTES RECEIVABLE**

Loans receivable of \$5,331,929 at September 30, 2015, consist of amounts due from former tenants of the Authority for the sale of single family residences. The receivables are derived from home sales under a program whereby the former tenants must provide financing only for the amount the Authority originally paid. The remaining appraised value as of the date of sale is to be paid to the Authority upon sale or refinance of the home.

**4. LAND, STRUCTURES, AND EQUIPMENT**

Land, structures, and equipment consist of the following at September 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 3,529,645	\$ 0	\$ (401,732)	\$ 3,127,913
Buildings	56,290,604	0	(1,000,000)	55,290,604
Furniture & Fixtures	562,035	0	0	562,035
Construction in Progress	<u>0</u>	<u>358,403</u>	<u>0</u>	<u>358,403</u>
Subtotal	60,310,487	358,403	(1,401,732)	60,310,487
Less: Accumulated Depreciation	<u>(33,156,878)</u>	<u>(920,523)</u>	<u>424,997</u>	<u>(33,652,404)</u>
Net Land, structures and equipment	<u>\$ 27,225,406</u>	<u>\$ (562,120)</u>	<u>\$ (976,735)</u>	<u>\$ 25,686,551</u>

**5. LONG TERM DEBT**

The following is a summary of changes in long-term debt for the year ended September 30, 2014:

	Balance 9/30/14	Additions	Deletions	Balance 9/30/15	Due within One year	Due beyond One year
CHFA – HELP	808,492	0	0	808,492	0	808,492
Other:						
Planada Village	1,401,732	0	(1,401,732)	0	0	0
Felix Torres Center	8,194,547	0	(85,662)	8,108,885	86,523	8,022,362
Valley View Homes	2,855,000	0	(80,000)	2,775,000	90,000	2,685,000
Oak Terrace	3,335,000	0	(85,000)	3,250,000	85,000	3,165,000
Merced Commons	<u>4,377,589</u>	<u>0</u>	<u>(273,505)</u>	<u>4,104,084</u>	<u>301,893</u>	<u>3,802,191</u>
Totals	<u>\$20,972,360</u>	<u>\$ 0</u>	<u>\$ (667,650)</u>	<u>\$19,046,461</u>	<u>\$ 563,416</u>	<u>\$18,483,045</u>

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
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**CHFA – HELP Loan** - In February 2002, the Authority obtained a Housing Enabled by Local Partnership (HELP) loan facility from the California Housing Finance Authority (CHFA) amounting to \$ 1,500,000, to be used in providing financing assistance in the construction of The Grove Project, a 204-unit multifamily rental complex. Under the terms of the loan agreement, interest in funds availed will be charged at 3% per year and principal payments will be deferred for ten years, the duration of the loan.

**Valley View Homes** – In 2003, the Authority approved the borrowing of \$3,385,000 in Affordable Housing Agency Multifamily Housing Pool Revenue Bonds for the purpose of refinancing and rehabilitating the Midway, Dos Palos Elderly, and Atwater Elderly housing projects. The proceeds of the bonds issuance were used to pay off the notes payable to the Farmers Home Administration (FmHA). The expected future principal retirements are as follows:

Year ending September 30:

2016	\$ 90,000
2017	95,000
2018	100,000
2019	105,000
2020	110,000
2021 – 2024	495,000
2025 – 2029	725,000
2030 – 2033	<u>1,055,000</u>
Totals	<u>\$ 2,775,000</u>

**Planada Village** - \$1,401,732 note payable dated June 3, 1996, to the State of California Department of Housing and Community Development, bearing interest at 3% per annum. The note was created upon the sale of the Planada Village Farm Labor Center to the Authority from the State of California. No interest or principal has been paid on the note due to insufficient cash flow being generated by the Project. A new Project is being constructed to take the place of this existing project (see the Felix Torres Year Round Center footnote below).

This project was sold on December 28, 2014.

**Felix Torres Year Round** – \$3.5 million dollar loan from the California State Department of Housing and Community Development. The loan proceeds are to be used for construction of a rental housing project for farm workers in the City of Planada. No interest or principal is due on the loan for 30 years from the date of the note (November 21, 2003) at which time the note will be forgiven upon the Authority’s continued compliance with the provisions of the Regulatory Agreement.

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
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SEPTEMBER 30, 2015

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\$3 million dollar loan from the United States Department of Agriculture Rural Development. The purpose of this loan is to complete a major rehabilitation and replacement of an existing Farm Labor Housing project in Planada, California. The loan is to bear the current FLH program interest rate at the time of loan closing or loan approval (1.00%), whichever is less. The interest rate is to be fixed. The term of the loan is to be 33 years, with monthly payments amortized over a term of the loan.

**Merced Commons** – There are four mortgage payables held by CalHFA. Two notes bear interest at 4.5% per annum, one note bears interest at 11.32% per annum and the other bears interest at 8.375% per annum. Future maturities of the notes are as follows:

Year ending September 30:

2016	\$ 301,893
2017	333,301
2018	368,052
2019	406,513
2020	433,131
Thereafter	<u>2,261,194</u>
Total	<u>\$ 4,104,084</u>

**Oak Terrace** – The Series 2007B Bonds were issued by CalAHA to provide funding for a loan to the Authority to finance the acquisition and rehabilitation of an apartment complex, to fund reserves, including deposits to a Loan Reserve Account, and to pay the costs of issuance.

The expected future principal retirements are as follows:

Year ending September 30:

2016	\$ 85,000
2017	90,000
2018	95,000
2019	100,000
2020	105,000
2021 – 2022	220,000
2023 – 2027	650,000
2028 – 2032	835,000
2033 – 2037	<u>1,070,000</u>
Totals	<u>\$ 3,250,000</u>

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MERCED, CALIFORNIA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**6. DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of California Public Employees' Retirement System ("CalPERS") have been determined on the same basis as they are reported by CalPERS. The financial statements were prepared using the accrual basis of accounting. Member and employee contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing CalPERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the Housing Authority's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense. Please note CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications. The Housing Authority has 2 plans implemented; Classic and PEPR.

Governmental Accounting Standards Board ("GASB") Statement no. 68, *Accounting and Financial Reporting for Pensions* requires that pension reported results must pertain to liability and asset information within certain defined timeframes. The pension plan actuarial report as provided by CalPERS utilizes the following timeframes:

- Valuation Date (VD)                      June 30, 2014
- Measurement Date (MD)                  June 30, 2015
- Measurement Period (MP)                July 1, 2014 to June 30, 2015

**Plan Description**

All permanent employees are eligible to participate in the California Public Employees' Retirement System (CalPERS), an agent multi-employer public employee retirement systems that acts as a common investment and administrative agent for participating public entities within the state of California. As of September 30, 2015 the plan had 32 active employee participants and 13 inactive employee participants. The fund provides retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. Employees vest after five years of service and may receive requirement benefits at age 55. These benefit provisions and all other requirements are established by State Statute and County ordinances. Copies of the Fund's annual financial report may be obtained from CalPERS' executive office: 400 P Street, Sacramento, CA 95814.

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**Funding Policy**

The employees have an obligation to contribute 8.0% for the Classic Members and 6.25% for the PEPRAs Members of their annual covered salary to the fund. The Housing Authority is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the CalPERS actuaries and actuarial consultant and adopted by the Board of Administration. The required employer contribution rate for the fiscal year ended September 30, 2015 was 23.546% for Classic through June 30, 2015 then 10.958% for Classic through September 30, 2015 and 6.25% for PEPRAs through June 30, 2015 and 6.237% for PEPRAs through September 30, 2015, of the employees' annual covered payroll. The contribution requirements of the plan members are established by State statute and the employer rate is established and may be amended by CalPERS. This difference in contribution requirements will ultimately lead to overfunding or underfunding of pension plan contributions, as they relate to the net pension liability being reported based on CalPERS actuarial assumptions. However, management believes over time the smoothing of this difference will be insignificant, and will be adjusted through the deferred outflows and inflows of resources being reported annually.

**Annual Pension Cost**

The Housing Authority's annual pension cost for the fund was equal to the Housing Authority's required and actual contributions which were determined as part of the June 30, 2015, 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 7.50% per annum and projected salary increases that vary by length of service. The total increase in any future year includes an assumed 2.75% inflation rate and no across the board or merit increases. The actuarial value of the Housing Authority's assets was determined using a technique that addresses 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 or losses. The plan's unfunded actuarial accrued liability (UAAL) (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

**Contribution Description**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date) the active employee contribution rate was 6.308% of annual pay, and the average employer's contribution rate was 6.250% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make

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necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**Schedule of Employer Contributions**

<b>Classic:</b>	Fiscal Year <u>2015 – 16<sup>1</sup></u>	Fiscal Year <u>2016 – 17</u>
Actuarially Determined Employer Contributions:		
Employer Contributions (in Projected Dollars)		
Plan's Employer Normal Cost	\$ 196,493	\$ 187,305
Plan's Payment on Amortization Bases	<u>358,809</u>	<u>393,840<sup>2</sup></u>
Total Employer Contribution	\$ 555,302	\$ 581,145
Projected Payroll for the Contribution fiscal year	<u>\$1,793,142</u>	<u>\$1,609,944</u>
 Required Employer Contributions (Percentage of Payroll)		
Pool's Base Employer Normal Cost	10.298%	11.008%
Surcharge for Class 1 Benefits <sup>3</sup>		
a) FAC 1	0.660%	0.626%
Phase out of Normal Cost Difference <sup>4</sup>	0.000%	0.000%
Pools Expected Employee Contribution for Formula	<u>7.947%</u>	<u>7.949%</u>
Plan's Total Normal Cost	18.905%	19.583%
Plan's Employee Contribution Rate	<u>7.947%</u>	<u>7.949%</u>
Employer Normal Cost Rate	10.958%	11.634%
 <b>PEPRA:</b>	Fiscal Year	Fiscal Year
	<u>2015 – 16<sup>1</sup></u>	<u>2016 – 17</u>
Actuarially Determined Employer Contributions:		
Employer Contributions (in Projected Dollars)		
Plan's Employer Normal Cost	\$ 0	\$ 8,953
Plan's Payment on Amortization Bases	<u>0</u>	<u>25<sup>2</sup></u>
Total Employer Contribution	\$ 0	\$ 8,978
Projected Payroll for the Contribution fiscal year	<u>\$ 0</u>	<u>\$ 136,595</u>
 Required Employer Contributions (Percentage of Payroll)		
Pool's Base Employer Normal Cost	0.000%	6.492%
Surcharge for Class 1 Benefits <sup>3</sup>		
a) FAC 1	0.000%	0.000%
Phase out of Normal Cost Difference <sup>4</sup>	0.000%	0.000%
Pools Expected Employee Contribution for Formula	<u>0.000%</u>	<u>6.313%</u>
Plan's Total Normal Cost	0.000%	12.805%
Plan's Employee Contribution Rate	<u>0.000%</u>	<u>6.250%</u>
Employer Normal Cost Rate	0.000%	6.555%
 <b>Required Employer Contribution for Fiscal Year 2016-17</b>	<b><u>Classic</u></b>	<b><u>PEPRA</u></b>
Employer Normal Cost Rate <sup>5</sup>	11.634%	6.555%
Plus Monthly Employer Dollar UAL Payment <sup>6</sup>	\$ 32,819.99	\$ 2.10
Annual Lump Sum Prepayment Option	\$ 379,853	\$ 24

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*For Fiscal Year 2016-17 the total minimum required employer contribution is the **sum** of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) **plus** the Employer Unfunded Accrued Liability (UAL) Contribution Amount (in dollars). Whereas in prior years it was possible to prepay total employer contributions for the fiscal year, beginning with Fiscal Year 2015-16 and beyond, only the UAL portion of the employer contribution can be prepaid. Late payments will accrue interest at an annual rate of 10 percent.*

Plan Normal Cost contribution will be made as part of the payroll reporting process. As a percentage of projected payroll your UAL contribution is 24.463 percent for a total Employer Contribution Rate of 36.097 percent for Classic and 0.018 percent for a total Employer Contribution Rate of 6.573 percent for PEPRA.

- <sup>1</sup> The results shown for Fiscal Year 2015-16 reflect the prior year valuation and do not reflect any lump sum payment, side fund payoff or rate adjustment made after annual valuation report is completed.
- <sup>2</sup> The Plan's Payment on Amortization Bases reflects the sum of all UAL amortization bases including the Plan's Side Fund (where applicable).
- <sup>3</sup> Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges for each benefit.
- <sup>4</sup> Risk pooling was implemented for most plans as of June 30, 2003. The normal cost difference was scheduled to be phased out over a five year period. The phase out of normal cost difference is 100 percent for the first year of pooling, and is incrementally reduced by 20 percent of the original normal cost difference for each subsequent year.
- <sup>5</sup> The minimum employer contribution under PEPRA is the greater of the required employer contribution or the total employer normal cost.
- <sup>6</sup> The Plan's Payment on Amortization Bases Contribution amount for Fiscal Year 2016-17 will be billed as a level dollar amount monthly over the course of the year. Lump sum payments may be made through my CalPERS. If you would like to prepay the entire Annual Payment toward your Plan's Unfunded Accrued Liability, you can submit the Annual Lump Sum Prepayment amount against the July Unfunded Accrued Liability receivable. The Annual Lump Sum Prepayment must be received in full on or before July 31. If there is contractual cost sharing or other change, this amount will change. § 20572 of the Public Employees' Retirement Law assesses interest at an annual rate of 10 percent if a contracting agency fails to remit the required contributions when due.

**Schedule of Employer Contributions – Notes to the Table**

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts

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to be separately financed employer-specific liabilities. None of these liabilities have been reported by the Housing Authority in their financial statements as of September 30, 2015.

Change in Assumptions: None.

**Projected Employer Contributions**

The estimated rate for 2017-18 is based on a projection of the most recent information we have available, including an estimated 2.4 percent investment return for Fiscal Year 2014-15.

The table below shows projected employer contribution rates (before cost sharing) for the next five fiscal years, ***assuming CalPERS earns 2.4% for Fiscal Year 2014-15 and 7.50 percent every fiscal year thereafter***, and assuming that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur between now and the beginning of the projection period.

**Classic:**

	Required	Projected Future Employer Contribution Rates				
	<u>Contribution</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Normal Cost %	11.634%	11.6%	11.6%	11.6%	11.6%	11.6%
UAL \$	\$393,840	\$442,277	\$493,266	\$546,916	\$574,740	\$605,068

**PEPRA:**

	Required	Projected Future Employer Contribution Rates				
	<u>Contribution</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
Normal Cost %	6.555%	6.6%	6.6%	6.6%	6.6%	6.6%
UAL \$	\$25	\$53	\$82	\$112	\$145	\$150

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

For the measurement period ending June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 total pension liability and the June 30, 2015 total pension liability were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table <sup>1</sup>	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



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<sup>1</sup> 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 1997-2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained on CalPERS' website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan. However, employers may determine the impact at the plan level for their own financial reporting purposes.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2015, the Housing Authority recorded a liability of \$5,284,318 for our proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2015 and determined by an actuarial valuation as of that date. The Housing Authority's proportionate share of the total net pension liability was based on CalPERS Schedule of Employer Allocation by Rate Plan. At June 30, 2015, the Housing Authority's proportionate share was 0.142571% for Classic and 0.000005% for PEPRA.

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At September 30, 2015, we reported deferred outflows of resources and deferred inflows of resources from the following sources related to CalPERS pension benefits:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:		
Differences Between expected and actual Experience	\$ -	\$ -
Changes of assumptions	-	207,045
Net difference between projected and actual earnings on pension plan investments	21,884	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Difference in Projected and Actual Plan Earnings	530,697	634,491
<b>Total</b>	<b>\$ 552,581</b>	<b>\$ 841,536</b>

\$700,002 reported as deferred outflows of resources reported as deferred contribution pension resulting from contribution subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as collective deferred (inflows)/outflows of resources to be recognized as a reduction to pension expense are as follows by year ending:

Year ending September 30:	
2016	\$ (144,952)
2017	(144,952)
2018	(131,726)
2019	132,674
2020	-
Thereafter	\$ <b>841,536</b>

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	Classic 6/30/2015	PEPRA 06/30/2015 <sup>1</sup>
Plan's Proportion of the Net Pension Liability (Asset)	0.1926135%	0.000001%
Plan's Proportionate share of the Net Pension Liability (Asset)	\$ 5,284,288	\$ 30
Plan's Covered-Employee Payroll <sup>2</sup>	\$ 1,567,451	\$ 142,898
Plan's Proportionate share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	29.66%	0.000007%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	72.83%	95.61%
Plan's Proportionate share of Aggregate Employer Contributions <sup>3,4</sup>	\$ 489,865	\$ 23

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<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earning for the covered group and recalculate the required payroll-related ratios.

<sup>3</sup> The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

<sup>4</sup> This date is not required to be displayed by GASB 68 for employers participating in cost-sharing plans, but it is being shown here because it is used in the calculation of the Plan's pension expense.

Discount Rate Sensitivity

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate 7.50% as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

	Discount Rate -1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate +1% (8.5%)
Classic Plan's Total Normal Cost	24.3%	19.6%	16.0%
Classic Accrued Liability	\$21,057,088	\$18,7239,614	\$16,793,445
Classic Unfunded Accrued Liability	\$7,060,253	\$4,732,779	\$2,796,610
PEPRA Plan's Total Normal Cost	15.7%	12.8%	10.6%
PEPRA Accrued Liability	\$680	\$669	\$668
PEPRA Unfunded Accrued Liability	\$(19)	\$(30)	\$(31)

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

*Plan Description.* The Housing Authority offers postemployment benefits other than the pension benefits described above. Employees who retire with a CalPERS pension are eligible for postretirement medical benefits. Retirees can elect any medical plan offered to the Housing Authority by CalPERS, including spouse or family coverage.

*Funding Policy.* An actuarial report was prepared during a previous year to estimate the annual required contribution (ARC) for the funding and accrual of postemployment benefits under GASB 43 and 45. Per the actuarial report, the ARC of \$185,045 was estimated using a 4.00% discount

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rate. The specific calculation of the ARC and annual OPEB expense for an employer depends on how the employer elects to fund these benefits.

*Annual OPEB Cost and Net OPEB Obligation.* The annual OPEB cost (AOC) equals the ARC, except when the Authority has a net OPEB liability (NOL) at the beginning of the year. In that case, the AOC will equal the ARC plus an amortization of the NOL. At September 30, 2015 the actuarially calculated balance of the NOL is \$869,421.

*Actuarial Methods and Assumptions.* The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime.

## **8. DEFERRED COMPENSATION**

The Authority offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan is available to all permanent employees and permits them to defer a portion of their current salary until future years. Funds under the plan are available to employees upon termination, retirement, or unforeseeable emergencies, and to their estate upon death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, remain solely the property and rights of the Authority, without being restricted to the provisions of the benefits under the plan, subject only to the claim of the Authority's general creditors. Participants' right under the plan are equal to those of general creditors of the Authority in an amount equal to the fair market value of the deferred account for each participant.

The investment account value of the plan amounted to \$1,119,604 as of September 30, 2015, of which \$349,731 is under IRS Code 457. The assets and liabilities of the plan are not recorded on the books of accounts and are not included on the Authority's balance sheet.

## **9. COMMITMENTS AND CONTINGENCIES**

In connection with various Federal and State grant programs, the Authority is obligated to administer the programs in accordance with regulatory restrictions, and is subject to audit by grantor agencies. In cases of noncompliance, the agencies involved may require the Authority to refund program monies. The amount of expenditures which may be disallowed, if any, by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority is contingently liable in connection with claims and contracts arising in the normal course of its activities. The Authority management is of the opinion that the outcome of such matters will not have a material effect on the basic financial statements.

The possibility exists that HUD contributions may decrease in the future. In the event that such contributions were significantly decreased, the Authority would need to seek other funding sources to maintain operations at current level.

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**10. INTERFUND ACTIVITY**

The Authority has the following types of transactions between funds:

- 1) Transfers: Legally required transfers that are reported when incurred as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.
- 2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.
- 3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as "current." Balances for repayment due in two or more years are classified as "noncurrent."

It is the policy of the Authority to eliminate the Interfund balances on the financial statement presentation.

**11. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment of \$5,778,345 represents the implementation of GASB 68.

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Line Item #	Low Rent Public Housing	Housing Choice Voucher Program	Shelter Plus Care	Resident Opportunity & Supportive Services	FSS Grant	State and Local	TOTAL
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash:							
111	6,541,132	893,276	0	0	0	4,282,722	11,717,130
112	0	0	0	0	0	1,639,341	1,639,341
113	0	33,798	0	0	0	1,275,056	1,308,854
114	60,558	0	0	0	0	107,206	167,764
100	<u>6,601,690</u>	<u>927,074</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,304,325</u>	<u>14,833,089</u>
Receivables:							
121	286,925	0	0	0	0	0	286,925
122	0	0	47,064	55	0	0	47,119
124	0	2,324	0	0	0	480,113	482,437
125	726	87,759	0	0	0	224,483	312,968
126	26,588	0	0	0	0	55,794	82,382
126.1	(19,273)	0	0	0	0	(17,192)	(36,465)
126.2	0	0	0	0	0	0	0
127	0	0	0	0	0	0	0
120	<u>294,966</u>	<u>90,083</u>	<u>47,064</u>	<u>55</u>	<u>0</u>	<u>743,198</u>	<u>1,175,366</u>
131	0	0	0	0	0	0	0
132	0	0	0	0	0	0	0
142	388,002	0	0	0	0	36,291	424,293
143	0	0	0	0	0	0	0
143.1	0	0	0	0	0	0	0
144	334,044	0	0	0	0	2,287,682	2,621,726
150	<u>7,618,702</u>	<u>1,017,157</u>	<u>47,064</u>	<u>55</u>	<u>0</u>	<u>10,371,496</u>	<u>19,054,474</u>
<b>NON CURRENT ASSETS</b>							
Fixed Assets:							
161	979,390	0	0	0	0	2,148,523	3,127,913
162	26,826,512	0	0	0	0	28,464,092	55,290,604
164	472,117	68,361	0	0	0	21,557	562,035
166	(25,603,097)	(68,361)	0	0	0	(7,980,946)	(33,652,404)
167	358,403	0	0	0	0	0	358,403
160	<u>3,033,325</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,653,226</u>	<u>25,686,551</u>
171	0	0	0	0	0	5,331,929	5,331,929
174	0	0	0	0	0	1,415,288	1,415,288
180	<u>3,033,325</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,400,443</u>	<u>32,433,768</u>
200	385,541	146,150	0	0	0	168,311	700,002
290	<u>11,037,568</u>	<u>1,163,307</u>	<u>47,064</u>	<u>55</u>	<u>0</u>	<u>39,940,250</u>	<u>52,188,244</u>

SEE AUDITOR'S REPORT

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Line Item #	Low Rent Public Housing	Housing Choice Voucher Program	Shelter Plus Care	Resident Opportunity & Supportive Services	FSS Grant	State and Local	TOTAL
<b>LIABILITIES AND EQUITY:</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
312	Accounts Payable < - 90 Days	62,492	0	0	0	84,851	147,343
321	Accrued Wage/Payroll Taxes Payable	33,977	0	0	0	0	33,977
322	Accrued Compensated Absences Payable - Current Portion	84,318	22,746	0	0	67,475	174,539
325	Accrued Interest Payable	0	0	0	0	357,819	357,819
331	Accounts Payable - HUD PHA Programs	0	455	0	0	0	455
333	Accounts Payable - Other Government	0	0	0	0	514,862	514,862
341	Tenant Security Deposits	60,558	0	0	0	103,052	163,610
342	Deferred Revenues	8,573	0	0	0	13,651	22,224
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	0	0	0	0	563,416	563,416
345	Other Current Liabilities	281	0	0	0	80,000	80,281
346	Accrued Liabilities - Other	506,802	4,393	0	0	83,936	595,131
347	Inter-Program Due To	286,925	0	47,064	55	2,287,682	2,621,726
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>1,043,926</b>	<b>27,594</b>	<b>47,064</b>	<b>55</b>	<b>4,156,744</b>	<b>5,275,383</b>
<b>NONCURRENT LIABILITIES</b>							
351	Long-term Debt, net of Current - Capital Projects/Mortgage Revenue Bonds	0	0	0	0	17,674,554	17,674,554
353	Noncurrent Liabilities - Other	0	46,327	0	0	0	46,327
354	Accrued Compensated Absences Payable - Non Current	84,309	22,746	0	0	67,471	174,526
355	Loan Liability - Non Current	0	0	0	0	808,492	808,492
357-010	Accrued Pension Liability	2,621,686	1,146,983	0	0	1,515,649	5,284,318
357-020	Accrued OPEB Liability	347,948	267,663	0	0	270,332	885,943
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,053,943</b>	<b>1,483,719</b>	<b>0</b>	<b>0</b>	<b>20,336,498</b>	<b>24,874,160</b>
300	<b>TOTAL LIABILITIES</b>	<b>4,097,869</b>	<b>1,511,313</b>	<b>47,064</b>	<b>55</b>	<b>24,493,242</b>	<b>30,149,543</b>
400	<b>Deferred Inflow of Resources</b>	<b>417,508</b>	<b>182,659</b>	<b>0</b>	<b>0</b>	<b>241,369</b>	<b>841,536</b>
<b>EQUITY:</b>							
508.1	Invested In Capital Assets, Net of Related Debt	3,033,325	0	0	0	4,415,256	7,448,581
<b>RESERVED FUND BALANCE</b>							
511.1	Restricted Net Assets	0	(12,529)	0	0	2,846,041	2,833,512
512.1	Unrestricted Net Assets	3,488,866	(518,136)	0	0	7,944,342	10,915,072
513	<b>TOTAL EQUITY / NET ASSETS</b>	<b>6,522,191</b>	<b>(530,665)</b>	<b>0</b>	<b>0</b>	<b>15,205,639</b>	<b>21,197,165</b>
600	<b>TOTAL LIABILITIES AND EQUITY/NET ASSETS</b>	<b>11,037,566</b>	<b>1,163,307</b>	<b>47,064</b>	<b>55</b>	<b>39,940,250</b>	<b>52,188,244</b>

SEE AUDITOR'S REPORT

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
**FINANCIAL DATA SCHEDULE**  
**SEPTEMBER 30, 2015**

Line Item #	Low Rent Public Housing	Housing Choice Voucher Program	Shelter Plus Care	Resident Opportunity & Supportive Services	FSS Grant	State and Local	TOTAL
<b>REVENUE</b>							
70300	Net Tenant Rental Revenue	1,567,315	0	0	0	1,283,275	2,850,590
70400	Tenant Revenue - Other	44,495	0	0	0	65,644	110,139
70500	Total Tenant Revenue	1,611,810	0	0	0	1,348,919	2,960,729
70600	HUD PHA Operating Grants	1,649,971	18,256,992	24,210	0	22,478	19,953,651
70610	Capital Grants	358,403	0	0	0	0	358,403
70800	Other Government Grants	0	0	0	0	3,070,037	3,070,037
71100	Investment Income - Unrestricted	5,573	1,379	0	0	2,570	9,522
71400	Fraud Recovery	0	5,312	0	0	1,000	6,312
71500	Other Revenue	104,828	9	0	0	42,804	147,641
71600	Gain or Loss on Sale of Assets	0	0	0	0	1,280,622	1,280,622
72000	Investment Income - Restricted	0	24	0	0	2,009	2,033
70000	<b>TOTAL REVENUE</b>	<b>3,730,585</b>	<b>18,263,716</b>	<b>24,210</b>	<b>0</b>	<b>5,747,961</b>	<b>27,788,950</b>
<b>EXPENSES</b>							
<b>OPERATING EXPENSES:</b>							
Administrative:							
91100	Administrative Salaries	604,058	381,970	1,861	0	112,483	1,100,372
91200	Auditing Fees	6,000	6,000	0	0	14,600	26,600
91300	Management Fees	0	0	0	0	87,177	87,177
91310	Bookkeeping Fees	0	0	0	0	20,270	20,270
91400	Advertising and Marketing	2,556	646	0	0	1,752	4,954
91500	Employee Benefit Contributions-Administrative	128,237	105,298	0	0	(24,014)	209,521
91600	Other Operating Administrative	220,540	314,353	442	0	61,223	596,558
91700	Legal	62,237	0	0	0	10,833	73,070
91800	Travel	3,801	65	0	0	1,490	5,356
91900	Other	0	0	0	0	0	0
Tenant Services:							
92100	Tenant Services - Salaries	0	0	0	0	0	0
92300	Employee Benefit Contributions - Tenant Services	0	0	0	0	0	0
92400	Tenant Services - Other	527	31,733	0	22,478	0	54,738
Utilities:							
93100	Water	115,264	0	0	0	209,427	324,691
93200	Electricity	44,173	0	0	0	146,447	190,620
93300	Gas	3,023	0	0	0	37,010	40,033
93600	Sewer	0	0	0	0	36,383	36,383
93800	Other Utilities Expense	189,809	0	0	0	70,234	260,043
Ordinary Maintenance & Operation:							
94100	Ordinary Maintenance and Operations - Labor	283,843	0	0	0	554,126	837,969
94200	Ordinary Maintenance and Operations - Materials & Other	187,573	825	0	0	91,530	279,928
94300	Ordinary Maintenance and Operations - Contract Cost	364,275	0	0	0	549,153	913,428
94500	Employee Benefit Contributions - Ordinary Maintenance	70,203	0	0	0	253,065	323,268
95200	Protective Services - Other Contract Services	0	546	0	0	2,163	2,709
95300	Protective Services - Other	0	0	0	0	708	708



HOUSING AUTHORITY OF THE COUNTY OF MERCED  
FINANCIAL DATA SCHEDULE  
SEPTEMBER 30, 2015

Line Item #	Low Rent Public Housing	Housing Choice Voucher Program	Shelter Plus Care	Resident Opportunity & Supportive Services	FSS Grant	State and Local	TOTAL
General Expenses:							
96110	Property Insurance	53,934	6,137	0	0	117,901	177,972
96120	Liability Insurance	8,082	1,953	0	0	3,538	13,573
96130	Workmans Comp Insurance	44,291	9,575	0	0	90,225	144,091
96200	Other General Expenses	76,946	33,805	0	0	52,774	163,525
96300	Payments in Lieu of Taxes	111,833	0	0	0	0	111,833
96400	Bad Debt - Tenants Rent	55,300	0	0	0	47,046	102,346
96600	Bad Debt - Other	0	0	0	0	0	0
96700	Interest Expense	0	0	0	0	786,548	786,548
96800	Severance Expense	0	0	0	0	0	0
96900	Total Operating Expenses	<u>2,636,505</u>	<u>892,906</u>	<u>2,303</u>	<u>0</u>	<u>22,478</u>	<u>6,888,284</u>
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>1,094,080</u>	<u>17,370,810</u>	<u>21,907</u>	<u>0</u>	<u>2,413,869</u>	<u>20,900,666</u>
Other Expenses							
97100	Extra Ordinary Maintenance	346,920	0	0	0	0	346,920
97300	Housing Assistance Payments	7,100	16,634,486	21,907	0	0	16,663,493
97350	HAP Portability In	0	0	0	0	0	0
97400	Depreciation Expense	257,095	0	0	0	663,428	920,523
97500	Fraud Losses	0	0	0	0	0	0
90000	Total Expenses	<u>3,247,620</u>	<u>17,527,392</u>	<u>24,210</u>	<u>0</u>	<u>22,478</u>	<u>24,819,220</u>
100100	Operating Transfers In	847,215	0	0	0	205,568	1,052,783
100200	Operating Transfers Out	<u>(847,215)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(205,568)</u>	<u>(1,052,783)</u>
101000	Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
100000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	482,965	736,324	0	0	1,750,441	2,989,730
<b>MEMO ACCOUNT INFORMATION</b>							
110200	Debt Principal Payment Enterprise Funds	0	0	0	0	524,167	524,167
110300	Beginning Equity	8,293,141	600,095	0	0	15,112,544	24,005,780
110400	Prior Period Adjustments, Equity Transfers and Correction of Errors	(2,253,915)	(1,867,084)	0	0	(1,657,346)	(5,778,345)
111700	Administrative Fee Equity	0	(518,136)	0	0	0	(518,136)
111800	HAP Equity	0	(12,529)	0	0	0	(12,529)
112000	Unit Months Available	4,980	33,000	0	0	4,008	41,988
112100	Number of Unit Months Leased	4,960	32,031	0	0	3,911	40,902

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
ANNUAL CONTRIBUTION CONTRACTS WITH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
RECONCILIATION OF GRANT AND CAPITAL FUNDS ADVANCES WITH COSTS - OWNED HOUSING - SF - 192  
SEPTEMBER 30, 2015

CFDA Number	Contract Numbers	Contract Period	Funds Approved	Prior Years Funds Advanced	Current Year Funds Advanced	To Date Funds Advanced	Remaining Approved Funds	Prior Years Funds Expended	Current Year Funds Expended	To Date Funds Expended	Remaining Funds To Expend
<b>Shelter Plus Care</b>											
14.238	CA1098C9T201100	7/1/12 - 6/30/17	\$ 273,600	\$ -	\$ 1,062	\$ 1,062	\$ 272,538	\$ 23,916	\$ 24,210	\$ 48,126	\$ 225,474
<b>Capital Fund Program</b>											
14.872	CA39R023501-08	6/13/08 - 7/29/15	\$ 43,992	\$ -	\$ 43,992	\$ 43,992	\$ -	\$ -	\$ 43,992	\$ 43,992	\$ -
14.872	CA39R023501-09	9/15/09 - 7/29/15	\$ 1,909	\$ -	\$ 1,909	\$ 1,909	\$ -	\$ -	\$ 1,909	\$ 1,909	\$ -
14.872	CA39R023501-10	7/15/10 - 7/29/15	\$ 111,934	\$ -	\$ 111,934	\$ 111,934	\$ -	\$ -	\$ 111,934	\$ 111,934	\$ -
14.872	CA39P023501-11	7/13/11 - 7/12/15	\$ 662,523	\$ 651,658	\$ -	\$ 651,658	\$ 10,865	\$ 654,085	\$ 8,438	\$ 662,523	\$ -
14.872	CA39R023501-11	7/13/11 - 7/29/15	\$ 1,574	\$ -	\$ 1,574	\$ 1,574	\$ -	\$ -	\$ 1,574	\$ 1,574	\$ -
14.872	CA39R023502-11	7/13/11 - 10/29/17	\$ 91,272	\$ -	\$ -	\$ -	\$ 91,272	\$ -	\$ -	\$ -	\$ 91,272
14.872	CA39P023501-12	7/13/11 - 7/12/15	\$ 658,587	\$ 462,181	\$ -	\$ 462,181	\$ 196,406	\$ 462,181	\$ 76,246	\$ 538,427	\$ 120,160
14.872	CA39R023501-12	7/13/11 - 7/29/15	\$ 63,200	\$ -	\$ 63,200	\$ 63,200	\$ -	\$ -	\$ 63,200	\$ 63,200	\$ -
14.872	CA39R023502-12	7/13/11 - 10/29/17	\$ 3,160	\$ -	\$ -	\$ -	\$ 3,160	\$ -	\$ -	\$ -	\$ 3,160
14.872	CA39P023501-13	7/13/11 - 7/12/15	\$ 632,982	\$ -	\$ 229,332	\$ 229,332	\$ 403,650	\$ -	\$ 328,095	\$ 328,095	\$ 304,887
14.872	CA39R023501-13	7/13/11 - 9/8/15	\$ 60,905	\$ -	\$ 34,743	\$ 34,743	\$ 26,162	\$ -	\$ 60,905	\$ 60,905	\$ -
14.872	CA39R023502-13	7/13/11 - 10/29/17	\$ 31,233	\$ -	\$ -	\$ -	\$ 31,233	\$ -	\$ 31,233	\$ 31,233	\$ -
14.872	CA39P023501-14	5/13/14 - 5/12/16	\$ 662,513	\$ -	\$ -	\$ -	\$ 662,513	\$ -	\$ -	\$ -	\$ 662,513
14.872	CA39R023501-14	5/13/14 - 5/12/16	\$ 61,083	\$ -	\$ -	\$ -	\$ 61,083	\$ -	\$ 12,332	\$ 12,332	\$ 48,751
14.872	CA39R023502-14		\$ 31,324	\$ -	\$ -	\$ -	\$ 31,324	\$ -	\$ 31,324	\$ 31,324	\$ -
14.872	CA39R023502-15	4/13/15 - 4/12/17	\$ 30,913	\$ -	\$ -	\$ -	\$ 30,913	\$ -	\$ -	\$ -	\$ 30,913
<b>Public Housing Operating Fund</b>											
14.850	CA023-00000114D	1/01/14 - 12/31/14	\$ 545,178	\$ 409,831	\$ 135,347	\$ 545,178	\$ -	\$ 409,831	\$ 135,347	\$ 545,178	\$ -
14.850	CA023-00000214D	1/01/14 - 12/31/14	\$ 299,542	\$ 225,177	\$ 74,365	\$ 299,542	\$ -	\$ 225,177	\$ 74,365	\$ 299,542	\$ -
14.850	CA023-00000314D	1/01/14 - 12/31/14	\$ 387,802	\$ 291,525	\$ 96,277	\$ 387,802	\$ -	\$ 291,525	\$ 96,277	\$ 387,802	\$ -
14.850	CA023-00000115D	1/01/15 - 12/31/15	\$ 554,539	\$ -	\$ 416,245	\$ 416,245	\$ 138,294	\$ -	\$ 416,245	\$ 416,245	\$ 138,294
14.850	CA023-00000215D	1/01/15 - 12/31/15	\$ 285,871	\$ -	\$ 214,580	\$ 214,580	\$ 71,291	\$ -	\$ 214,580	\$ 214,580	\$ 71,291
14.850	CA023-00000315D	1/01/15 - 12/31/15	\$ 400,176	\$ -	\$ 300,378	\$ 300,378	\$ 99,798	\$ -	\$ 300,378	\$ 300,378	\$ 99,798
<b>ROSS Grant</b>											
14.896	CA023FSHO69A014	1/1/15 - 12/31/15	\$ 53,946	\$ -	\$ 22,478	\$ 22,478	\$ 31,468	\$ -	\$ 22,478	\$ 22,478	\$ 31,468
<b>TOTALS</b>			\$ 5,949,758	\$ 2,040,372	\$ 1,747,416	\$ 3,787,788	\$ 2,161,970	\$ 2,066,715	\$ 2,055,062	\$ 4,121,777	\$ 1,827,981

SPC	\$ 1,062	\$ 24,210
CFP	\$ 486,684	\$ 771,182
PH	\$ 1,237,192	\$ 1,237,192
ROSS	\$ 22,478	\$ 22,478
	<u>\$ 1,747,416</u>	<u>\$ 2,055,062</u>

SEE AUDITORS REPORT.

**HOUSING AUTHORITY OF THE COUNTY OF MERCED  
COMBINING BALANCE SHEET - OTHER FUNDS - REGULATORY BASIS  
SEPTEMBER 30, 2015**

	Planada Villa	Merced Commons	Migrant	Langdon Villa	J. O'banion Learning Center	Oak Terrace	Felix Torres Year Round	Valley View Homes	Total
<b>ASSETS</b>									
<b>Current assets</b>									
Cash and investments	0	783,451	784,963	3,098,483	739,982	600,207	550,647	746,592	7,304,325
Due from other funds	0	0	0	2,287,682	0	0	0	0	2,287,682
Accounts receivable - Tenants	0	11,651	0	131	0	11,340	9,960	5,520	38,602
Accounts receivable - Others	0	0	469,093	224,483	0	0	0	11,020	704,596
Prepaid expenses and other assets	0	30,225	0	6,562,442	0	6,066	26,667	326,419	6,951,819
<b>Total current assets</b>	<b>0</b>	<b>825,327</b>	<b>1,254,056</b>	<b>12,173,221</b>	<b>739,982</b>	<b>617,613</b>	<b>587,274</b>	<b>1,089,551</b>	<b>17,287,024</b>
Land, structures and equipment	0	9,237,518	0	130,748	1,695,862	3,081,159	7,989,120	518,819	22,653,226
<b>TOTAL ASSETS</b>	<b>0</b>	<b>10,062,845</b>	<b>1,254,056</b>	<b>12,303,969</b>	<b>2,435,844</b>	<b>3,698,772</b>	<b>8,576,394</b>	<b>1,608,370</b>	<b>39,940,250</b>
<b>LIABILITIES AND FUND BALANCE</b>									
<b>Current liabilities</b>									
Account payable	0	23,355	223,428	391	125	21,865	319,546	11,003	599,713
Due to other funds	0	0	80,980	0	0	1,197,499	0	1,009,203	2,287,682
Accrued liabilities	0	61,490	13,995	1,388,697	0	10,504	255,245	219,986	1,949,917
Tenant security deposits	0	29,957	20,900	850	4,000	25,744	7,500	14,101	103,052
Deferred revenues	0	10,215	0	0	0	3,436	0	0	13,651
Interest payable	0	272,250	0	0	0	41,175	0	44,394	357,819
Compensated absences payable	0	0	0	114,973	0	0	15,421	4,552	134,946
<b>Total current liabilities</b>	<b>0</b>	<b>397,267</b>	<b>339,303</b>	<b>1,504,911</b>	<b>4,125</b>	<b>1,300,223</b>	<b>597,712</b>	<b>1,303,239</b>	<b>5,446,780</b>
Long-term debt	0	4,104,085	0	808,492	0	3,255,000	8,108,885	2,770,000	19,046,462
<b>Total liabilities</b>	<b>0</b>	<b>4,501,352</b>	<b>339,303</b>	<b>2,313,403</b>	<b>4,125</b>	<b>4,555,223</b>	<b>8,706,597</b>	<b>4,073,239</b>	<b>24,493,242</b>
Deferred Inflow of Resources	0	0	0	173,421	0	0	38,742	29,206	241,369
Fund Balance	0	5,561,493	914,753	9,817,145	2,431,719	(856,451)	(168,945)	(2,494,075)	15,205,639
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>0</b>	<b>10,062,845</b>	<b>1,254,056</b>	<b>12,303,969</b>	<b>2,435,844</b>	<b>3,698,772</b>	<b>8,576,394</b>	<b>1,608,370</b>	<b>39,940,250</b>

**HOUSING AUTHORITY OF THE COUNTY OF MERCED  
COMBINING STATEMENT OF REVENUES AND EXPENDITURES - OTHER FUNDS - REGULATORY BASIS  
SEPTEMBER 30, 2015**

	Planada Villa	Merced Commons	Migrant	Langdon Villa	J. O'banion Learning Center	Oak Terrace	Felix Torres Year Round	Valley View Homes	Total
<b>REVENUES</b>									
Rent	0	330,904	0	46,210	190,987	356,916	215,416	208,486	1,348,919
Interest	7	1,637	184	2,178	0	66	238	269	4,579
Grant revenues	0	923,201	1,347,059	0	0	102,407	378,383	318,987	3,070,037
Other	0	0	0	265,310	0	0	0	2	265,312
									0
Total revenues	7	1,255,742	1,347,243	313,698	190,987	459,389	594,037	527,744	4,688,847
<b>EXPENDITURES</b>									
Administration	2,435	211,405	127,226	(18,144)	19,401	40,967	45,878	78,154	507,322
Utilities	0	93,965	162,655	933	51,520	38,569	79,003	72,856	499,501
Ordinary maintenance and operations	0	253,159	777,118	1,580	26,174	132,088	135,000	125,626	1,450,745
General	10,159	409,303	155,825	33,319	1,630	177,653	54,586	255,557	1,098,032
Other expenses	0	274,248	0	3,438	53,800	91,641	199,782	40,519	663,428
Other financing sources	(205,568)	0	0	205,568	0	0	0	0	0
Total expenditures	(192,974)	1,242,080	1,222,824	226,694	152,525	480,918	514,249	572,712	4,219,028
									0
Revenue over (under) expenditures	192,981	13,662	124,419	87,004	38,462	(21,529)	79,788	(44,968)	469,819
									0
<b>OTHER CHARGES</b>									
Gain (loss) on disposal of fixed assets	1,280,622	0	0	0	0	0	0	0	1,280,622
									0
<b>NET INCOME (LOSS)</b>	<b>1,473,603</b>	<b>13,662</b>	<b>124,419</b>	<b>87,004</b>	<b>38,462</b>	<b>(21,529)</b>	<b>79,788</b>	<b>(44,968)</b>	<b>1,750,441</b>

**OVERALL COMPLIANCE,  
INTERNAL CONTROLS  
AND  
FEDERAL AWARDS SECTIONS**



**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***

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**Board of Commissioners  
Housing Authority of the County of Merced  
Merced, California**

I have audited the financial statements of the Housing Authority of the County of Merced (the Authority) as of and for the year ended September 30, 2015, and have issued my report thereon dated June 28, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

My 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 deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined previously.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**Michael L. Oxenreider**  
**Certified Public Accountant**  
**June 28, 2016**



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

**Board of Commissioners  
Housing Authority of the County of Merced  
Merced, California**

**Compliance**

I have audited the Housing Authority of the County of Merced's (the Housing Authority) 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 its major federal programs for the year ended September 30, 2015. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority's management. My responsibility is to express an opinion on the Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133*. Those standards and OMB Circular A-133 require that I 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's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Authority's compliance with those requirements.

In my opinion, the Housing Authority of the County of Merced's complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

**Internal Control Over Compliance**

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



A deficiency in internal control over compliance 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 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.

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

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'M. Oxenreider', is positioned above the printed name.

**Michael L. Oxenreider**  
**Certified Public Accountant**  
**June 28, 2016**

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
Merced, California

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Public and Indian Housing - Low Rent Public Housing	14.850a	1,237,192
Housing Choice Rental Voucher Program	14.871	18,256,992
Shelter Plus Care	14.238	24,210
FSS Grant	14.896	22,478
Public Housing Capital Fund Program	14.872	771,182
Total U.S. Department of Housing and Urban Development		\$ 20,312,054

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**

Merced, California

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended September 30, 2015

**Note 1 - General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of the County of Merced, California. The Housing Authority of the County of Merced (the Housing Authority) reporting entity is defined in Note 1 to the Housing Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**Note 2 - Basis of Accounting**

The accompanying schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Housing Authority's basic financial statements.

**Note 3 - Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**

Merced, California

**SCHEDULE OF FINDINGS AND RESPONSES**

Year Ended September 30, 2015

**SECTION 1- SUMMARY OF AUDITOR'S RESULTS**

- 1 The auditor's report expresses an unqualified opinion on the financial statements of the Housing Authority of the County of Merced.
- 2 No instances of significant deficiencies were disclosed during the audit of the financial statements reported in the 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.
- 3 No instances of noncompliance material to the financial statements of the Housing Authority of the County of Merced were disclosed during the audit.
- 4 No instances of significant deficiencies in internal control over major federal award programs disclosed during the audit reported in the 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.
- 5 The auditor's report on compliance for the major federal awards programs for the Housing Authority of the County of Merced expresses an unqualified opinion on all major federal programs.
- 6 Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
- 7 The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Low Rent Public Housing
14.871	Housing Choice Vouchers
14.872	Public Housing Capital Fund Program

- 8 The threshold for distinguishing Type A and B programs was \$300,000.
- 9 The Housing Authority of the County of Merced was determined to be a low-risk auditee.

**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
Year Ended September 30, 2015

**SECTION II - FINANCIAL STATEMENT FINDINGS**

There were no findings for the year ended September 30, 2015.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings for the year ended September 30, 2015.

**HOUSING AUTHORITY OF THE COUNTY OF MERCED  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2015**

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There were no findings for prior year.

## MEMORANDUM

**TO:** Board of Commissioners,  
Housing Authority of the County of Merced

**FROM:** Rennise Ferrario, Executive Director

**DATE:** July 19, 2016

**SUBJECT:** Quarterly Report - Finance

### **Financial Reporting**

The FYE 9/30/2015 audited financials were submitted on 6/29/2016 to HUD REAC. We are currently awaiting HUD review and approval. The GASB 68 required reporting of unfunded pension liability was completed and included in our 9/30/2015 audited financials. The amount of Net Pension Liability that was recorded on our books was **\$5,284,318** as of 9/30/2015 (a reduction of our Unrestricted Net Assets, or equity). During the 2<sup>nd</sup> quarter of 2016 we published an RFP for audit services for the 9/30/2016 audit. The firm selected was Smith Marion & Company, LLP. We have a signed contract in place and have begun working with them in preparation for the coming fiscal year end.

### **Section 8 – Funding**

2016 calendar year HAP budget authority is \$16,896,832. First six months 2016 HAP expenses were \$9,239,788 (109.4% budget utilization). As of 6/30/2016 we have 2,777 vouchers under contract. The calendar YTD voucher utilization is 16,808 vouchers vs authorized vouchers of 16,691 (103.6% utilization). Our HAP Equity (NRA) as of 6/30/2016 is \$115,251. HUD is holding an estimated undisbursed HAP Budget Authority (Program Reserves) for our agency as of 6/30/2016 of \$2,146,470.

The preliminary Administrative Fee proration percentage for 2016 was increased by HUD to 80%. The balance of our Administrative Fee Reserve as of 6/30/2016 is a negative \$230,167. This is due to the recognition of net pension liability allocated and booked to the HCV program on 9/30/2015 of \$ 1,146,983.

### **Public Housing**

The preliminary eligibility for 2016 Operating Subsidy for Public Housing is \$1,408,743. This is an increase over the 2015 amount by \$168,157.

### **Computer Systems**

We utilized the on-line pre-application process for our public housing wait list on May 23<sup>rd</sup> to May 25<sup>th</sup>. We are still reviewing the pre-applications in preparation of running a selection lottery.

## MEMORANDUM

**TO:** Board of Commissioners,  
Housing Authority of the County of Merced

**FROM:** Rennise Ferrario, Executive Director

**DATE:** July 19, 2016

**SUBJECT:** Quarterly Report – Housing Services

### HOUSING CHOICE VOUCHER PROGRAM

#### Budget

Monthly Budget: \$1,410,681  
98% of Budget: \$1,382,487  
Current Expended HAP: \$1,515,460  
Over Budget: \$104,779

#### Voucher Count

2758 Voucher families under contract  
1130 Participant families have at least one disabled family member in their household  
488 Participant families have at least one elderly family member in their household  
41 Transfer families housed

#### Lease Up

0 New applicant voucher holders that are currently searching for suitable Housing.  
10 Voucher holders have ported out to other jurisdictions  
38 PBV Personal Declaration packets distributed  
08 PBV vouchers leased  
0 HCV Personal Declaration packets distributed  
48 HCV vouchers issued  
31 Request for Tenancy Approval forms received  
41 New HCV families housed  
13 Port-in families

#### Waiting List

1175 Families currently are on the wait list  
190 Have at least one disabled family members in their household  
248 Have at least one elderly family member in their household



## **General Statistics**

61 Participants have exited the Housing Choice Voucher Program

## **HCV Family Self-Sufficiency**

66 Families are actively enrolled in the Family Self-Sufficiency Program  
28 Families have escrow accounts (\$70,163) combined total escrow amount)  
0 Families "graduated" from the FSS program  
1 Family forfeited their escrow account (\$2251)

## **HOUSING SERVICES**

421 Total number of conventional public housing units  
73 Valley View/Project Based units  
1356 Families currently on the Wait List

## **Current Vacancies**

0 Amp 1 (Merced)  
0 Amp 2 (Atwater/Livingston/Winton)  
1 Amp 3 (Los Banos/Dos Palos)  
3 PBV (Dos Palos Elderly)  
0 PBV View (Midway)  
0 PBV (Atwater Elderly)

## **Vacancies Filled**

2 Merced  
1 Atwater/Livingston/Winton  
2 Los Banos/Dos Palos  
0 PBV Valley View (Dos Palos Elderly)  
3 PBV Valley View (Midway)  
0 PBV Valley View (Atwater Elderly)

## **Delinquent Rents**

1.01% Average for the reporting quarter  
.52% April  
.93% May  
1.58% June

## **Evictions**

0 Amp 1  
0 Amp 2  
1 Amp 3  
1 PBV (Dos Palos Elderly)  
0 PBV (Midway)  
0 PBV (Atwater Elderly)

## **Maintenance Department**

1245 Completed work orders  
642 Amp 1  
264 Amp 2  
339 Amp 3

## **MIGRANT/FARM LABOR HOUSING**

### **Felix Torres Year Round Housing:**

Felix Torres YR 50 units

- Full Occupancy

### **Migrant Housing:**

Atwater Migrant: 59 units + 3 manager units

- Center opened April 18, 2016. Reached and maintains 100% occupancy rate as of April 19<sup>th</sup>.

Los Banos Migrant: 48 units + 1 manager unit

- Center opened May 17, 2016. Reached and maintains 100% occupancy rate as of May 18<sup>th</sup>.

Merced Migrant: 49 units + 2 manager units

- Center opened May 23, 2016. Reached and maintains 100% occupancy rate as of June 14<sup>th</sup>.

Planada Migrant: 72 units + 1 manager unit

- Center opened June 2, 2016. Currently has 24 units rented; 33% occupancy rate.

On May 16<sup>th</sup>, USDA/RD conducted a Pre-Occupancy inspection of the Felix Torres and Merced Migrant Centers. The representative inspected the center grounds and also conducted random unit inspections. Each center had 10 units inspected; a few units had minor repairs needed. Such as: damaged window screens, front unit door needs repainting, and re-caulking around the tub.

## MEMORANDUM

**TO:** Board of Commissioners  
Housing Authority of the County of Merced

**FROM:** Rennise Ferrario, Executive Director

**DATE:** July 19, 2016

**SUBJECT:** Quarterly Report – Human Resources

### Safety

During this last quarter there not any reportable work comp injuries.

### Recruitment

- An internal recruitment was conducted for the position of Housing Complex Manager for the Felix Torres Year Round Center; 2 statements of qualifications were received. After further review it was decided to make the recruitment public; six applications were received. The new employee began employment on April 24, 2016.
- A public recruitment was conducted for the position of Receptionist/Typist for Public Housing; fifty-nine applications were received. The new employee began employment on June 6, 2016.
- An internal recruitment was conducted for the position of Maintenance Worker I; three statements of qualifications were received. The new employee began employment on June 15, 2016.
- A public recruitment was conducted for the position Administrative Clerk I; forty-eight applications were received. The new employee began employment July 5, 2016.
- An internal recruitment for the position of Migrant Center Manager for the Felix Torres Migrant Center is currently being conducted.

### Staff Training

During the past quarter the agency sent twelve employees to three different trainings in support of the Agency's continuous effort in staff development.

- Seven staff members of the housing services department attended Fair Housing Training on April 25, 2016.
- Three staff members from the migrant department attended Farm Labor Occupancy Training May 17, 2016 through May 19, 2016.
- Two Housing Choice Voucher staff members attended HCV Specialist Training May 16, 2016 through May 20, 2016.
- Ethics training for all Commissioners and Management staff is due this year. The County of Merced and Liebert Cassidy Whitmore are offering training September 27, 2016 from 1:30pm to 3:30pm or October 7, 2016 from 9:00am – 11:00am. Commissioners will have the option of completing training these days or online. RSVP is due to the County no later than September 12, 2016 please inform the Executive Assistant if you wish to attend.

## RESOLUTION NO. 2016-13

### A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF MERCED APPROVING REPAYMENT OF LOAN BALANCE OF THE HOUSING ENABLE BY LOCAL PARTNERSHIPS (HELP) PROGRAM LOAN #080101-05

**WHEREAS**, the Housing Authority of the County of Merced applied to the California Housing Finance Agency (CHFA) for funding under the Housing Enabled by Local Partnerships (HELP) Program in 2001; and

**WHEREAS**, the Housing Authority intended to borrow from CHFA \$1.5 million at 3% interest as an unsecured loan for a period of ten (10) years and the Central Valley Coalition for Affordable Housing (CVCAH) would, in turn, borrow the \$1.5 million from the Housing Authority to supplement the construction finances of "The Grove" tax credit project in the City of Merced; and

**WHEREAS**, on January 22, 2002, said HACM Board of Commissioners adopted Resolution No. 02-03 authorizing the Executive Director to enter into a loan agreement with CHFA under the HELP Program, and the Central Valley Coalition for Affordable Housing (CVCAH); and

**WHEREAS**, on February 12, 2002, HACM entered into a HELP loan agreement with CHFA to borrow \$1.5 million at 3% as an unsecured loan for a period not to exceed ten (10) years to assist in the development of a new affordable housing project, The Grove; and

**WHEREAS**, the Housing Authority approved Resolution 2012-03 to enter into a two year extension of repayment on the loan balance on February 21, 2012 at its regularly scheduled Board of Commissioners meeting; and

**WHEREAS**, the Housing Authority approved Resolution 2014-03 to enter into a two year extension of repayment on the loan balance on March 18, 2014 at its regularly scheduled Board of Commissioners meeting; and

**WHEREAS**, it is determined to be in the best interest of the Housing Authority to do a payoff of said loan, in the amount of \$830, 536.70.

**THEREFORE, BE IT RESOLVED** that Board of Commissioners does hereby authorize the Executive Director, Rennise Ferrario, to sign or take any other action necessary to proceed with the payoff of loan balance of the Housing Enable by Local Partnerships (HELP) Program Loan #080101-05 in the amount of \$830,536.70

The foregoing resolution was introduced at the July 19, 2016 meeting of the Board of Commissioners of the Housing Authority of the County of Merced and was adopted by the following vote:

Motion:

Second:

Ayes:

Noes:

Absent:

Abstain:

\_\_\_\_\_  
Chairperson Signature

Date: July 19, 2016

**RESOLUTION NO. 2016-14**

**APPROVING ENTERING INTO  
AGREEMENT WITH MERCED THE GROVE, L.P., FOR REPAYMENT  
OF LOAN OF THE HOUSING ENABLE BY LOCAL PARTNERHSIPS (“HELP”)  
PROGRAM LOAN**

**WHEREAS**, on or about February 2002, the Housing Authority received a HELP program loan from the California Housing Finance Agency, being CHFA Loan Number HELP-080101-05, in the amount of 1.5 million dollars, which it loaned to Merced The Grove, L.P., a California limited partnership, for development of The Grove Apartments, a 204-unit multi-family apartment project in Merced, California; and

**WHEREAS**, the Housing Authority Board of Commissioners has authorized repayment of the loan from the California Housing Finance Agency; and

**WHEREAS**, the Housing Authority and Merced The Grove, L.P., have reached an agreement whereby Merced The Grove, L.P. will repay the balance due on the loan as of the effective date of the Amended and Restated Loan Agreement to the Housing Authority.

**NOW THEREFORE**, be it resolved, that the Board of Commissioners of the Housing Authority of the County of Merced does hereby approve entering into the Amended and Restated Loan Agreement and the Promissory Note with Merced The Grove, L.P., whereby Merced The Grove L.P. shall repay the balance due (approximately \$834,274.12) to the Housing Authority. The Board of Commissioners further authorizes the Housing Authority Executive Director to execute any and all documents needed to effectuate this transaction.

The foregoing resolution was introduced at the July 19, 2106 meeting of the Board of Commissioners of the Housing Authority of the County of Merced and is being adopted by the vote:

Motion:

Second:

Ayes:

Nays:

Absent:

Abstain:

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Chairperson Signature

Dated: July 19, 2016

## RESOLUTION NO. 2016-15

### APPROVING THE AWARD OF CONSTRUCTION CONTRACT FOR DRIVEWAY AND WALKWAY REPLACEMENT IN DOS PALOS AND AUTHORIZING THE EXECUTIVE DIRECTOR TO SIGN THE AGREEMENT

**WHEREAS**, the Housing Authority of the County of Merced had budgeted capital funds for comprehensive replacement of thirty (30) driveways and walkways at project 05, Dos Palos, CA, and

**WHEREAS**, HACM issued RFP #2015-05 and issued Public/Legal Notice in the Merced SunStar three (3) times (7/11, 7/15 & 7/25) and the Modesto Bee two (2) times (7/12 & 7/11). Notice to Bidders was forwarded to Central Valley Builders Exchanges (Stockton, Modesto, Merced-Mariposa, Fresno and Tulare) and the national data companies; and

**WHEREAS**, two (2) bids were received:

- BRM Construction Hollister \$374,990
- STW Construction Selma \$437,750

**WHEREAS**, BRM Construction lacked the appropriate license and this was verified with the California Licensing Board and Lydia Clary with the Merced County Building Department; and

**WHEREAS**, it was determined that STW maintained the appropriate license and was the most responsive, responsible bidder, providing the best dollar value;

**THEREFORE BE IT RESOLVED**, that the Board of Commissioners of the Housing Authority of the County of Merced does hereby approve awarding the construction contract to STW Construction in the amount of \$437,750 and does hereby authorize the Executive Director, Rennise Ferrario to sign or take any other action necessary to carry out the completion of the work.

The foregoing resolution was introduced at the July 19, 2016, Board meeting of the Board of Commissioners of the HACM and adopted by the following vote:

Motion:

Second:

Ayes:

Nays:

Absent:

Abstain:

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Chairperson, Board of Commissioners  
Housing Authority of the County of Merced

Dated July 19, 2016

**MEMORANDUM**

**TO:** Board of Commissioners,  
Housing Authority of the County of Merced

**FROM:** Rennise Ferrario, Executive Director

**DATE:** July 19, 2016

**SUBJECT:** **Action Item 2016-A-02:** Recommendation to deny application for leave to file a late claim.

On June 27, 2016 the Housing Authority of the County of Merced (HACM) received Application for Leave to Present Late Claim against the HACM.

All related information was reviewed with Rick Gehlhaar, HARRP and HACM legal counsel.

**RECOMMENDATION**

It is hereby recommended that the Board of Commissioners of the Housing Authority of the County of Merced approve **Action Item No. 2016-A-02**, denying the Application for Leave to Present Late Claim against the Housing Authority of the County of Merced.

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Chairperson Signature/Date

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Secretary Signature/Date



**MEMORANDUM**

**TO:** Board of Commissioners,  
Housing Authority of the County of Merced

**FROM:** Rennise Ferrario, Executive Director

**DATE:** July 19, 2016

**SUBJECT:** **Action Item 2016-A-03:** Recommendation to deny the Claim for Personal Injuries submitted by Ryan & Tabor on behalf of Carolyn Jones.

On June 27, 2016 the Housing Authority of the County of Merced (HACM) received a Claim for Personal Injuries against the HACM.

All related information was reviewed with Rick Gehlhaar, HARRP and HACM legal counsel.

**RECOMMENDATION**

It is hereby recommended that the Board of Commissioners of the Housing Authority of the County of Merced approve **Action Item No. 2016-A-03**, denying the Claim for Personal Injuries submitted by Ryan & Tabor on behalf of Carolyn Jones.

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Chairperson Signature/Date

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Secretary Signature/Date