HOUSING AUTHORITY
OF THE COUNTY OF CONTRA COSTA
(A Component Unit of the County of Contra Costa)
BASIC FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018
(Including Auditors' Report Thereon)

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
BASIC FINANCIAL STATEMENTS
MARCH 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the
County of Contra Costa
Martinez, California

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the County of Contra Costa, component unit of the County of Contra Costa, California (the Authority), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We did not audit the financial statements of the aggregate discretely presented component units reported in the financial statements.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of HACCC Casa Del Rio, Inc, a California Nonprofit Public Benefit Corporation and CDR Senior Housing Associates, a California Limited Partnership, which represent 13.5%, -39.7% and 0.4%, respectively, of the primary government's assets, net position, and revenue. We did not audit the financial statements of DeAnza Housing Corporation, a California Nonprofit Public Benefit Corporation and DeAnza Gardens L.P. a California Limited Partnership, which are combined and reported as discretely presented component units titled Component Units in the fund financial statements. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units and blended component units - Casa Del Rio Housing is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Authority, as of March 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Notes 1.U. and 12, the Authority adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension*, as of April 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, and the supplementary information required for the pension and other postemployment benefit plans on pages 64-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Contra Costa, California's basic financial statements. The schedule of relevant statistics is presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying Financial Data Schedules (CA011) are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. Finally, the accompanying Schedule of Completed Capital Fund Program

Project is presented for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

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

The schedule of relevant statistics has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the Housing Authority of the County of Contra Costa, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Harn & Dolan

November 30, 2018

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2018

The management of the Housing Authority of the County of Contra Costa (the Authority) would like to provide the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2018.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Net position decreased by $1,987,330 (or 35.57%) during 2018 (see Table 1) as a result of the implementation of GASB 75. GASB 75 required the Authority to record unfunded accrued actuarial liability (UAAL) in the amount of $5,269,965. This amount was reduced by a positive actuarial change in net pension liability of $636,481 and a positive change in normal operations of $2,647,374 (see footnote 10 in the audit report).
- Unrestricted net position decreased by $2,844,315 during 2018 (see Table 1). The implementation of GASB 75 caused a decrease in the amount of $5,269,965 that was offset by positive changes in pension liability of $636,481 and in operations in the amount of $1,789,169.
- Total revenue increased by $17.5 million (or 15.5%) as a result of current year activities (see Table 3).
- Total expenditures increased $16.5 million (or 14.7%) as a result of current year activities (see Table 3).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three parts as follows: (1) **Fund Financial Statements**, (2) **Notes to the Basic Financial Statements**, and (3) **Supplementary Information**.

FUND FINANCIAL STATEMENTS

The Fund Financial Statements presentation is similar to the traditional government financial statements. The statements are the Statement of Net Position, the Statement of Revenue, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows. The focus is now on Major Funds, rather than fund types. The Authority's funds consist exclusively of Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds administered by the Authority are provided by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control. GASB's 34 and 37 require individual enterprise funds to be reported as major funds if total assets, liabilities, revenue, or expenses of that individual fund exceed 10% or corresponding element total of the Authority as a whole. In the past, the Authority reported four major funds and an aggregate column for non-major funds. Beginning April 1, 2006, the Authority reported all of its activities in one major fund titled "Housing". The Authority's mission is to provide affordable housing within the County of Contra Costa, regardless of grant or program. Therefore, we believe that reporting all activity in one fund is consistent with this mission and simpler for the readers of the Authority's report.

(Continued)

The Authority's activity includes:

Public Housing – Under the Public Housing Program, (also titled as 'Low Rent-Aided Housing') the Authority rents units that it owns to very low & low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD. The ACC provides Operating Subsidy and Capital improvement Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income or at a flat rate below market rate.

Public Housing Capital Fund Grant - HUD provides grants for the modernization of the Public Housing Program units. The modernization is accounted for by each grant, which is merged as a part of the Public Housing Program totals.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, (hereunder titled as 'Voucher' Program) the Authority administers the program under an Annual Contributions Contract (ACC) with HUD. The ACC provides funding to the Authority to provide tenant based rental assistance to program participants. The rental assistance payment is structured so as the rental payment that the participant is obligated to pay is 30% to 40% of household income. This is a major federal program.

Lower Income Housing Assistance Continuum of Care Program - is a U.S. Department of Housing and Urban Development funded rehabilitation program that promotes community-wide commitment to the goal of ending homelessness. The program is designed to provide rental assistance and supportive services to homeless and disabled individuals and their families. It is cooperatively administered by the County Health Services Department and the Housing Authority of Contra Costa County, and has the capacity to serve roughly 200 households. Participants receive rental assistance and supportive services funded by the U.S. Department of Housing and Urban Development.

Casa Del Rio, Associates - Casa Del Rio, Senior Housing Associates (CDR) was formed as a limited partnership on April 12, 1994, for the purpose of developing, owning and operating an 82-unit affordable housing rental complex (the project) located in Antioch, California. The Project qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Service Code. Such projects are regulated under terms of a Regulatory Agreement, including rent charges, operating methods and other matters. This limited partnership is considered to be a blended component unit of the Authority. The most recent audits were for the fiscal year ended December 31, 2017. These reports can be obtained from the Authority using the information on page 11.

Casa Del Rio, Incorporated - The general partner of the Casa Del Rio Partnership is HACCC Casa Del Rio, Inc., a California public benefit corporation. The officers and Board members of HACCC Casa Del Rio, Inc. are employees of the Authority, which was the developer of the Project, and is consider a blended component unit of the Housing Authority. These component units receive separate audit reports performed on a calendar year basis. The most recent audits were for the fiscal year ended December 31, 2017. These reports can be obtained from the Authority using the information on page 11.

Casa Del Rio Apartments, LLC - This limited liability corporation was formed to replace the limited partner "Boston Capital" of the Casa Del Rio Partnership. The officers and Board members of HACCC Casa Del Rio, Inc will direct the LLC.

CDBG Rental Rehabilitation Program (RRP) - Under the RRP, the Authority executes annual funding contract with various governmental entities to fund the operations of a program that assists rental property owners with rehabilitation of housing units to help assure a supply of affordable rental apartments and homes for its Section 8/Voucher users and other low-income households. Technical assistance in determining repairs is provided by Authority staff and below-market-rate loans are made to cover part of rehabilitation costs. Program administrative costs are shared by the funding providers and the Authority.

Rental Rehabilitation Program (RRP) - Under the RRP, the Authority operates a program that assists rental property owners with rehabilitation of housing units to help assure a supply of affordable rental apartments and homes for its Section 8/Voucher users and other low-income households. Technical assistance in determining repairs is provided by Authority staff and below-market-rate loans are made to cover part of rehabilitation costs. Funds from this program are to supplement the CDBG RRP for loans or administration.

Management Fund & County Programs – This program is often referred to as the "State and Local Fund". The fund represents non-HUD resources developed from a variety of activities, including developer fees, management fees, program cost reimbursement, and other local and non local activities. This fund administers the pension and benefit programs for the agency.

Central Office Cost Center - The COCC fund earns revenue from fees and services provided to various federal programs. The funds earned are considered federal funds and go to cover the overhead and support services provided to the various federal programs. HUD is currently preparing rule changes that will restrict these funds to use in Federal programs only.

Discretely Presented Component Unit:

DeAnza Gardens L.P. (DeAnza)– DeAnza was formed as a limited partnership on December 10, 2001 for the purpose of acquisition, ownership, maintenance, and operation of 180 multi-family affordable rental housing complex located in Contra Costa County.

The project was built on land owned by and leased from the Housing Authority of the County of Contra Costa (the Authority). Under the terms of the lease, title to the improvements reverts to the lesser at the end of the 75-year lease. The Project qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Service Code. Such projects are regulated under terms of a Regulatory Agreement, including rent charges, operating methods and other matters.

DeAnza Corporation, Inc. The general partner of DeAnza Gardens L.P. is DeAnza Corporation Inc., a California public benefit corporation. The officers and Board members of the corporation are separate and apart from the Housing Authority. The only Board member position in the corporation that represents the Housing Authority is the Executive Director, who serves as one of the five board positions of the corporation. The Housing Authority has been designated as the managing general partner.

The DeAnza entities, under HUD REAC's direction, are to be considered by the Authority as other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. As such, the Authority considers these two entities to be discretely presented component units. These component units receive separate audit reports performed on a calendar year basis. The most recent audits were for the calender year ended December 31, 2017. These reports can be obtained from the Authority using the information on page 11.

Also included in the Basic Financial statements are:

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

Supplementary Information. Certain information is required to be included in this report by various federal agencies. This information is included after the notes to the financial statements under the title supplementary information.

TABLE 1

STATEMENT OF NET POSITION

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

	March 31, 2018	March 31, 2017	Increase (Decrease)	%
Current assets	$ 8,881,830	$ 9,848,249	(966,419)	9.81%
Restricted assets	2,011,894	1,344,572	667,322	49.63%
Capital assets, net of depreciation	11,708,383	11,904,435	(196,052)	1.65%
Other noncurrent assets	3,687,525	3,550,017	137,508	3.87%
Total assets	26,289,632	26,647,273	(357,641)	1.34%
Deferred outflows of resources	1,009,562	2,013,425	(1,003,863)	49.86%
Current liabilities	2,300,619	2,479,636	(179,017)	7.22%
Payable from restricted assets	550,659	784,364	(233,705)	29.80%
Long term liabilities	19,049,400	19,809,372	(759,972)	3.84%
Total liabilities	21,900,678	23,073,372	(1,172,694)	5.08%
Deferred inflows of resources	1,798,520	-	1,798,520	
Net position:				
Net investment in capital assets	5,053,531	5,104,662	(51,131)	1.00%
Restricted	1,499,344	591,228	908,116	153.60%
Unrestricted	(2,952,879)	(108,564)	(2,844,315)	
Total net position	$ 3,599,996	$ 5,587,326	$ (1,987,330)	35.57%

(Continued)

Major Factors Affecting the Statement of Net Position

The major factor affecting net position was the implementation of GASB 75. GASB 75 required the Authority to record unfunded accrued actuarial liability (UAAL) in the amount of $5,269,965. This amount was reduced by a positive actuarial change in net pension liability of $636,481 and a positive change in normal operations of $2,647,374.

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

TABLE 2
CHANGE OF UNRESTRICTED NET POSITION BY PROGRAM

	Beginning Balance 04/01/2017	Change of Unrestricted Position this Report Period	Ending Balance 03/31/2018
Housing Choice Voucher Program	$ 3,908,751	$ 692,883	$ 4,601,634
Public Housing (including Capital Fund)	1,205,013	1,068,079	2,273,092
Central Office Cost Center	626,452	164,539	790,991
Casa Del Rio (blended component unit)	(122,484)	(197,686)	(320,170)
Rental Rehabilitation Loan Program	-	574	574
Other State and Local	(5,726,296)	(4,572,704)	(10,299,000)
Authority totals	$ (108,564)	$ (2,844,315)	$ (2,952,879)

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in unrestricted net position provides a clearer change in financial well-being of each of the program areas. The major change in the unrestricted net position this period was a result of implementation of GASB 75 in the Other State & Local program.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2018

(Continued)

TABLE 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	Actual March 31, 2018	Budget March 31, 2018	Actual March 31, 2017	Budget March 31, 2017
Operating revenue:				
Rental and other	$ 6,927,317	$ 6,560,488	$ 5,667,202	$ 3,486,808
Non-operating revenue:				
Federal grants and subsidies	121,501,702	101,618,382	105,487,094	99,664,495
Capital contributions	1,278,700	1,812,174	1,050,023	844,419
Sale (disposal) of real property	(4,020)	-	-	-
Other revenue	121,997	592,840	151,752	1,085,122
Total revenues	129,825,696	110,583,884	112,356,071	105,080,844
Operating expenses:				
Administration	8,918,271	9,548,608	8,704,429	7,971,279
Tenant services	1,048,519	795,689	816,732	525,904
Utilities	2,148,376	2,111,057	2,059,458	1,813,653
Maintenance	4,502,491	3,841,069	4,539,045	4,085,259
General	1,382,897	1,539,200	1,387,597	1,263,931
Housing assistance payments	109,045,988	87,428,415	92,977,420	85,122,883
Depreciation	1,736,653	1,735,434	1,754,951	2,597,597
Non-operating expenses:				
Debt-service interest	203,125	203,125	217,435	291,040
Capital Expenses	-	-	-	844,419
Total expenses	128,986,320	107,202,597	112,457,067	104,515,965
Changes in net position	839,376	3,381,287	(100,996)	564,879
Net position, beginning of the year	5,587,326	5,587,326	5,688,322	5,688,321
Prior period adjustment	(2,826,706)	-	-	-
Net position, end of the year	$ 3,599,996	$ 8,968,613	$ 5,587,326	$ 6,253,200

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position

The major factors affecting the Statement of Revenue, Expenses, and Changes in Net Position was a combination of three items; the primary item being the implementation of GASB 75. GASB 75 required the Authority to record unfunded accrued liability (UAAL) in the amount of $5,269,965. This amount was offset by a positive operations change in the amount of $2,647,347 and a positive actuarial change in pension liability on the amount of $636,481.

(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had $11.7 million invested, see also Note 5 to the basic financial statements.

TABLE 4
CAPITAL ASSETS

	March 31, 2018	March 31, 2017	Change
Land	$ 1,825,993	$ 1,825,993	$ -
Buildings	99,337,971	98,618,966	719,005
Equipment	3,007,222	2,871,699	135,523
Accumulated Depreciation	(93,313,671)	(91,740,253)	(1,573,418)
Construction In Progress	850,868	328,030	522,838
Total	$ 11,708,383	$ 11,904,435	$ (196,052)

The following reconciliation summarizes the change in Capital Assets.

TABLE 5
CHANGE IN CAPITAL ASSETS

	2018	2017
Capital assets - beginning of year	$ 11,904,435	$ 12,433,904
Additions:		
Building improvements	619,005	881,903
Construction-in-progress	522,838	-
Equipment	302,778	343,579
Investment in Casa Del Rio	100,000	-
Loss on disposal of equipment	(4,020)	-
Depreciation	(1,736,653)	(1,754,951)
Capital assets - end of year	$ 11,708,383	$ 11,904,435

Notes Payable Outstanding

As of year-end, the Authority had $4,772,175 of notes payable outstanding, see Note 6 to the basic financial statements.

ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for funding operations; therefore, the Authority is affected more by the federal budget than by state or local economic conditions. The Authority's budgets and subsidy funding requests are approved by HUD.

FINANCIAL CONTACT

The individual to be contacted regarding this report, and the reports of the Authority's component units, is the Director of Finance of the Housing Authority of the County of Contra Costa, at (925) 957-8014. Specific requests may be submitted to the Director of Finance, Housing Authority of the County of Contra Costa, P.O. Box 2759, 3133 Estudillo Street, Martinez, CA 94553.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MARCH 31, 2018

	Primary Government Housing	Component Units
ASSETS		
Current assets		
Cash and investments (Note 2 and 14)	$ 7,564,426	$ 359,401
Due from other agencies	864,437	-
Due from related parties - DeAnza (Note 14)	2,761	-
Tenant accounts receivable	240,132	17,563
Allowance for doubtful accounts	(109,835)	(1,876)
Miscellaneous accounts receivable	-	19,992
Interest receivable	19,370	-
Notes receivable - short term (Note 4)	6,085	-
Prepaid expenses	294,454	20,127
Total current assets	8,881,830	415,207
Restricted assets:		
Restricted cash (Note 2 and 3 and 14)	2,011,894	1,563,349
Capital assets (Note 5 and 14):		
Land	1,825,993	1,150,712
On site improvements	-	4,028,709
Buildings	99,337,971	29,714,010
Furniture and equipment	3,007,222	532,556
Construction in progress	850,868	-
Accumulated depreciation	(93,313,671)	(13,722,172)
Total capital assets	11,708,383	21,703,815
Other noncurrent assets:		
Long-term notes receivable (Note 4)	376,466	-
Long-term notes receivable - DeAnza (Note 4 and 14)	1,000,000	-
Interest receivable on long-term notes (Note 4)	116,226	-
Due from related parties - DeAnza (Note 14)	2,122,529	-
Other long-term assets	72,305	-
Total other noncurrent assets	3,687,526	-
Total assets	26,289,633	23,682,371
DEFERRED OUTFLOWS OF RESOURCES		
Pension (Note 11)	541,114	-
OPEB (Note 12)	468,447	-
	1,009,561	-

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
MARCH 31, 2018
(Continued)

	Primary Government Housing	Component Units
LIABILITIES		
Current liabilities:		
Accounts payable	$ 707,218	$ 108,038
Due to related parties - Authority (Note 14)	-	-
Due to other agencies	381,058	-
Accrued salaries and related costs	234,221	-
Accrued interest (Note 14)	-	44,628
Other accrued liabilities	200,051	-
Payable from restricted assets:		
Tenant security deposits	355,308	170,137
Due to other agencies	1,768	-
Unearned revenue (Note 8)	233,626	12,147
Current portion of compensated absences (Note 1.I.)	305,304	-
Current portion of long-term debt (Note 6 and 14)	239,141	247,085
Total current liabilities	2,657,695	582,035
Other noncurrent liabilities:		
Long-term debt (Note 6 and 14)	4,533,034	7,810,288
Long-term debt - Authority (Note 14)	-	1,000,000
Long-term portion of compensated absences (Note 1.I.)	88,161	-
Payable from restricted assets:		
Family self sufficiency escrows	193,583	-
Other noncurrent liabilities (Note 9 and 14)	2,434,500	16,284
Due to related parties - Authority (Note 14)	-	2,158,565
Net pension liability (Note 11)	6,267,604	-
Net other postemployment benefit liability (Note 12)	5,726,101	-
Total noncurrent liabilities	19,242,983	10,985,137
Total liabilities	21,900,678	11,567,172
DEFERRED INFLOWS OF RESOURCES		
Pension (Note 11)	1,786,208	-
OPEB (Note 12)	12,312	-
	1,798,520	-
NET POSITION (Note 10 and 14)		
Net investment in capital assets	5,053,531	13,601,814
Restricted net position	1,499,344	1,516,117
Unrestricted net position	(2,952,879)	(3,002,732)
Total net position	$ 3,599,996	$ 12,115,199

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2018

	Primary Government Housing	Component Units
Operating revenue:		
Rents and other tenant revenue	$ 4,673,686	$ 2,098,117
Other	2,253,631	118,984
Total operating revenue	6,927,317	2,217,101
Operating expenses:		
Administration	8,918,271	437,255
Tenant services	1,048,519	-
Utilities	2,148,376	258,996
Maintenance	4,502,491	463,443
General	1,382,897	121,353
Housing assistance payments	109,045,988	-
Depreciation (Note 5 and 14)	1,736,653	1,020,549
Total operating expenses	128,783,195	2,301,596
Operating income (loss)	(121,855,878)	(84,495)
Nonoperating revenue (expenses):		
Grants	121,501,702	-
Restricted interest	4,922	-
Unrestricted interest	495	7,854
Mortgage interest	1,620	-
Interest on notes receivable with related party (Note 4 and 14)	30,000	(30,000)
Related party fees (Note 14)	84,960	(84,960)
Loss on disposal of equipment (Note 5)	(4,020)	-
Debt service - interest (Note 6 and 14)	(203,125)	(553,966)
Net gain before contributions and transfers	(439,324)	(745,567)
Capital contributions	1,278,700	-
Change in net position	839,376	(745,567)
Net position - beginning of year, as originally stated	5,587,326	12,860,766
Prior period adjustment (Note 12)	(2,826,706)	-
Net position - beginning of year, restated	2,760,620	12,860,766
Net position - end of year	$ 3,599,996	$ 12,115,199

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2018

	Primary Government Housing
Cash flows from operating activities:	
Tenant receipts	$ 4,493,413
Other receipts	2,223,759
Payroll and benefit expenditures	(10,183,745)
Administration expenditures	(1,745,831)
Tenant services expenditures	(752,449)
Utilities expenditures	(2,151,090)
Maintenance expenditures	(3,061,194)
General expenditures	(788,838)
Housing assistance payment expenditures	(109,782,838)
Net cash used by operating activities	(121,748,813)
Cash flows from noncapital financing activities:	
Operating grants received	122,933,940
Related parties transactions	91,393
Repayment of notes receivable	7,949
Notes receivable issued	(9,000)
Net cash provided by noncapital financing activities	123,024,282
Cash flows from capital financing activities:	
Grants received to acquire capital assets	1,278,700
Acquisition of capital assets	(1,544,621)
Principal paid on debt	(226,848)
Interest paid on debt	(121,198)
Net cash used by capital financing activities	(613,967)
Cash flows from investing activities:	
Interest receipts	2,069
Interest on restricted cash	2,858
Net cash provided by investing activities	4,927
Net increase to cash	666,429
Cash at beginning of year	8,909,891
Cash at end of year	$ 9,576,320
Cash and investments	$ 7,564,426
Restricted cash	2,011,894
Total cash at year end	$ 9,576,320

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2018

(Continued)

	Primary Government Housing
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (121,855,878)
Adjustments to reconcile operating loss to	
Net cash used by operating activities:	
Depreciation expense	1,736,653
Prior period adjustment	(2,826,706)
(Increase) Decrease in:	
A/R other governments	(377,669)
Tenants accounts receivable	7,601
Prepaid expenses	(129,203)
Other long-term assets	(36,143)
Deferred outflows of resources	1,003,863
Increase (Decrease) in:	
Accounts payable	(195,318)
Due to other agencies	5,850
Tenant security deposits	(11,320)
Accrued salaries and related costs	(1,662)
Unearned revenues	(37,982)
FSS escrows	(224,154)
Compensated absences	(28,601)
Net OPEB liability	3,318,336
Net pension liability	(3,895,000)
Deferred inflows of resources	1,798,520
Net cash used by operating activities	$ (121,748,813)

Noncash transactions:

- Interest of $78,787 was accrued as payable to RHCP. The payments on this loan are deferred, unless the project generates surplus cash.
- Interest of $30,000 was accrued as receivable from DeAnza Gardens L.P. No payments were received with regards to this loan.
- Lease fees of $72,000 were accrued as receivable from DeAnza Gardens L.P. These fees are deferred.
- Interest on the Rental Rehabilitation loans of $1,620 was accrued as revenue, while none was received. The interest on these loans is due at maturity.

The accompanying notes are an integral part of this statement.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of The Housing Authority of the County of Contra Costa (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Authority's more significant accounting policies:

A. Organization

The Authority was established pursuant to the State Health and Safety Code in 1941. The Authority is a public entity organized under the laws of the State of California's Health and Safety Code to provide housing assistance to low and moderate income families at rents they can afford. Eligibility is determined by family composition and income in areas served by the Authority. To accomplish this purpose, the Authority has entered into Annual Contributions Contracts with the U.S. Department of Housing and Urban Development (HUD) to operate assisted housing programs.

The governing board of the Authority is the County Board of Supervisors. The Authority is a legally separate entity from the County, maintaining separate accounting records, staff, and administration facilities. In addition, there is no financial benefit/burden relationship between the County and the Authority and the County has limited or no opportunity to impose its will upon the Authority because the Authority is governed by rules and regulations imposed by the Federal government through the U.S. Department of Housing and Urban Development. The County defines the Authority as a discretely presented component unit in its Comprehensive Annual Financial Report (CAFR). A copy of this report may be obtained by contacting the Office of the Auditor-Controller, 625 Court Street, Martinez, California 94553 or by visiting http://co.contra-costa.ca.us/.

B. Financial Reporting Entity

The Authority's combined financial statements include the accounts of all the Authority's operations. The criteria used in determining the scope of the financial reporting entity is based on provisions of Governmental Accounting Standards No. 61, *The Financial Reporting Entity*. The financial statements of the Authority include the financial activity of the Authority and any component units. The decision to include a potential component unit in the reporting entity was made based on the significance of their operational or financial nature and significance of their relationship with the Authority, including consideration of organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the aforementioned criteria, the Authority has blended

Note 1 (continued)

and discretely presented component units. The blended component units, although legally separate entities, are, in substance, part of the Authority's operations. Discretely presented component units are reported in a separate column in the fund financial statements to emphasize that they are legally separate from the government. The component units are as follows:

Blended Component Units. HACCC Casa Del Rio, Inc (A California Nonprofit Public Benefit Corporation) and CDR Senior Housing Associates (A California Limited Partnership) . HACCC Casa Del Rio, Inc. is the general partner of CDR Senior Housing Associates. The officers and Board members of HACCC Casa Del Rio, Inc. are employees of the Authority. The partnership was formed in 1994 to develop and operate an 82-unit affordable housing rental complex located in Antioch, California, which is currently known as Casa Del Rio Senior Housing.

Casa Del Rio Senior Housing was placed into service in 1995. Pursuant to the Indemnification Agreement dated July 1, 1994, by and among the Authority, HACCC Casa Del Rio, Inc., CDR Senior Housing Associates, and MHIFED I Limited Partnership, the Authority could possibly be liable for unpaid taxes, interest and penalties, cost to contest, operating deficiency and expenses of enforcement as identified in the Agreement and for a sponsor's operating guaranty to provide sufficient staff or equipment to the general partner, as needed and remedies against sponsor for default under the Amended HCD Agreement. Casa Del Rio Senior Housing participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through 2054.

Casa Del Rio Apartments LLC was formed to replace the limited partner, Boston Capital, of the Casa Del Rio Partnership. The officers and Board members of HACCC Casa Del Rio, Inc, will direct the LLC.

Since HACCC Casa Del Rio, Inc and CDR Senior Housing Associates have the potential to impose a financial burden on the Authority, these entities have been included in the Authority's financial statements as blended component units. See also Note 14.

Discretely Presented Component Units. DeAnza Housing Corporation (A California Nonprofit Public Benefit Corporation) and DeAnza Gardens, L.P. (A California Limited Partnership). The Authority is the General Partner and DeAnza Housing Corporation is the managing general partner of DeAnza Gardens, L.P. The partnership was formed for the purpose of acquisition, ownership, maintenance, and operation of 180 multi-family rental housing units and the provision of low-income housing through the construction, renovation,

Note 1 (continued)

rehabilitation, operation, and leasing of an affordable housing development located in Contra Costa County, which is currently known as DeAnza Gardens.

DeAnza Gardens was placed into service during 2005. It was built on land owned by and leased from the Authority. Under the terms of the lease, title to the improvements revert to the Authority at the end of the 75-year lease. Financing for construction was obtained through notes from the Authority, Bank of America, and DeAnza Housing Corporation. DeAnza Gardens participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through 2078.

Since DeAnza Housing Corporation and DeAnza Gardens L.P. are other organizations for which the nature and significance of their relationship with the Authority are such that exclusion from the financial statements would cause the Authority's financial statements to be misleading or incomplete, these entities have been included in the Authority's financial statements as discretely presented component units. See also Note 14.

Complete audited financial statements are issued separately for each of the individual component units listed above and may be obtained from the Housing Authority of the County of Contra Costa, 3133 Estudillo Street, P.O. Box 2759, Martinez, California 94553.

C. Basis of Presentation

Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Authority's activities are strictly business-type. The Authority has no fiduciary funds.

Fund Financial Statements:

Fund financial statements of the Authority are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses/expenditures as appropriate. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. A fund is considered major if it is the primary operating fund of the Authority or if total assets, liabilities, revenue, or expenses/expenditures of the individual fund are at least 10 percent of the Authority-wide total. The Authority considers all of its activity to be housing related and therefore, considers all the financial activity of the Authority to be one major fund, titled *Housing*. As such, the Authority has no non-major funds.

Note 1 (continued)

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are also used when the governing body has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Authority's funds are operated as enterprise funds.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Proprietary Fund Types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred. Under this basis of accounting and measurement focus, the Authority applies all GASB pronouncements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the Authority's enterprise funds is dwelling rental income. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. The principal operating expenses of the Authority's enterprise funds are employee salaries and benefits, housing assistance payments, utilities, and the costs to maintain the owned units. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Note 1 (continued)

E. Interfund Transactions

Statement of Net Position:

Short-term amounts due between funds are classified as "Due from/to other funds". As of March 31, 2018, the amounts due between the various proprietary funds totaled $1,155,044.

Operating advances made to the blended component units, HACCC Casa Del Rio, Inc and CDR Senior Housing Associates totaled $542,269 as of March 31, 2018. The interfund balance as of December 31, 2017, was $535,568 and was reported as non-current related party payable by the other auditors. The Statement of Net Position - Proprietary Funds, reported as of March 31, 2018, shows $535,568 as both a noncurrent asset and as a noncurrent liability. The difference of $6,701, due to the timing differences in fiscal year end, is shown as "other" noncurrent assets (see also Note 14).

A long-term note due from the Management Enterprise Fund to the blended component unit, HACCC Casa Del Rio, Inc in the amount of $185,000 is reported as long-term notes receivable and long-term debt. See also Notes 4 and 6.

These interfund assets and liabilities have been eliminated from the Statement of Net Position - Proprietary Funds. For further detail, please see the Financial Data Schedule found in the Supplementary Information section of this report.

Statement of Revenues, Expenses, and Changes in Fund Net Position:

Participants of the Housing Choice Voucher Program have decided to occupy units owned by the Authority's blended component unit. Housing assistance payments made by the Housing Choice Voucher and Continuum of Care Programs to Casa Del Rio Senior Housing (CDR) totaled $19,891 for the fiscal year ended March 31, 2018. CDR also paid the Authority $52,452 during the current fiscal year for management fees.

The Authority utilizes a Central Office Enterprise Fund to account for administrative costs that are not charged to its Public Housing, Housing Choice Voucher, and Continuum of Care Program Enterprise Funds. The Housing Choice Voucher Enterprise Fund paid management fees and bookkeeping fees in the amount of $1,296,333 and $565,312, respectively. The Public Housing Enterprise Fund paid property management, bookkeeping, and asset management fees in the amount of $1,014,674, $67,999, and $119,400, respectively. The Continuum of Care Enterprise Fund was allocated costs of $53,084 in lieu of fees. These costs, totaling $3,116,802, are reported as total fee revenue in the Central Office Enterprise Fund and administrative expenses of the Public Housing, Housing Choice Voucher, and Continuum of Care Enterprise Funds.

Note 1 (continued)

Beginning in fiscal year 2016, the Authority created a fund to account for the pension transactions required by GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27". Actual payments made to the Authority's pension plan administrator, the Contra Costa County Employees' Retirement Association (CCCERA), have been expensed to the Authority's programs based on payroll allocations effective at the time of payment. The State and Local Enterprise Fund for Pension holds and accounts for the deferred outflows of resources generated when the payments are made. The GASB 68 required accounts are adjusted annually at each actuarial measurement date. During the current fiscal year, $1,960,938 of payments to CCCERA were recorded as expenditures of the Authority's various programs and as revenue of the State and Local Enterprise Fund.

The Authority established the State and Local Enterprise Fund for OPEB to account for the implementation of GASB 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB reporting for employers)". The newly established enterprise fund holds and accounts for the deferred outflows of resources generated when the payments are made. During the current fiscal year, $534,467 of payments were recorded as expenditures of the Authority's various programs and as revenue of the State and Local Enterprise Fund.

The Authority is required by HUD to pay HAP on behalf of other authorities with Housing Choice Voucher Program participants residing within Contra Costa County. The Authority is reimbursed for this HAP from the initiating housing authority. HUD requires this HAP to be reported as an expense when paid to the landlord and as income when reimbursed from the initiating housing authority. For the current fiscal year, the Authority paid $2,017,366 in HAP on behalf of other housing authorities. This amount is therefore reported as revenue and expense of the Housing Choice Voucher Enterprise Fund.

CDR Inc earns interest of $13,912 on its loan with the Authority of $185,000. CDR Inc has agreed to give the interest back to the Authority as a charitable contribution. This interest revenue and expense were eliminated within the blended component unit enterprise fund.

Interfund transfers of $1,442,290 were made between the Authority's funds this fiscal year. Interfund transfers of $999,084 were made within the Public Housing enterprise Fund. This represents the use of Capital Fund grants for Public Housing operating costs. Interfund transfers of $49,721 were made from the Housing Choice Voucher Enterprise Fund to the Family Self Sufficiency Enterprise Fund to assist in program funding short falls. Interfund transfers of $26,015 were made from the Section 8 Moderate Rehabilitation Enterprise Fund to the Housing Choice Vouchers Enterprise Fund to cover prior year funding short falls. Interfund transfers of $176,721 from the Continuum of Care Enterprise Fund to the Housing

Note 1 (continued)

Choice Voucher Enterprise Fund were made to reverse all prior transfers, per HUD request. Interfund transfers of $190,749 were made from the Central Office Cost Center Enterprise Fund to the Continuum of Care Enterprise Fund to cover these funding shortfalls.

Interfund revenues and expenses of $5,684,550 have been eliminated from the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds. This amount includes the interfund HAP, management fees, bookkeeping fees, asset management fees, pension plan payments, and OPEB plan payments. The transfers net to zero and are not reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds. For further detail, please see the Financial Data Schedule found in the Supplementary Information section of this report.

F. <u>Cash and Investments</u>

Cash includes amounts in demand deposits and saving accounts. Investments are reported in the accompanying statement at market value. All of the Authority's investments can be converted to cash in a relatively short amount of time. Therefore, all cash and investments are used in the Statement of Cash Flows.

Changes in fair value that occur during a fiscal year are recognized as *interest income* reported for that fiscal year. *Interest income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The Authority pools cash and investments of all programs. Each program's share in this pool is displayed in the accompanying Financial Data Schedule as *cash and investments*. Interest income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

G. <u>Accounts Receivable</u>

Receivables are principally amounts due from HUD and tenants. Allowance for doubtful accounts has been provided based on the likelihood of the recovery.

H. <u>Capital Assets</u>

Capital assets, which include property, plant and equipment, acquired for Proprietary Funds are capitalized in the respective funds to which they apply. The Authority has an established capitalization policy, which requires all acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets to be capitalized. Property and equipment are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest

Note 1 (continued)

expense incurred during the development period is capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of exhaustible capital assets used by Proprietary Funds is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. Capital assets are being depreciated using the straight-line basis over the useful lives of the assets. The useful lives are generally 27.5 years for buildings, 10 years for modernization, 5 years for vehicles, furniture and equipment, and 3 years for computer equipment. Salvage value on all depreciable equipment is assumed to be insignificant and therefore valued at $0.

I. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the Authority. All vacation pay is accrued when incurred and allocated to the appropriate proprietary fund. Total liability for the Authority is $393,465 based on year-end hourly rates. Of this amount $305,304 is considered by the Authority to be a current liability.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The Authority's deferred outflows of resources consist of (1) items associated with, and referred to in, the actuarial report of the defined benefit pension plan, and (2) payments made on behalf of employees to the defined benefit pension plan after the measurement date of the actuarial report. See also Note 11.

In addition to liabilities, the Statement of Financial Position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows of resources consist of items associated with, and referred to in, the actuarial report of the defined benefit pension plan. See also Note 11.

It is the Authority's practice to report deferred outflows and inflows of resources in the aggregate on the Statement of Net Position.

Note 1 (continued)

K. Net Position

Net position represents the differences between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position consists of net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowing used for acquisition, construction, or improvement of those assets (excluding interfund borrowing and including accrued interest). Net position is reported as restricted when there are limitations imposed on its use through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

L. Income Taxes

The Authority is exempt from federal and state income taxes. The Authority is also exempt from property taxes but makes payments in lieu of taxes on owned housing.

M. Budgets and Budgetary Accounting

The Board of Commissioners adopts an operating budget effective April 1 annually. This budget may be revised by the Board of Commissioners during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption.

N. Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the disclosure of contingent assets and liabilities; and the reported revenues and expenses. Actual results could differ from those estimates.

O. Encumbrances

Encumbrance accounting is not employed by the Authority.

P. Grant Restrictions

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

Note 1 (continued)

Q. Cost Allocation Procedures

Cost allocation procedures are divided into one of the following three methods, 1) Direct Costs, 2) Indirect Costs, 3) Fee for Service.

Direct Allocation Method: this method is used when the cost being incurred directly benefits a specific "program, region, development, project or site". Allocation at the regional, development, project or site level shall be allocated by using the ratio of number of bedrooms managed (zero bedroom units will count as 1). Allocation at the Program level will be based on a common factor within the program area, such as units within a grant, grant award amounts, or other reasonable factors where allowed.

Indirect Allocation Method: this method is used when the cost being incurred is for a common or joint objective and therefore does not directly benefit a specific "program, region, development, project or site". These costs will be allocated using a rationale from direct salary allocation plan consistent with Uniform Guidance. The direct salary allocation plan will be established annually as a part of the annual budget process.

Fee for Service Method: this method is used when an employee performs work outside of their budgeted allocation. The fee for service method will reduce the allocations of salary and benefits from the program that the position was originally budgeted for. This method should be documented on a time reporting process, either by way of time card or activity log or both.

R. Loan Costs

The Authority has implemented GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities.* The Statement requires that debt issuance costs be reported as expenses when incurred since they no longer meet the definition of an asset. The component units are nonprofit public benefit corporations and limited partnerships and they follow the guidance of the Financial Accounting Standards Board for their financial reporting. Certain recognition criteria and presentation features are different from GASB. For instance, prior to January 1, 2017, these entities reported debt issuance costs as an asset amortized over time. During 2017, these entities adopted new accounting guidance required by accounting principles generally accepted in the United State of America and changed its method of accounting for debt issuance costs and related amortization of such costs. The net of these costs are now reported as a direct reduction of notes payable. No modifications have been made to the audited financial information as presented. The unamortized value of the loan costs does not have a material effect on the Authority's net position. Net loan costs of $21,676 have been netted with long-term debt of the primary government, for the blended component units, while $56,759 have been netted with long-term debt of the component units, for the discretely presented component units.

Note 1 (continued)

S. <u>Pension Plan</u>

The Authority participates in a cost-sharing multi-employer defined benefit retirement plan that is administered by the Contra Costa County Employees' Retirement Association (CCCERA). Contributions to CCCERA are made on a current basis as required by the plan and are charged to expenditures. The Authority used actuarial reports supplied by CCCERA for the purpose of measuring the net pension liability, deferred outflows and inflows of resources related to the pension plan. The valuation date of the latest actuarial report was December 31, 2017, with a measurement date for employer reporting as of June 30, 2018.

T. <u>Postemployment Benefits Other than Pension (OPEB)</u>

The Authority provides a defined benefit health care program to its retired employees and their dependents. The Authority has established a trust account to administer the funding of the OPEB plan. The Authority used actuarial valuation reports supplied by OPEB consultants to recognize net OPEB liability, deferred outflows and inflows of resources, and expenses related to the plan in accordance with GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The dates of the latest report are (1) valuation date of April 1, 2016, (2) measurement date of June 30, 2017, and (3) fiscal year end of March 31, 2018.

U. <u>New Accounting Pronouncements</u>

<u>Pronouncements Implemented During the Current Fiscal Year</u>

GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* - The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this Statement improve financial reporting primarily through enhanced note disclosures and schedules of required supplemental information that were presented by OPEB plans that are administered through trusts that meet the specific criteria. There was no financial impact as a result of the implementation of this Statement.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* - The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The primary requirements of this Statement are the recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The implementation of this Statement resulted in a restatement, decreasing beginning net position of the primary government by $2,824,938. See also footnote 12 to the basic financial statements.

Note 1 (continued)

Pronouncements to be Implemented in Subsequent Years

In June 2017, the GASB issued Statement No. 87, *Leases*. The implementation of GASB Statement No. 87 will occur in the next fiscal year. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The impact of this pronouncement is not know at this time.

Note 2 - CASH AND INVESTMENT

Cash and investments as of March 31, 2018 are classified in the accompanying financial statement as follows:

Statement of net position:	
Cash and investments	$ 7,564,426
Restricted cash	2,011,894
Total Cash & Investments	$ 9,576,320
Demand deposits	$ 4,030,479
Investments	4,911,420
Cash held by other agencies	632,471
Cash on hand	1,950
Total Cash & Investments	$ 9,576,320

Investments Authorized by the Authority's Investment Policy

Investments authorized by the Authority are empowered by the HUD Notice 99-48 and its own investment policy to invest HUD funds in the following:

- United States Treasury Bills, Notes and Bonds;
- Obligations issued by Agencies or Instrumentalities of the U.S. Government;
- State or Municipal Depository Funds, such as the Local Agency Investment Fund (LAIF) or pooled cash investment funds managed by County treasurers;
- Insured Demand and Savings Deposits, provided that deposits in excess of the insured amounts must be 100% collateralized by federal securities;
- Insured Money Market Deposit Accounts;
- Insured SUPER NOW accounts, provided that deposits in excess of the insured amount must be 100% collateralized by federal securities;
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations, limited to no more than 30% of surplus funds;

Note 2 (continued)

- Repurchase/Reverse Repurchase Agreements of any securities authorized by this section; securities purchased under purchase agreements shall be no less than 102% of market value;
- Sweep Accounts that are 100% collateralized by federal securities;
- Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds); Funds must carry the highest rating of at least two national rating agencies and are limited to not more than 20% of surplus funds;
- Funds held under the terms of a Trust Indenture or other contract or agreement including the HUD/PHA Annual Contributions Contract, may be invested according to the provisions of those indentures or contracts; and
- Any other investment security authorized under the provisions of HUD Notice PIH 97-41.

The Authority is empowered by the California Government Code (CGC) Sections 5922 and 53601 et seq and its own investment policy to invest non-HUD funds in the following:

- Bonds issued by the local entity with a maximum maturity of five years;
- United States Treasury Bills, Notes and Bonds;
- Registered state warrants or treasury notes or bonds issued by the State of California;
- Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurer, other local agencies or Joint Powers Agencies;
- Obligations issued by Agencies or Instrumentalities of the U.S. Government;
- Bankers Acceptances with a term not to exceed 270 days, limited to 40% of surplus funds; no more than 30% of surplus funds can be invested in Bankers Acceptances of any single commercial bank;
- Prime Commercial Paper with a term not to exceed 180 days and the highest ranking issued by Moody's Investors Service or Standard & Poor's Corp., limited to 15% of surplus funds; provided that if the average total maturity of all commercial papers does not exceed 31 days up to 30% of surplus funds can be invested in commercial papers.
- Negotiable Certificates of Deposit issued by federally or state chartered banks or associations, limited to not more than 30% of surplus funds;
- Repurchase/Reverse Repurchase Agreements of any securities authorized by this Section, securities purchased under these agreements shall be no less than 102% of market value. Securities purchased under reverse repurchase agreements shall be for temporary and unanticipated cash flow needs only.
- Medium term notes (not to exceed two years) of U.S. corporations rated "AAA" or better by Moody's or Standard & Poor's limited to not more than 30% of surplus funds;
- Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this Section (Money Market Mutual Funds), limited to not more than 15% of surplus funds;
- Funds held under the terms of a Trust Indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements;

Note 2 (continued)

- Collateralized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations;
- Any mortgage pass-through security, collateralized mortgage obligation, mortgaged backed or other pay-through bond, equipment least-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years, securities in this category must be rated AA or better by a national rating service and are limited to not more than 30% of surplus funds;
- Any other investment security authorized under the provisions of California Government Code Sections 5922 and 53601.

Disclosure Related to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market rates. See the table shown later in this note titled "Investment Disclosure" for the maturity dates for each of the Authority's investments.

Disclosures related to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. See the table shown later in this note titled "Investment Disclosure" for the ratings assigned to the issuer for each of the Authority's investments.

Concentration of Credit Risk

See the table shown later in this note titled "Investment Disclosure" to determine how the Authority's investments are concentrated. These investments are owned by the following programs:

Public Housing Program	$ 2,127,186	43.31%
Housing Choice Voucher Program	1,387,870	28.26%
Central Office Cost Center	897,965	18.28%
Other State and Local Programs	498,399	10.15%
Total investments	$ 4,911,420	

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the

Note 2 (continued)

following provision for deposits: The California Government Code requires California banks and savings and loan associations to secure the Authority's deposits not covered by federal deposit insurance by pledging mortgages or government securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Such collateral must be held in the pledging bank's trust department in a separate depository in an account for the Authority.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (broker-dealer, etc) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The Authority has executed a "General Depository Agreement" with WestAmerica Bank dated October 24, 2005. This agreement states that "any portion of PHA funds not insured by a Federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD."

The Authority's exposure to custodial credit risk is as follows:

Demand deposits with banks, fully insured by FDIC	$ 250,000
Demand deposits with banks covered by depository agreements	3,740,507
Cash held by investment companies	39,972
Deposits held by CHFA	632,471
Total demand deposits and cash held by other agencies	$ 4,662,950

(Continued)

Note 2 (continued)

See the table below for information regarding the investments.

Investment Disclosure - March 31, 2018

Investment Type	Issuer	Book Value	Fair Value	Maturity	Rate
Government Security	LAIF	$ 498,175	$ 496,949	N/A	
	Interest on LAIF	1,854	1,854	N/A	
Certif. Of Deposit	Goldman Sachs Bank	100,000	99,023	1/06/2021	295
Certif. Of Deposit	Comenity Capital Bank	100,000	99,235	1/19/2021	300
Certif. Of Deposit	Comenity Capital Bank	100,000	98,201	2/22/2021	300
Certif. Of Deposit	Private Bank & Trust	125,000	120,976	5/26/2021	300
Certif. Of Deposit	HSBC Bank USA	100,000	96,751	6/10/2021	197
Certif. Of Deposit	Wells Fargo Bank	100,000	96,713	6/17/2021	294
Certif. Of Deposit	JP Morgan Chase	100,000	96,078	8/16/2021	300
Certif. Of Deposit	Wells Fargo Bank	145,000	139,249	8/17/2021	294
Certif. Of Deposit	Sychrony Bank	122,000	116,852	10/21/2021	300
Certif. Of Deposit	State Bank of India	115,000	110,149	10/27/2021	150
Certif. Of Deposit	Bank of Baroda	150,000	145,575	11/23/2021	150
Certif. Of Deposit	Discover Bank	105,000	103,257	1/11/2022	300
Certif. Of Deposit	Sychrony Bank	100,000	98,440	2/24/2022	300
Certif. Of Deposit	HSBC Bank USA	100,000	98,962	3/21/2022	197
Certif. Of Deposit	Everbank	247,000	241,396	4/28/2022	214
Certif. Of Deposit	American Express FSB	247,000	241,144	5/03/2022	300
Certif. Of Deposit	Capital One Bank	100,000	98,277	5/10/2022	300
Certif. Of Deposit	Capital One Bank	110,000	108,105	5/10/2022	300
Certif. Of Deposit	Goldman Sachs Bank	149,000	146,914	6/07/2022	300
Certif. Of Deposit	Medallion Bank Utah	105,000	102,401	7/05/2022	299
Certif. Of Deposit	JP Morgan Chase	110,000	107,534	6/30/2022	300
Certif. Of Deposit	Capital One Bank	220,000	214,997	9/20/2012	300
Certif. Of Deposit	Barclays Bank - Delaware	247,000	241,334	9/27/2022	300
Certif. Of Deposit	Stearns Bank	100,000	97,075	12/01/2022	300
Certif. Of Deposit	Discover Bank	140,000	138,275	12/28/2022	300
Certif. Of Deposit	Morgan Stanley Bank	150,000	148,773	1/13/2023	300
Certif. Of Deposit	Sally Mae Bank	173,000	171,486	2/08/2023	300
Gov't Agency	Farmer Mac	100,000	98,363	1/07/2021	AAA
Gov't Agency	Federal Home Loan Mtg Corp	510,000	487,188	8/12/2021	AAA
Gov't Agency	Federal Farm Credit Bank	105,000	102,841	2/03/2022	AAA
Gov't Agency	Fannie Mae	150,000	145,827	10/25/2022	300
Total Investments		$ 5,025,029	4,910,194		
Investments reported above market value			1,226		
Total Investments reported			$ 4,911,420		

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The

Note 2 (continued)

hierarchy for the Authority's investments are considered Level 2, except for the LAIF investments which are not subject to fair value hierarchy.

The Authority has not executed a General Depository Agreement with either the Local Agency Investment Fund (LAIF) or Cantella Investments (the Authority's broker for investments other than LAIF).

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. Each government agency may invest up to $30,000,000 in each account in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest or principal. The full faith and credit of the State of California secure investments in LAIF.

At March 31, 2018, an account was maintained in the name of the Housing Authority of the County of Contra Costa for $498,175. The total cost value of investment in LAIF was $498,175. The total fair value of investments in LAIF was $496,949. The fair value total includes an unrealized loss on investments of $1,226. The unrealized loss was based on a fair value adjustment factor of 0.997538001 that was calculated by the State of California Treasurer's Office. The unrealized loss was not recorded by the Authority and is considered immaterial. Of the $498,175 invested in LAIF, $500,029 is recorded as assets of the Authority. The difference includes $1,854 of interest receivable from LAIF as of March 31, 2018, shown by the Authority as investments.

LAIF is a part of the State of California Pooled Money Investment Account (PMIA). At March 31, 2018, the fair value of the State of California Pooled Money Investment Account (PMIA), including accrued interest, was $75,021,981,682. The PMIA portfolio had securities in the form of structured notes totaling $825 million and asset-backed securities totaling $1,295,137,000. The PMIA has policies, goals and objectives for the portfolio to make certain that the goals of safety, liquidity, and yield are not jeopardized. These policies are formulated by investment staff and reviewed by both the PMIA and LAIF Advisory Boards on an annual basis. LAIF's and the Authority's exposure to credit, market, or legal risk is not available.

During 2002, California Government code was added to the LAIF's enabling legislation stating that "the right of a city, county...special district...to withdraw its deposited money from the LAIF upon demand may not be altered, impaired, or denied in any way by any state official or state agency based upon the State's failure to adopt a State Budget by July 1 of each new fiscal year." In addition, it has been determined that the State of California cannot declare bankruptcy under Federal regulations. This allows other government code stating that "money placed with the State Treasurer for deposit in the LAIF shall not be subject to ...transfer or loan...or impound or seizure by any state official or state agency" to stand.

(Continued)

Note 3 - RESTRICTED CASH

Restricted cash consists of funds for replacement and operating reserves required by the lender and funds being held by the Authority on behalf of its clients. The balances are as follows:

Tenant security deposits - Public Housing	$ 310,961
Family Self Sufficiency Program participant's escrow funds	193,583
HUD funds restricted in use for HAP payments	866,873
Interest on restricted funds due back to HUD	1,768
Blended component unit - Casa Del Rio:	
Funds held by CHFA:	
Replacement reserve	386,782
Operating reserve	231,515
Hazard and earthquake insurance impounds	14,174
Tenant security deposits	6,238
Total restricted cash	$ 2,011,894

The funds held by the California Housing Finance Agency (CHFA) can only be used for major repairs or insurance, upon receipt of prior written approval from CHFA. These amounts are also reported as restricted net position (see also Note 10).

The amounts held by the Authorities for program participants of the FSS program, due to HUD, and for tenant security deposits are reported as payable from restricted assets.

Please see the prior note to determine interest rates and credit risks for the above restricted cash.

Note 4 - NOTES RECEIVABLE

A schedule of changes in notes receivable is as follows:

	Balance 3/31/17	Loans Issued	Loans Repaid	Balance 3/31/18	Long-term Portion	Short-term Portion
CDBG Loan Program	$ 322,436	$ -	$ -	$ 322,436	$ 322,436	$ -
Rental Rehab. Program	54,030	-	-	54,030	54,030	-
Employee computer loans	5,034	9,000	(7,949)	6,085	-	6,085
DeAnza Gardens LP	1,000,000	-	-	1,000,000	1,000,000	-
	1,381,500	9,000	(7,949)	1,382,551	1,376,466	6,085
Interfund:						
CDR from mgmt fund	185,000	-	-	185,000	185,000	-
Totals	$ 1,566,500	$ 9,000	$ (7,949)	$ 1,567,551	$ 1,561,466	$ 6,085

Interest on these loans is a follows:

	Balance 3/31/17	Interest Accrued	Interest Repaid	Balance 3/31/18	Long-term Portion	Short-term Portion
CDBG Loan Program	$ 89,579	$ 9,256	$ -	$ 98,835	$ 98,835	$ -
Rental Rehab. Program	15,771	1,620	-	17,391	17,391	-
DeAnza Gardens LP	480,107	30,000	-	510,107	510,107	-
Totals	$ 585,457	$ 40,876	$	$ 626,333	$ 626,333	$ -

(Continued)

Note 4 (continued)

The Authority has made deferred payment loans to individuals and organizations under the County's Community Development Block Grant (CDBG) and Rental Rehabilitation (RR) Programs. These loans are secured by deeds of trust in the name of the County of Contra Costa or the City of Antioch. These programs are revolving loan programs administered by the Authority. Any repayments of outstanding loans, or interest on the loans, must be used for new loans or program administration as authorized by the County or the City of Antioch. These loans typically earn 3% interest per annum. These notes receivable, along with all of the accrued interest, are offset by an equal amount shown in other noncurrent liabilities (See Note 9).

The Authority administers an employee loan program whereby employees can borrow funds for the purpose of purchasing a computer to be used at home. These loans accrue no interest. Payments are made through the payroll system.

Pursuant to a demand note dated June 30, 1994, the Authority may be liable to HACCC Casa Del Rio, Inc for $185,000. Although the note is due upon demand, the maturity date is December 31, 2059. The note will be called prior to maturity only in the event that there are operating deficits and there is insufficient cash available to cover expenses.

The Authority has also issued a note to the DeAnza Gardens, L.P., which is a discretely presented component unit of the Authority (see Note 1.B.). The note bears simple interest at the rate 3% per annum, payments are due commencing on October 1, 2005, but are payable only to the extent of the previous years' excess/distributable cash, and is due June 2043. No payments, of interest or principal, have been received on this loan.

Not shown on the previous schedule, the DeAnza Housing Corporation issued a note in the amount of $1,000,000 bearing simple interest at 6.8%, to be paid in full June 2043. This second note is an intra-fund transaction. DeAnza Gardens L.P. owes the DeAnza Housing Corporation. This loan has been eliminated from the discretely presented component unit column of the Statement of Net Position. Since this loan does not effect the Authority, it is not shown in the table on the prior page.

(Continued)

Note 5 - CAPITAL ASSETS

Capital asset activity for the year ending March 31, 2018.

	March 31, 2017	Additions	Transfers	Deletions	March 31, 2018
Capital assets, not being depreciated:					
Land	$ 1,825,993	$ -	$ -	$ -	$ 1,825,993
Construction in progress	328,030	1,141,843	(619,005)	-	850,868
Total	2,154,023	1,141,843	(619,005)	-	2,676,861
Capital assets depreciated:					
Buildings and improvements	98,618,966	100,000	619,005	-	99,337,971
Equipment	2,871,699	302,778	-	(167,255)	3,007,222
Total capital assets being depreciated	101,490,665	402,778	619,005	(167,255)	102,345,193
Total capital assets	103,644,688	1,544,621	-	(167,255)	105,022,054
Accumulated depreciation:					
Buildings and improvements	(89,254,226)	(1,516,367)	-	-	(90,770,593)
Equipment	(2,486,027)	(220,286)	-	163,235	(2,543,078)
Total accumulated depreciation	(91,740,253)	(1,736,653)	-	163,235	(93,313,671)
Total capital assets depreciated, net	9,750,412	(1,333,875)	619,005	(4,020)	9,031,522
Total capital assets, net	$ 11,904,435	$ (192,032)	$ -	$ (4,020)	$ 11,708,383

The changes by project are as follows:

	March 31, 2017	Additions	Transfers	Deletions	March 31, 2018
TOTAL CAPITAL ASSETS:					
Public Housing	$ 91,830,196	$ 1,291,106	$ -	$ (100,800)	$ 93,020,502
Housing Choice Voucher	4,327,875	137,298	-	(52,686)	4,412,487
Section 8 Moderate Rehab	128,077	-	-	(13,769)	114,308
CDBG/Rental Rehab Loan	3,937	-	-	-	3,937
Management Fund	75,115	2,636	-	-	77,751
Central Office Cost Center	170,999	13,581	-	-	184,580
Blended Component Units:					
Casa Del Rio	7,108,489	100,000	-	-	7,208,489
Total capital assets	103,644,688	1,544,621	-	(167,255)	105,022,054

(Continued)

Note 5 (continued)

	March 31, 2017	Additions	Transfers	Deletions	March 31, 2018
DEPRECIATION:					
Public Housing	(85,366,714)	(1,334,927)	-	100,800	(86,600,841)
Housing Choice Voucher	(2,010,036)	(209,193)	-	48,666	(2,170,563)
Section 8 Moderate Rehab	(128,077)	-	-	13,769	(114,308)
CDBG/Rental Rehab Loan	(3,937)	-	-	-	(3,937)
Management Fund	(75,114)	(439)	-	-	(75,553)
Central Office Cost Center	(155,663)	(8,658)	-	-	(164,321)
Blended Component Units:					
Casa Del Rio	(4,000,712)	(183,436)	-	-	(4,184,148)
Total depreciation	(91,740,253)	(1,736,653)	-	163,235	(93,313,671)
Net	$ 11,904,435	$ (192,032)	$ -	$ (4,020)	$ 11,708,383

Note 6 - LONG TERM DEBT

The following is a schedule of the changes in long-term debt for the current fiscal year:

	Balance 3/31/2017	Loans Issued	Payments	Balance 3/31/2018	Short-term Portion	Long-term Portion	Interest Payable
Office building mortgage	$ 2,086,349	$ -	$ (198,008)	$ 1,888,341	$ 207,967	$ 1,680,374	$ -
Blended component units:							
Casa Del Rio:							
CHFA	307,736	-	(28,844)	278,892	31,174	247,718	-
RHCP	2,626,618	-	-	2,626,618	-	2,626,618	1,882,677
	5,020,703	-	(226,852)	4,793,851	239,141	4,554,710	1,882,677
Loan costs	(24,820)			(21,676)		(21,676)	
Totals	$ 4,995,883	$ -	$ (226,852)	$ 4,772,175	$ 239,141	$ 4,533,034	$ 1,882,677
Interfund:							
Mgmt Fund to CDR	$ 185,000	$ -	$ -	$ 185,000	$ -	$ 185,000	$ -

Following is a schedule of debt payment requirements to maturity for the mortgages noted above that require payments:

	Office Building		CHFA		
Year ending	Principal	Interest	Principal	Interest	Total
2019	$ 207,967	$ 88,252	$ 31,174	$ 20,657	$ 348,050
2020	218,228	77,991	33,697	18,134	348,050
2021	229,404	66,815	36,421	15,410	348,050
2022	240,942	55,277	39,366	12,465	348,050
2023	253,060	43,159	42,548	9,283	348,050
2024-2026	738,740	51,177	95,686	7,976	893,579
	$ 1,888,341	$ 382,671	$ 278,892	$ 83,925	$ 2,633,829

Note 6 (continued)

During December 2006, the Authority purchased an office building to house the staff of their Housing Choice Voucher Program. To facilitate this purchase, the Authority borrowed $2,847,500 from WestAmerica Bank on December 15, 2006. Originally, the interest on this loan was 6.75% per annum. The interest rate decreased to 6% in 2012 and 5.25% in 2013. On November 1, 2015, the terms of the loan agreement with WestAmerica Bank were changed. As of November 1, 2015, the $2,335,903 loan will be amortized over 120 months, is due November 1, 2025, requires monthly payments of $24,685, and accrues interest at a fixed rate of 4.850% per annum. Interest of $98,211 and loan fees of $2,850 were paid to WestAmerica Bank and expensed during the fiscal year ended March 31, 2018.

The California Housing Finance Agency note, received through the State of California, is dated November 14, 1994. The original amount borrowed was $600,000. The loan carries a simple interest rate of 7.8% per annum. Principal and interest are payable in monthly installments of $4,319. The note is due in full December 2024. Interest in the amount of $22,987 was paid and expensed during the calendar year ended December 31, 2017.

The Rental Housing Construction Program note, received through the State of California, is dated January 15, 1993. The original amount borrowed was $2,626,618. The loan accrues interest at a rate of 3% per annum. Payments are required on this loan only to the extent that the Casa Del Rio project has surplus cash. This note and interest on the note are due June 5, 2054. No principal or interest payments were made on this loan during the year ended December 31, 2017. Interest was expensed in the amount of $78,787. The amount of deferred interest accrued as payable as of the end of the fiscal year was $1,882,677. The entire amount is considered to be long-term and is shown as other noncurrent liabilities. See also Note 9.

Costs incurred in order to obtain permanent financing for the Casa Del Rio notes were $94,143 and are amortized on a straight-line basis into interest expense over the term of the loan. Interest expense amortization of permanent loan costs was $3,140 during the current fiscal year.

Pursuant to a demand note dated June 30, 1994, the Authority may be liable to HACCC Casa Del Rio, Inc for $185,000. Although the note is due upon demand, the maturity date is December 31, 2059. The note will be called prior to maturity only in the event that there are operating deficits and there is insufficient cash available to cover expenses.

Note 7 - PAYMENT IN LIEU OF TAXES

In connection with the Public Housing Program, the Authority is obligated to make annual payments in lieu of property taxes based on the lesser of 25% of the assessable value of owned housing, times the current tax rate; or 10% of the dwelling rents, net of utilities expense. At March 31, 2018, $92,763 was expensed for payment in lieu of taxes. Approximately 75% is payable as of March 31, 2018 and is shown as *Due to Other Agencies*.

Note 8 - UNEARNED REVENUE

Unearned revenue consists of:

Revolving loan funds held for future expenditures		$ 186,140
Prepaid rent - Public Housing	$ 25,366	
Casa Del Rio	3	25,369
Program advance - Family Self Sufficiency		2,985
Prepaid portability payments received from other agencies - Housing Choice Voucher		19,132
		$ 233,626

Note 9 - OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consist of:

Loan liability:		
CDBG:		
Notes receivable (See also Note 4)	$ 322,436	
Interest on notes receivable (See also Note 4)	98,835	$ 421,271
Rental Rehabilitation:		
Notes receivable (See also Note 4)	54,030	
Interest on notes receivable (See also Note 4)	17,391	71,421
Housing Choice Voucher Program		
Insurance reserves		59,131
Long term portion of the interest payable on the RHCP loan - a liability of the blended component unit, Casa Del Rio (See also Note 6)		1,882,677
		$ 2,434,500

Note 10 - NET POSITION

A. Net investment in capital assets

Net investment in capital assets consists of the following:

Capital assets, net of depreciation (see Note 5)	$ 11,708,383
Long term debt (omitting interfund balances) (see Note 6)	(4,772,175)
Accrued interest on long term debt (see Note 6 & 9)	(1,882,677)
Net investment in capital assets	$ 5,053,531

B. Restricted Net Position

Net position is reported as restricted when constraints placed on the net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other

Note 10 (continued)

governments; or imposed by law through constitutional provisions or enabling legislation. The Authority has reported the following as restricted net position:

Housing Choice Voucher - HAP	$	866,873
Casa Del Rio Senior Housing - Reserves		632,471
Restricted net position	$	1,499,344

In 2012, HUD implemented cash management procedures which mitigated the accumulation of excess HAP in Net Restricted Asset accounts by PHAs. These procedures based the payment of HAP on actual need reported by PHAs in the Voucher Management System (VMS). Most excess allocation is now held by HUD until PHAs demonstrate the need for the disbursement of funds. The balance in the HUD held reserves as of March 31, 2018 was approximately $400,000.

The restricted net position associated with the Casa Del Rio Senior Housing represents replacement and operating reserves required by CHFA. These funds are being held by CHFA and are fully funded. See also Note 3.

C. Deficit Unrestricted Net Position

The Authority's Other State and Local Enterprise Fund had a deficit unrestricted net position balance as of March 31, 2018, of $10,299,000. This deficit is the result of the Authority's compliance with GASB Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. The Other State and Local Enterprise Fund holds the deferred outflows of resources, deferred inflows of resources, the net pension liability, and the OPEB liability of the Authority's plans. These balances change annually as payments are made to the plan and as actuarial information is received regarding the plan.

The following detail provides as overview of the Other State and Local Enterprise Fund unrestricted net position:

	Beginning Balance 4/1/2017	Net Change	Ending Balance 3/31/2018
GASB 68 Pension net position	$ (8,149,179)	$ 636,481	$ (7,512,698)
GASB 75 OPEB net position	-	(5,269,965)	(5,269,965)
Operations net position	2,422,883	60,780	2,483,663
	$ (5,726,296)	$ (4,572,704)	$ (10,299,000)

The Authority's blended component unit, Casa Del Rio, Inc had a deficit unrestricted net position of $320,172. This is an increase to the deficit of $197,688 over the prior year.

Note 11 - RETIREMENT PLAN

A. Plan Description

The Authority participates in a cost-sharing multiple-employer defined benefit retirement plan that is administered by the Contra Costa County Employees' Retirement Association (CCCERA) under the County's Employee's Retirement Law of 1937 (1937 Act) and the Public Employee's Pension Act of 2013 (PEPRA). A more detailed description of the plan and the benefits provided can be obtained from the CCCERA's Comprehensive Annual Financial Report and the CCCERA's Actuarial Valuation and Review, which are located at www.cccera.org. CCCERA is a component unit of the County of Contra Costa.

CCCERA follows accounting principles and reporting guidelines set forth by GASB. The financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Contributions are recognized in the period due, investment income is recognized as revenue when earned, retirement benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Plan. Investments are carried at fair value. There have been no significant changes to the plan.

B. Benefits Provided

All full-time employees of the Authority participate in this plan. There are currently 77 active plan members and 69 retirees or beneficiaries receiving benefits. The plan provides death, disability and service retirement benefits, in accordance with the 1937 ACT. Annual cost-of-living adjustments (COLA) to retirement benefits can be granted by the Retirement Board as provided by State statutes. The Authority has two applicable tiers, Tier 1 Enhanced and PEPRA Tier IV (3% Max COLA).

Tier 1 Enhanced employees are those with a membership prior to January 1, 2013. These members are eligible to retire once they attain the age of 70 regardless of service or at age 50, with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Benefits are calculated pursuant to Section 31676.16 for Enhanced Benefit Formulae. The monthly allowance is 1/50th (Enhanced) of final compensation times years of accrued retirement service credit times age factor from Section 31676.16 (Enhanced). The maximum retirement benefit is 100% of final compensation. Final average compensation consists of the highest 12 consecutive months.

PEPRA Tier IV employees are those with a membership on or after January 1, 2013. These members are eligible to retire once they have attained the age of 70 regardless of service or at 52, with five years of retirement service credits. Benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly

Note 11 (continued)

allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a). There is no final compensation limit in the maximum retirement benefit for this tier. Final average compensation consist of the highest 36 consecutive months.

C. Contributions

The Authority contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from the CCCERA actuary after the completion of the annual actuarial valuation. Contribution rates for Tier 1 vary based on the employee's age at entry into the plan. Members are required to make contributions to CCCERA regardless of the retirement plan or tier in which they are included. The rates and contributions made during the fiscal year ended March 31, 2018 were as follows:

Tier	Payroll Subject to Contribution	Employer Contribution	as a % of Contribution	Employee Contribution	as a % of Contribution
Classic (tier 1)	$ 3,978,734	$ 1,850,205	46.50%	$ 295,546	7.43%
PEPRA	1,151,631	478,954	41.59%	81,295	7.06%
Total	$ 5,130,365	$ 2,329,159	45.40%	$ 376,841	7.35%

The contributions made by the Authority of $2,329,159, including $186,698 employer subvention of member contributions. As of March 31, 2018, the Authority owed CCCERA $230,696. This liability is short-term, represents March contributions paid in April 2018, and is reported as "accrued salaries and related costs" in the Statement of Net Position - Proprietary Funds.

D. Net Pension Liability

The *Governmental Accounting Standards 68 Actuarial Valuation Based on December 31, 2017 Measurement Date for Employer Reporting as of June 30, 2018*, provided by CCCERA outlines the net pension liability (NPL) allocated to its member employers as based on the following definition of covered payroll - "Only compensation earnable and pensionable would go into the determination of retirement benefits". The NPL was measured as of December 31, 2017 and 2016. The Plan's Fiduciary Net Position was valued as of the measurement date while the TPL was determined based upon rolling forward the results of the actuarial valuations as of December 31, 2016 and 2015, respectively. In addition, any changes in actuarial assumptions or plan provisions that occurred between the valuation date and the measurement date have been reflected.

Note 11 (continued)

The components of NPL for CCCERA, as a whole, are as follows:

Reporting Date for employer under GASB 68	6/30/2018	6/30/2017
Measurement Date for Employer under GASB 68	12/31/2017	12/31/2016
Total Pension Liability (TPL)	$ 9,202,017,660	$ 8,838,974,427
Plan's Fiduciary Net Position	(8,390,581,049)	(7,438,519,504)
Net Pension Liability (NPL)	$ 811,436,611	$ 1,400,454,923
Plan's Fiduciary Net Position as a % of TPL	91.18%	84.16%

The Plan provisions used in the measurement of the NPL as of December 31, 2017 and 2016 are the same as those used in the CCCERA actuarial valuation as of December 31, 2017 and 2016, respectively. The TPL and the Plan's Fiduciary Net Position include liabilities and assets held for the Post Retirement Death Benefit Reserve.

The most recent Actuarial Report available from CCCERA had a valuation date of December 31, 2017. The December 31, 2017 CCCERA Actuarial Report reflects the following changes to the Authority's NPL balances:

Reporting Date for employer under GASB 68	6/30/2018	6/30/2017
Measurement Date for Employer under GASB 68	12/31/2017	12/31/2016
NPL as the beginning of the measurement period	$ 10,162,604	$ 10,788,391
Pension Expense	1,324,457	1,879,712
Employer Contributions (1)	(2,150,337)	(2,179,232)
New Net Deferred Inflows/Outflows of Resources	(3,075,254)	(152,748)
Change in Allocation of Prior Deferred Inflows/Outflows	82,256	35,313
New Net Deferred Flows Due to Changes in Proportion (2)	228,012	92,240
Recognition of Prior Deferred Inflows/Outflows of Resources	(306,164)	(328,939)
Recognition of Prior Deferred Flows Due to Change in Proportion (2)	2,030	27,867
NPL as of the end of the measurement period	$ 6,267,604	$ 10,162,604

(1) Includes "member subvention of employer contributions" and excludes "employer subvention of member contributions".
(2) Includes differences between employer contributions and proportionate share of contributions.

The Authority's proportionate share of CCCERA's NPL was 0.772% as of December 31, 2017 and 0.726% as of December 31, 2016. This is an increase to the Authority's proportionate share of 0.046%.

(Continued)

Note 11 (continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability as of December 31, 2017 calculated using the discount rate of 7.00%, as well as what the NPL liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate:

	1% decrease 6.00%	Current rate 7.00%	1% increase 8.00%
Housing Authority NPL	$ 14,553,821	$ 6,627,604	$ (494,435)
CCCERA NPL in total	$ 2,062,148,752	$ 811,436,611	$ (209,217,746)
Authority NPL as a % of CCCERA	0.706%	0.817%	0.236%

E. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits as follows:

	12/31/2017	12/31/2016
Service Cost	$ 1,652,657	$ 1,481,084
Interest on total pension liability	4,764,094	4,325,468
Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	63,691	25,837
Expensed portion of current-period difference between expected and actual experience in the TPL	(50,675)	(31,910)
Expensed portion of current-period changes of assumptions or other inputs	-	-
Member contributions (1)	(751,091)	(648,763)
Projected earnings on plan investments	(4,015,580)	(3,560,149)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(723,459)	(9,707)
Administrative expense	71,212	62,010
Other expenses	9,474	(65,230)
Recognition of beginning of year deferred outflows of resources as pension expense	789,219	740,646
Recognition of beginning of year deferred inflows of resources as pension expense	(483,055)	(411,707)
Net amortization of deferred amounts from changes in proportion and differences between employer's contribution and proportionate share of contributions	(2,030)	(27,867)
Pension expense - measurement date 12/31	$ 1,324,457	$ 1,879,712

(1) Includes "employer subvention of members contributions" and "excludes member subvention of employer contributions"

Note 11 (continued)

Deferred outflows and inflows of resources represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner, In addition, deferred outflows of resources include employer contributions to the pension plan made subsequent to the measurement date, as follows:

	Deferred Outflows	Deferred Inflows
Changes in proportion and differences between employer's contribution and proportionate share of contribution (1)	$ 294,415	$ 35,713
Changes in assumptions or other input	189,008	77
Net excess of projected over actual earnings on pension plan investments	-	1,615,925
Difference between expected and actual experience in the TPL	-	617,916
Balances per actuarial report - measurement date 12/31/2017	483,423	2,269,631
Employer contributions made January thru March 2018	541,114	-
Balances reported March 31, 2018	$ 1,024,537	$ 2,269,631

(1) Calculated in accordance with Paragraph 54 and 55 of GASB 68

Deferred outflows and inflows of resources, other than the employer contributions noted above are reported in the aggregate as net deferred inflows and will be recognized in future pension expense as follows:

Measurement period:	
2019	$ (279,059)
2020	(65,797)
2021	(725,440)
2022	(715,912)
	$ (1,786,208)

The amount reported as deferred outflows of resources related to employer contributions made January through March 2018, should have the effect of reducing net pension liability during the next actuarial measurement period.

F. Actuarial Assumptions

The total pension liability (TPL) as of December 31, 2017, and December 31, 2016 were determined by actuarial valuations as of December 31, 2016 and December 31, 2015, respectively. The actuarial assumptions used were based on the results of an experience study for the period January 1, 2012 through December 31, 2014. They are the same as the assumptions used in the CCCERA funding actuarial valuations as of December 31, 2017 and 2016 funding actuarial valuations for CCCERA. The following actuarial assumptions were applied to all periods included in the measurement for both the December 31, 2017 and 2016 actuarial valuations.

Note 11 (continued)

Valuation Date	12/31/2017	12/31/2016
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level % of Payroll	Level % of Payroll
Inflation	2.75%	2.75%
Salary increases - general	4.0% to 13.25%	4.0% to 13.25%
Investment rate of return	7.00%	7.00%
Administrative expenses	1.13%	1.12%
Cost of living adjustment	2.75%	2.75%

When measuring pension liability GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as CCCERA uses for funding. This means that the TPL measured for financial reporting shown in this report is determined on generally the same basis as CCCERA's actuarial accrued liability (AAL) measure for funding.

Mortality rates for member contribution rates for members were based on the Headcount Weighted RP-2014 Healthy Annuitant Mortality Table, projected to 2034 with the two-dimensional MP-2015 projection scale, weighted 30% male and 70% female.

The long-term expected rate of return on pension plan investments determined in 2017 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocation (approved by the CCCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expensed, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate
Large Cap U.S. Equity	6.0%	5.75%
Developed International Equity	10.0	6.99
Emerging Markets Equity	14.0	8.95
Short-term Gov't/Credit	24.0	0.20
U. S. Treasury	2.0	0.30
Real Estate	7.0	4.45
Risk Diversifying Strategies	2.0	4.30
Private Credit	17.0	6.30
Private Equity	17.0	8.10
Cash and Equivalents	1.0	-0.46
Total	100.0%	

Note 11 (continued)

The discount rate used to measure the TPL was 7% as of both December 31, 2017 and December 31, 2016. The projection of cash flows used to determine the discount rate assumed employer and employee contributions will be made at the rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions for future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2017 and 2016.

Note 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description: Contra Costa County Housing Authority (The Authority) administers a single-employer, defined benefit health care plan. Currently, the plan provides postemployment medical and dental insurance benefits to eligible employees, and their dependents, who retire from the Authority and commence receiving their CCCERA pension at the time of retirement. Health benefit provisions for active employees are established and may be amended through negotiations between the Authority and their bargaining unit and employee groups. The Authority does not issue a separate audit report on its post retirement health benefit plan.

The Contra Costa County Board of Supervisors appointed the Executive Director of the Authority as the Plan Administrator. As of March 31, 2018, Public Agency Retirement Services is the Trust Administrator.

The Contra Costa County Board of Supervisors has the right at any time and for any reason, in its sole discretion, to modify, alter, or amend the Plan in whole or in any part, in any manner and without limit, including reducing or eliminating the payment of any benefits. WestAmerica Bank (Trustee) shall, upon written direction of the Plan Administrator, make distributions from the assets of the Trust to the insurers, third party administrators, health care and welfare providers or other entities providing Plan benefits or services, or to the employer for reimbursement of Plan benefits ad expenses paid by the employer.

Benefits: The Authority has contracted with Kaiser Permanente, Anthem, United Healthcare, Blue Shield, and the California Public Employees' Retirement System (CalPERS) to provide medical benefits and Delta Dental for dental benefits.

(Continued)

Note 12 (continued)

The Authority contributes the cost of retiree medical and dependent medical and dental coverage up to specified limits. The maximum monthly contributions are:

Coverage Level	Maximum Monthly Contribution
Retiree	$345
Retiree +1	$679
Retiree +2	$980

These caps are not expected to increase in the future. At the retiree's death a surviving spouse may elect to continue coverage. However, they must contribute 100% of the required contribution. The retiree dental plan is the same as the plan provided to active employees. Monthly dental only premiums are:

Coverage Level	Dental Only Premium
Retiree	$ 63.72
Retiree +1	$110.81
Retiree +2	$186.36

Eligibility: Eligibility for retiree medical and dental benefits generally require an employee to (1) be age 50 or older with at least 10 years of service with the Authority, (2) be age 55 or older with at least 5 years of service with the Authority, or (3) have completed 30 or more years of service with the Authority.

Demographic Data for the fiscal year ended June 30, 2017:

Retirees and beneficiaries receiving benefits	64
Active plan members	81
Total	145

Contributions: The contribution requirements of program members and the Authority are determined by negotiations between the Authority and the respective unions and employee groups. There is currently no requirement for employees to contribute to the plan.

In 2016, The Authority established a trust account with the Public Agency Retirement Services (PARS) to administer the funding of the projected benefits of the OPEB plan. Monthly, the Authority makes healthcare premium payments for its current retirees to the benefit providers. The retiree contributes any necessary amount of the premium cost that exceeds the specific established plan limits. The Authority then makes deposits into their PARS trust account for the difference between the actuarially determined annual OPEB cost and the out-of-pocket payments made to the healthcare benefit providers.

Note 12 (continued)

The contributions made for the fiscal year ended June 30, 2017 was as follows:

Contribution made to PARS	$ 95,183
Payments to CalPERS for retiree premiums	275,316
Payments to CalPERS for implicit subsidy of retirees	87,824
Total employer contributions	$ 458,323

Investments: The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan Administrator. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the adopted asset allocation policy as of June 30, 2017:

Investment Class	Target allocation	Long-Term Expected Real Rate of Return (1)
Equity	73%	5.66%
Fixed Income	20%	1.46%
REITs	2%	5.06%
Cash	5%	0.00%

(1) JPMorgan arithmetic Long Term Capital Market assumptions and expected inflation of 2.26%

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB:

Annual OPEB Expense and Net OPEB Liability - At June 30, 2017, the Authority reported $5,726,101 for the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of April 1, 2016. The actuarial report presents liabilities as of the measurement date of June 30, 2017 that are based on an interim valuation. When an interim valuation is performed, both the census data and the assumptions and methods do not need to be updated; while the assets, plan provision changes materially impacting the results, and the discount rate are updated. The Authority's net OPEB liability was based on a projection of the Authority's covered payroll of $5,182,762.

Plan Fiduciary Net Position (plan assets) was valued as of the measurement date while the total OPEB liability was determined based upon rolling forward the total OPEB liability from actuarial valuations as of April 1, 2016. As of June 30, 2017, the Plan Fiduciary Net Position was $202,266.

For the year ended March 31, 2018, the Authority recognized OPEB expense of $590,638. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted

Note 12 (continued)

for service cost, interest on the total OPEB liability, and expected investment return, net of investment expense, as follows:

Components of OPEB Expense	
Service Cost	$ 183,043
Interest on the total OPEB liability	422,711
Recognized differences between expected and actual experience	(3,015)
Projected earnings on OPEB plan investments	(11,513)
Plan investments	(938)
Administrative expenses	350
Aggregate OPEB expense	$ 590,638

The components of the net OPEB liability as of June 30, 2017, were as follows:

	6/30/2017
Total OPEB Liability	
Service Cost	$ 183,043
Interest	422,711
Differences between expected and actual experience	(11,577)
Benefits payments	(363,140)
Net change in total OPEB liability	231,037
Total OPEB liability - beginning (a)	5,715,330
Total OPEB liability - ending (b)	$ 5,946,367
Plan Fiduciary Net Position	
Contributions - employer	$ 458,323
Net investment income	16,201
Benefit payments	(363,140)
Administrative expenses	(350)
Net change in plan fiduciary net position	111,034
Plan fiduciary net position - beginning (c)	109,232
Plan fiduciary net position - ending (d)	$ 220,266
Net OPEB Liability - beginning (a) - (c)	$ 5,606,098
Net OPEB Liability - ending (b) - (d)	$ 5,726,101

The Authority implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* during the current fiscal year. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. To comply with this Statement and recognize the full amount of the Total OPEB Liability, the Authority reported a prior period adjustment of $2,824,938. Please note that this amount differs from the total prior period adjustment by $1,768,

Note 12 (continued)

which represents an adjustment to recognize interest earned on restricted funds in prior years and required by HUD to be returned (see also Note 3).

At March 31, 2018, the Authority reported deferred inflows of resources and deferred outflows of resources related to OPEB for the following resources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience in the measurement of TOL	$	$ 8,562
Changes in assumptions		-
Net differences between projected and actual earnings of OPEB plan investments	-	3,750
Balances per actuarial report - measurement date 6/30/2017	-	12,312
Employer contributions made July 2017 thru March 2018	468,447	-
Balances reported March 31, 2018	$ 468,447	$ 12,312

Deferred outflows and inflows of resources, other than the employer contributions noted above, will be recognized in future pension expense as follows:

Measurement period:	
2019	$ (3,953)
2020	(3,953)
2021	(3,470)
2022	(936)
	$ (12,312)

The amount reported as deferred outflows of resources related to employer contributions made January through March 2018, should have the effect of reducing net pension liability during the next actuarial measurement period.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined by an actuarial valuation as of April 1, 2016, with a valuation date of June 30, 2017. The Entry Age Normal actuarial cost method was used, a method under which the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis over the earnings or service of the individual between

Note 12 (continued)

entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the normal cost. The methodology used for amortization was straight-line. For assumption changes and experience gains/losses, it was assumed Average Future Working Lifetime, averages over all activities and retirees (retirees are assumed to have no future working years). Asset gains and losses are assumed 5 years. Assets are valued at the market value of assets as of the measurement date. The Authority intends to contribute the ADC to the PARS trust each year. In addition pay-as-you-go benefit payments will be paid outside of the trust.

The Authority used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00% annually		
Payroll increases	3.25% annually		
Net investment return	7.39% based on PARS capital appreciation investment policy		
Discount rate	7.39% based on PARS capital appreciation investment policy		
Health care trend	Year	Increase in premium rates	
	Beginning	Pre 65	Post 65
	2017	7.75%	5.25%
	2018	7.50%	5.00%
	2019	7.25%	5.00%
	2020	7.00%	5.00%
	2021	6.75%	5.00%
	2022	6.50%	5.00%
	2023	6.25%	5.00%
	2024	6.00%	5.00%
	2025	5.75%	5.00%
	2026	5.50%	5.00%
	2027	5.25%	5.00%
	2028 and later	5.00%	5.00%
Baseline cost	Pre-Medicare $9,136 per year Post-Medicare $3,638 per year		
Administrative expenses	Assumed no fees other than those included in premium rates.		
Health plan participation	90% of active employees who are currently enrolled in medical and dental coverage and retire from the Authority will elect to participate in the retiree medical and dental program. Furthermore 70% of active employees who are currently only enroled in dental coverage and retire from the Authority will elect to participate in the retiree medical and dental program.		
Medicare Coverage	The assumption is that all future retirees will be eligible for Medicare when they reach age 65.		
Morbidity Factors	CalPERS 2013 study		
Population for Curving	CalPERS 2013 study		

Note 12 (continued)

Age weighted claim costs	Age	Cost
	50	$ 9,380
	55	$11,567
	60	$13,483
	65	$ 2,880
	70	$ 3,341
	75	$ 3,815
	80	$ 4,177
	85	$ 4,258
Mortality	The mortality rates used are those used in the most recent CalPERS valuations, projected forward with CalPERS 2014 MP-2014 generational projections. Pre-retirement - CalPERS 2014 mortality pre-retirement, projected forward with CalPERS 2014 MP-2014 generational projections. Post-retirement - CalPERS 2014 mortality post-retirement, projected forward with CalPERS 2014 MP-2014 generational projections.	
Disability	Because of the anticipated low incidence of disability retirements disability was not valued.	
Percent Married	Assumption was that 80% of male retirees and 55% of female retirees were married.	
Retirement	2010 CCCERA experience study.	
Withdrawal	2010 CCCERA experience study.	

There have been no assumptions changes since the last measurement date.

Discount Rate: The discount rate of 7.39%, is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets. The following presents the Authority's NOL if it were calculated using a discount rate 1% higher and 1% lower than the current rate:

	1% decrease 6.39%	Current rate 7.39%	1% increase 8.39%
Authority NOL	$ 6,335,045	$ 5,726,101	$ 5,208,428

Trend Rate: The following presents the Authority's NOL if it were calculated using a trend table that is 1% point higher and 1% point lower than the current rate:

	1% decrease in trend rate	Current Trend Rate	1% increase in trend rate
Authority NOL	$ 5,150,291	$ 5,726,101	$ 6,152,578

Note 13 - DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by Mass Mutual Financial Group. The plan, available to all regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. 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 held in trust for the exclusive benefits of participants and their beneficiaries.

A total of $3,692,741 is being held by Mass Mutual Financial Group on behalf of the Authority's employees. These funds are not recorded as assets of the Authority since they are held in trust for the exclusive benefit of participants and their beneficiaries and are not subject to claims of the Authority's general creditors.

Note 14 - RELATED PARTIES

Casa Del Rio Housing - Blended Component Unit

Organization:

Casa Del Rio Housing is made up of HACCC Casa Del Rio, Inc (A California Nonprofit Public Benefit Corporation) and CDR Senior Housing Associates (A California Limited Partnership). HACCC Casa Del Rio, Inc. is the general partner of CDR Senior Housing Associates. The officers and Board members of HACCC Casa Del Rio, Inc. are employees of the Authority. The partnership was formed in 1994 to develop and operate an 82-unit affordable housing rental complex located in Antioch, California, which is currently known as Casa Del Rio Senior Housing.

Pursuant to the Indemnification Agreement dated July 1, 1994, by and among the Authority, HACCC Casa Del Rio, Inc., CDR Senior Housing Associates, and MHIFED I Limited Partnership, the Authority could possibly be liable for unpaid taxes, interest and penalties, cost to contest, operating deficiency and expenses of enforcement as identified in the Agreement.

Pursuant to the Operating Deficit Guaranty Agreement dated July 1, 1994, by the Authority to and for the benefit of MHIFED I Limited Partnership, the Authority can possibly be liable for operating deficit and expenses of enforcement as identified in the Agreement.

Pursuant to the Indemnity Agreement, dated July 1, 1994, by the Authority to and for the benefit of CDR Senior Housing Associates and MHIFED I Limited Partnership, the Authority can possibly be liable for any costs, expenses, and liabilities arising out of claims made by FPI (FPI Real Estate Group, FPI Mortgage Co. and FPI Management, Inc.) under the Development Agreement.

(Continued)

Note 14 (continued)

Pursuant to the Demand Note dated June 30, 1994, from the Authority to HACCC Casa Del Rio, Inc., the Authority can possibly be liable to HACCC Casa Del Rio, Inc. for $185,000. Although the note is due upon demand the maturity date is December 31, 2059, the note will be called prior to maturity only in the event that there are operating deficits and there is not sufficient cash available to cover expenses. This note is recorded as both an interfund note receivable and note payable (see Notes 4 and 6).

Pursuant to the Assignment and Assumption Agreement, the Authority can possibly be liable for any and all claims relating to the Assignment and Assumption Agreement arising prior to the date of the Assignment and Assumption Agreement.

Pursuant to the Department of Housing and Community Development Rental Housing Construction Program First Amendment to the Regulatory Agreement (the "Amended HCD Agreement") dated November 14, 1994, by and among the Department of Housing and Community Development, CDR Senior Housing Associates, and the Authority; the Authority can possibly be liable for a sponsor's operating guaranty to provide sufficient staff or equipment to the general partner, as needed and remedies against sponsor for default under the Amended HCD Agreement.

Since HACCC Casa Del Rio, Inc (CDR Inc) and CDR Senior Housing Associates (CDR Associates) have the potential to impose a financial burden on the Authority, these entities have been included in the Authority's financial statements as a blended component unit. The fiscal year end of these blended component units is December 31. Audits were conducted on these entities as of December 31, 2017, by Linquist, Von Husen, & Joyce, LLP. The opinions were not modified. These audit reports may be obtained by contacting the Authority at the address on page 11. The Authority reports the balances for these blended component units as of December 31, 2017, which differs from that of the Authority's fiscal year end of March 31, 2018. The balances at each fiscal year end do not differ materially. Modification were made to the audited financial statements to conform with the reporting categories of the Authority. Specifically, net assets reported in the audit were converted to the three categories of net position in conformity with the Authority's reporting practices.

Condensed Financial Statements:

The condensed financial statements for HACCC Casa Del Rio, Inc. and subsidiary as of and for the year ended December 31, 2017, are as follows:

STATEMENT OF NET POSITION

Current assets	$ 83,699
Restricted assets	638,709
Property and equipment	3,024,341
Other non-current assets	185,000
Total assets	$ 3,931,749

Note 14 (continued)

STATEMENT OF NET POSITION (continued)

Current liabilities	$ 46,366
Payable from restricted assets	44,347
Long term liabilities	5,270,905
Total liabilities	5,361,618
Net investment in capital assets	(1,742,170)
Restricted net position	632,471
Unrestricted net position	(320,170)
Total net position	(1,429,869)
Total liabilities and net position	$ 3,931,749

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Rental revenue	$ 523,684
Interest and other revenue	7,664
Total revenue	531,348
Administrative expenses	186,960
Utility expenses	84,298
Maintenance expenses	200,443
General expenses	64,263
Depreciation	183,436
Total expenses	719,400
Operating income (loss)	(188,052)
Debt service interest	(104,914)
Change in net position	(292,966)
Net position at the beginning of the year - 1/1/2017	(1,136,903)
Net position at the end of the year - 12/31/2017	$ (1,429,869)

STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	$ 28,178
Noncapital financing activities	62,696
Capital financing activities	(151,827)
Investing activities	3,080
Net change in cash	(57,873)
Cash at the beginning of the year - 1/1/2017	727,454
Cash at the end of the year - 12/31/2017	$ 669,581

Note 14 (continued)

Interfund accounting issues:

Operating advances made by the Authority were $542,269 as of March 31, 2018. The interfund balance as of December 31, 2017 was $535,568 and was reported as non-current related party payable by the other auditors. The Statement of Net Position - Proprietary Funds, reported as of March 31, 2018, shows $535,568 as both a noncurrent asset and as a noncurrent liability. The difference of $6,701, due to the timing differences of the fiscal year ends, is shown as “other” noncurrent assets.

During the fiscal year ended December 31, 2017, CDR Associates paid management fees to the Authority in the amount of $52,452. Some of the Casa Del Rio Senior Housing tenants (3 as of December 31, 2017) are also participants in the Authority’s Housing Choice Voucher or Continuum of Care Programs. The rent for these tenants is subsidized by HUD through the Authority. During the twelve months ended March 31, 2018, the Authority’s Housing Choice Voucher and Continuum of Care Programs paid a total of $19,891 in HAP payments to CDR Associates.

Intrafund accounting issues:

The intrafund amounts which have been eliminated as of March 31, 2018, from the Casa Del Rio Blended Component Unit Enterprise Fund for inclusion into the Fund Financial Statements include:

- $136,330 receivable/payable between CDR Inc and CDR Associates
- $1,765,980 investment in partnership recorded as an liability of CDR Inc and net position of CDR Associates.
- $15,000 managements fees reported as revenue to CDR Inc and expenses of CDR Associates.
- $13,912 interest fees reported as revenue to CDR Inc and expenses of CDR Associates.

Deficit Net Position

These blended component units combined, have a deficit net position of $1,429,869, including a deficit unrestricted net position of $320,170. This deficit is an increase over the prior year’s deficit balance in total net position of $1,136,903.

DeAnza - Discretely Presented Component Units

Organization:

The discretely presented component units are DeAnza Housing Corporation (A California Nonprofit Public Benefit Corporation) and DeAnza Gardens, L.P. (A California Limited Partnership). The Authority is the General Partner and DeAnza Housing Corporation is the

Note 14 (continued)

managing general partner of DeAnza Gardens, L.P. The partnership was formed for the purpose of acquisition, ownership, maintenance, and operation of 180 multi-family rental housing units and the provision of low-income housing through the construction, renovation, rehabilitation, operation, and leasing of an affordable housing development located in Contra Costa County, which is currently known as DeAnza Gardens.

DeAnza Housing Corporation (DeAnza Corp) and DeAnza Gardens L.P. (DeAnza L.P.) have been reported as discretely presented component units of the Authority. The fiscal year end of these discretely presented component units is December 31. Audits were conducted on these entities as of December 31, 2017, by Linquist, Von Husen, & Joyce, LLP. The opinions were not modified. These audit reports may be obtained by contacting the Authority at the address on page 11. The Authority reports the balances for these discretely presented component units as of December 31, 2017, which differs from that of the Authority's fiscal year end of March 31, 2018. The balances at each fiscal year end do not differ materially. Modifications were made to the audited financial statements to conform with the reporting categories of the Authority. Specifically, net assets reported in the audit were converted to the three categories of net position in conformity with the Authority's reporting practices.

Inter-agency accounting issues:

The amounts shown as due to related parties consist of the following:

	Primary Gov't Assets 3/31/2018	Component Unit Liabilities 12/31/2017
Due to the Authority:		
Short-term for operations	$ 2,761	$ -
Long-term:		
Interest on note	$ 510,107	$ 502,607
Land lease	1,068,000	1,050,000
Long-term for operations	544,422	605,958
	$ 2,122,529	$ 2,158,565
Due to Boston Capital - long-term		$ 16,284

The Authority's Housing Choice Voucher Enterprise Fund loaned $1 million to DeAnza Gardens L.P. The note bears simple interest at the rate 3% per annum, payments are due commencing on October 1, 2005, but are payable only to the extent of the previous years' excess/distributable cash, and is due June 2043. Interest of $30,000 was expensed during the fiscal year ended December 31, 2017. No interest has been paid to the Authority. The Authority's Housing Choice Voucher Enterprise Fund reported $510,107 due from related parties and revenue of $30,000. See Note 4.

(Continued)

Note 14 (continued)

DeAnza Gardens was built on land owned by the Authority's Public Housing Program Enterprise Fund. Based on an agreement between DeAnza Gardens L.P. and the Authority, the land is leased for $72,000 per year, payable from excess/distributable cash. Unpaid lease amounts are carried forward without interest. The Authority's Public Housing Program Enterprise Fund reported $1,068,000 due from related party for this lease, with $72,000 reported in the current fiscal year as fees charged to a related party (nonoperating revenue).

During the fiscal year ended December 31, 2017, DeAnza Gardens L.P. paid management fees to the Authority in the amount of $12,960. Nonoperating revenue of $12,960 is reported in the Authority's Statement of Revenues, Expenses, and Changes in Fund Net Position for the year ended March 31, 2018. Some of the DeAnza Gardens tenants (7 as of December 2017) are also clients of the Authority's Housing Choice Voucher or Continuum of Care Programs. The rent for these tenants is subsidized by HUD through the Authority. During the twelve months ended March 31, 2018, the Authority's Housing Choice Voucher Program paid $100,170 in HAP payments to DeAnza Gardens L.P.

Intrafund accounting issues:

The intrafund amounts which have been eliminated when reporting these entities in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position are:

- $1,000,000 long-term note held by DeAnza Corp from DeAnza L.P.
- $986,280 of interest on the long-term note held by DeAnza Corp from DeAnza L.P.
- $402,730 receivable recognized by DeAnza Corp from DeAnza L.P.
- $747 deficit investment in partnership reported by DeAnza Corp is offset by net position in DeAnza L.P.
- $67,205 managements fees reported as revenue to DeAnza Corp and expenses of DeAnza L.P.
- $68,000 interest revenue on the long-term debt is recognized by DeAnza Corp and expensed by DeAnza L.P.

Cash and investments:

	Unrestricted	Restricted
Demand deposits (FDIC insured up to $250,000)	$ 358,901	$ 47,232
Investments	-	969,383
Held by mortgagor	-	546,734
Cash on hand	500	-
	$ 359,401	$ 1,563,349

The demand deposits are with WestAmerica bank. The total on deposit did not exceed the amount covered by FDIC as of December 31, 2017. FDIC coverage is $250,000 for 2017. Cash and

(Continued)

Note 14 (continued)

investments of $969,383 are held by Cantella & Co., Inc. The investments consist of six marketable certificates of deposit with face values ranging from $108,000 to $230,000.

Restricted cash includes replacement and operating reserves required by the lender and reported as restricted net assets totaling $1,516,117. Cash has also been restricted for security deposits in the amount of $47,232. The excess of the security deposit liability of $170,137, over the cash balance represents cash held as an investment in the operating reserve account.

Capital assets:

DeAnza Gardens was completed and placed into service during the fiscal year ended December 31, 2004. DeAnza Gardens L.P.'s property and equipment are summarized as follows:

	12/31/2017	12/31/2016
Building and improvements	$ 29,505,562	$ 29,505,562
Land improvements	1,150,712	1,150,712
Off-site improvements	208,448	208,448
On-site improvements	4,028,709	4,028,709
Furniture and fixtures	532,556	532,556
	35,425,987	35,425,987
Less accumulated depreciation	(13,722,172)	(12,701,623)
	$ 21,703,815	$ 22,724,364

Capital assets are being depreciated on the straight-line method over the estimated useful life of the assets. The useful lives of the assets are estimated to be forty years for buildings and off-site improvements, fifteen years for on-site improvements and seven years for furniture and fixtures.

Long-term debt:

Permanent financing was obtained for the costs of the DeAnza Gardens' construction during 2005. The note is held by California Community Reinvestment Corporation. The original amount of the loan was $10,115,373. This loan requires monthly payments of $64,603, beginning November 1, 2005, earns interest at a rate of 6.6% per annum, and is due in full October 2023. Activity on the loan is as follows:

	Balance 12/31/2016	Payments	Balance 12/31/2017	S/T Portion	L/T Portion	Interest Payable
	$ 8,345,478	$ (231,346)	$ 8,114,132	$ 247,085	$ 7,867,047	$ 44,628
Loan costs			(56,759)		(56,759)	
Balances 12/31/2017			$ 8,057,373		$ 7,810,288	

Interest expense for the fiscal year ended December 31, 2017 $ 542,614

Note 14 (continued)

Costs incurred in order to obtain permanent financing for the De Anza notes were $391,461 and are amortized on a straight-line basis into interest expense over the term of the loan. Interest expense amortization of permanent loan costs was $11,352 during the current fiscal year.

Deficit Unrestricted Net Position

While DeAnza Gardens has a positive net position in total, its unrestricted net position is in deficit as of December 31, 2017. The majority of the entity's assets are either invested in capital assets or restricted, leaving the unrestricted net position in deficit by $3,002,732. This deficit is an increase over the prior year's deficit in unrestricted net position of $2,994,594.

Note 15 - CONTINGENT LIABILITIES

A. Grants

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

B. Line of Credit

On January 5, 2018, the Authority renewed an agreement with WestAmerica Bank for a $1 million line of credit. The interest rate is variable, but will not exceed the amount allowed by law. The initial rate for this line of credit was 6.5%. It is the Authority's intention to use this line of credit to cover any shortage in cash flow, if any, that may arise over the term of the loan. No amounts were drawn on this line of credit during the current fiscal year.

C. Litigation

The Authority is involved in various matters of litigation. It is the Authority's opinion that these matters of litigation will not have a material effect, if any, on the financial position of the Authority.

D. Audit by Funding Agency

During 2018, the Office of Housing Voucher Program, Quality Assurance Division staff conducted an on-site Financial Management Review. The final version of the report has not yet been issued. It is the Authority's opinion that any matters of discussion will not have a material effect, if any, on the financial position of the Authority.

(Continued)

Note 16 - ECONOMIC DEPENDENCE

The Authority receives a significant portion of its revenue from the U.S. Department of Housing and Urban Development. See the Schedule of Expenditures of Federal Awards, shown as supplemental information, for the HUD programs that the Authority administers. These programs are currently on-going. However, they are dependent on the Federal budgeting processes, and therefore, funding will vary from year to year.

Note 17 - RISK MANAGEMENT

Workers Compensation Insurance: The Authority participates in a joint venture under a joint powers agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2017, there were thirty-two members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed CHWCA audited financial information is as follows:

	December 31, 2017	December 31, 2016
Total assets	$ 27,349,298	$ 26,789,732
Total liabilities	(15,055,537)	(15,021,154)
Net position	$ 12,293,761	$ 11,768,578
Total revenues	$ 6,348,609	$ 5,351,150
Total expenses	(5,823,426)	(3,288,286)
Net change in net position	$ 525,183	$ 2,062,864

CHWCA had no long-term debt outstanding at December 31, 2017. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated. The Authority's annual premium is based on covered payroll. Premiums paid for the calendar year ended December 31, 2017 were $246,025. CHWCA issues a separate annual financial report, which may be obtained by contacting Bickmore Risk Services, 6371 Auburn Blvd, #B, Citrus Heights, California, 95621.

Property and Liability Insurance: The Authority carries insurance for its various operations with the Housing Authority Insurance Services (HAI), the Housing Authority Risk Retention Group (HARRG), and Employment Risk Management Authority (ERMA). The property insurance limits vary by property covered, with a deductible of $50,000 per occurrence. The commercial liability limit of coverage is $5,000,000 aggregate for the policy year. The deductible is $25,000 per occurrence. The liability insurance covers bodily injury and property damage liability ($5 million limit), mold liability ($250,000 limit), and employee benefits administration liability ($1 million limit, with a deductible of $1,000 per employee). The automobile insurance limits are $4 million for liability, $1 million for non-owned hired autos, and $1 million for uninsured motorists. Employment liability insurance coverage through ERMA is $1 million with a $50,000 deductible per occurrence. Premiums paid for this coverage were approximately $167,600 for the policy year beginning June 1, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
REQUIRED SUPPLEMENTARY INFORMATION
AS OF MARCH 31, 2018

Schedule of Proportionate Share of the Net Pension Liability (NPL) for CCCERA

Reporting Date for Employer Under GASB 68	Proportion of the NPL	Proportionate Share of the NPL	Covered Employee Payroll	NPL as a % of covered Payroll	Funded Ratio
6/30/2014	0.724%	$ 10,648,283	$ 4,677,572	227.65%	80.04%
6/30/2015	0.724%	$ 8,652,807	$ 4,691,885	184.42%	84.06%
6/30/2016	0.716%	$ 10,788,391	$ 4,841,907	222.81%	80.83%
6/30/2017	0.726%	$ 10,162,604	$ 5,215,890	194.84%	82.73%
6/30/2018	0.772%	$ 6,267,604	$ 5,183,762	120.91%	89.72%

This schedule is required to present ten years of information. The information above is presented for the years currently available. A full ten-year trend will be built as the information becomes available in the future.

Schedule of Employer Contributions to CCCERA

Measurement Date Year Ended December 31	Actuarially Determined Contributions	Contribution in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 2,329,742	$ 2,329,742	$ 0	$ 4,841,907	48.12%
2016	$ 2,179,232	$ 2,179,232	$ 0	$ 5,215,890	41.78%
2017	$ 2,150,337	$ 2,150,337	$ 0	$ 5,183,762	41.48%

Contributions exclude “employer subvention of member contributions”. Prior to the December 31, 2016 measurement date the contributions included “employer subvention of member contributions”.

This schedule is required to present ten years of information. The information above is presented for the years currently available. A full ten-year trend will be built as the information becomes available in the future.

The actuarial methods and assumptions used to determine the actuarially determined contributions (ADC) for CCCERA were as follows:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two and a half years prior to the end of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level Percentage of Payroll
Remaining amort period	Remaining balance of 12/31/07 UAAL is amortized over a fixed period with 6 years remaining as of 12/31/16. Any changes in UAAL after 12/31/07, will be separately amortized over a fixed 18-year period effective with that valuation.
Asset valuation method	Market value of assets less unamortized returns in each of the last 9 semi-annual periods.
Investment rate of return	7.00% net of pension plan investment expenses, including inflation.
Inflation rate	2.75%
Administrative expenses	1.13% of payroll allocated to both the employer and member based on the components of normal cost rates for the employer and member.
Real salary increase	0.5%
Projected salary increases	4.00% to 13.25%
Cost of living adjustment	2.75%
Other	Same as those used in the 12/31/17 funding actuarial valuation.

Schedule of Changes in the Net OPEB Liability and Related Ratios

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2016	$ 5,715,330	$ 109,232	$ 5,606,098
Service cost	183,043	-	183,043
Interest	422,711	-	422,711
Difference between expected and actual experience	(11,577)	-	(11,577)
Benefit payments, including refunds	(363,140)	(363,140)	-
Contributions - employer	-	458,323	(458,323)
Net investment income	-	16,201	(16,201)
Administrative expenses	-	(350)	350
Balance as of June 30, 2017	$ 5,946,367	$ 220,266	$ 5,726,101
Plan fiduciary net position as a % of total OPEB liability		3.70%	
Covered Payroll		Not available	
Net OPEB liability as a % of covered payroll		Not available	

Schedule of Employer Contributions to OPEB

Measurement Date Year Ended June 30	Actuarially Determined Contributions	Contribution in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 547,470	$ 458,323	$ 89,147	not available	not available

This schedule is required to present ten years of information. The information above is presented for the years currently available. A full ten-year trend will be built as the information becomes available in the future.

The actuarial methods and assumptions used to determine the actuarially determined contributions (ADC) for OPEB were as follows:

Valuation date	April 1, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Straight-line Amortization
Asset valuation method	Market value of assets as of the measurement date.
Funding Policy	The Authority intends to contribute the ADC to PARS trust each year. In addition, pay-go benefit payments (explicit and implicit) will be paid outside of the trust.
Discount Rate	7.39%
Net Investment Return	7.39%
Inflation rate	2.00%
Payroll Increases	3.25%

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
MARCH 31, 2018

- The Proportionate Share of Net Pension Liability presents the Authority's portion of CCCERA's NPL as a dollar value as well as a percentage. The funded ratio represents the Authority's proportionate share of the Plan's Fiduciary Net Position as a percentage of the Authority's proportionate share of the Total Pension Liability. GASB 68 requires this schedule to include ten-year trend analysis. The trend analysis is intended to aid the reader in determining the financial health of the pension plan. The schedule contains all currently known information and will be built prospectively as the information becomes available, until the ten year requirement has been met. This schedule was provided by CCCERA in its "GAS 68 Actuarial Valuation Based on December 31, 2017 Measurement Date for Employer Reporting as of June 30, 2018".

- The Schedule of Employer Contributions to CCCERA presents information regarding the Authority's required contributions to CCERA, the amounts actually contributed, and any excess or deficiency to the contributions required. This schedule reports only employer required contributions. The amounts noted are based on the Plan's calendar year and not on the Authority's fiscal year end of March 31. See also Footnote 11 to the Basic Financial Statements for the contributions, both employer and employee, for the current fiscal year. GASB 68 requires this schedule to include ten-year trend analysis. The trend analysis is intended to aid the reader in determining the financial health of the pension plan. The schedule contains all currently known information and will be built prospectively as the information becomes available, until the ten year requirement has been met. The information for this schedule was obtained from information contained in CCCERA's "GAS 68 Actuarial Valuation Based on December 31, 2017 Measurement Date for Employer Reporting as of June 30, 2018".

- The Schedule of Employer Contributions to OPEB presents information regarding the Authority's required contributions to their OPEB plan, the amounts actually contributed, and any excess or deficiency to the contributions required. This schedule reports only employer required contributions. The amounts noted are based on the Plan's calendar year and not on the Authority's fiscal year end of March 31. See also Footnote 12 to the Basic Financial Statements for the contributions, both employer and employee, for the current fiscal year. GASB 75 requires this schedule to include ten-year trend analysis. The trend analysis is intended to aid the reader in determining the financial health of the pension plan. The schedule contains all currently known information and will be built prospectively as the information becomes available, until the ten year requirement has been met. The information for this schedule was obtained from information contained in "Housing Authority of Contra Costa Authority OPEB Plan", with a measurement date of June 30, 2017.

- There have been no changes in benefit terms since the previous valuation for either CCCERA or the Authority's OPEB.

- There have been no changes in assumptions from CCCERA's prior year valuation, except for administrative expenses which increased from 1.12% to 1.13% of payroll.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2018

Federal Grantor	CFDA Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development (HUD):			
Direct Programs:			
Continuum of Care Program	14.267	$ 404,232	$ 5,585,045
Public and Indian Housing	14.850		5,388,086
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856		95,027
Housing Choice Voucher Program	14.871		108,878,351
Public Housing - Capital Fund Program	14.872		2,406,233
Family Self Sufficiency Program	14.896		135,204
Subtotal federal expenditures, Dept of HUD		404,232	122,487,946
Total expenditures of federal awards		$ 404,232	$ 122,487,946

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

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Housing Authority of the County of Contra Costa, California, under programs of the federal government for the year ended March 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of the Authority it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on the schedule are reported on the accrual basis of accounting. Such expenditures are recognize following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Continuum of Care Program - expenditures reported agree with the HUD grants earned for the year.

Public and Indian Housing Program - expenditures reported consist only of the operating subsidy amount received from HUD for the fiscal year ended March 31, 2018.

Moderate Rehabilitation Program - expenditures reported consist of operating expenses to the extent that federal grants were received towards these expenditures and/or that prior year funding is available for expenditure. These amounts differed from the actual annual contributions received.

Housing Choice Voucher Program - expenditures reported consist of operating expenses, including capital transactions and omitting depreciation, to the extent that federal grants were received towards these expenditures and/or that prior year funding was available for expenditure. These amounts differed from the actual annual contributions received from HUD. The expenditures were determined as follows:

	HAP	Admin	Total
Operating expenses	$ 103,920,005	$ 6,803,898	$ 110,723,903
Adjustments:			
Depreciation	-	(209,192)	(209,192)
HAP reimbursed by other housing authorities	(2,017,366)	-	(2,017,366)
Transfer to FSS program	-	49,721	49,721
Capital additions	-	133,277	133,277
Debt retired	-	198,008	198,008
Total Expenditures	**$ 101,902,639**	**$ 6,975,712**	$ 108,878,351
Federal grants earned	$ 102,665,616	$ 6,481,765	$ 109,147,381
Prior funding available for expenditure	-	3,908,751	3,908,751
Federal awards available for expenditure	$ 102,665,616	$ 10,390,516	$ 113,056,132
Expenditures of Federal awards	**$ 101,902,639**	**$ 6,878,351**	**$ 108,878,351**

Public Housing Capital Fund Program - expenditures reported agree with the revenue and actual expenditures (expenses, plus capital expenditures, less depreciation expense) for the current fiscal year.

Family Self Sufficiency Program - expenditures reported agree with the HUD grants earned for the year.

3. INDIRECT COST RATE

The Authority has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
FINANCIAL DATA SCHEDULE (CA011)
BALANCE SHEET SUMMARY
AS OF MARCH 31, 2018

	Public Housing (including Capital Fund)	PIH Family Self-Sufficiency Program	Community Development Block Grant	Housing Choice Vouchers	Discretely Presented Component Unit - De Anza
CFDA Number	**14.850/14.872**	**14.896**	**14.218**	**14.871**	
111 Cash - Unrestricted	$156,812	$17,153	$136,253	$1,997,743	$359,401
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted				$870,949	$1,516,117
114 Cash - Tenant Security Deposits	$310,962				$47,232
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	$467,774	$17,153	$136,253	$2,868,692	$1,922,750
121 Accounts Receivable - PHA Projects				$381,646	
122 Accounts Receivable - HUD Other Projects	$316,212				
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					$15,957
126 Accounts Receivable - Tenants	$225,252				$17,563
126.1 Allowance for Doubtful Accounts -Tenants	-$103,673				-$1,876
126.2 Allowance for Doubtful Accounts - Other	$0			$0	$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable	$6,842			$3,284	$4,035
120 Total Receivables, Net of Allowances for Doubtful Accounts	$444,633	$0	$0	$384,930	$35,679
131 Investments - Unrestricted	$2,127,187			$1,196,595	
132 Investments - Restricted				$191,275	
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	$209,623			$2,786	$20,127
144 Inter Program Due From					
150 Total Current Assets	$3,249,217	$17,153	$136,253	$4,644,278	$1,978,556
161 Land	$1,026,405			$330,791	$1,150,712
162 Buildings	$89,534,216			$3,168,053	$29,714,010
164 Furniture, Equipment & Machinery - Administration	$1,609,012			$913,643	$532,557
166 Accumulated Depreciation	-$86,600,841			-$2,170,563	-$13,722,172
167 Construction in Progress	$850,868				
168 Infrastructure					$4,028,709
160 Total Capital Assets, Net of Accumulated Depreciation	$6,419,660	$0	$0	$2,241,924	$21,703,816
171 Notes, Loans and Mortgages Receivable - Non-Current			$322,436	$1,000,000	
174 Other Assets	$1,133,605		$98,835	$510,107	
180 Total Non-Current Assets	$7,553,265	$0	$421,271	$3,752,031	$21,703,816
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	$10,802,482	$17,153	$557,524	$8,396,309	$23,682,372

Blended Component Unit - Casa Del Rio	Rental Rehab Program	Other State & Local Programs	Continuum of Care Program	Section 8 Moderate Rehabilitation	Central Office Cost Center	Subtotal	Eliminations	Total
			14.267	**14.856**				
$30,871	$185,598	$155,254	$131,222	$33,373		$3,203,680		$3,203,680
				$0				
$632,471				$0		$3,019,537		$3,019,537
$6,238				$0		$364,432		$364,432
				$0				
$669,580	$185,598	$155,254	$131,222	$33,373	$0	$6,587,649	$0	$6,587,649
				$0		$381,646		$381,646
			$166,579	$0		$482,791		$482,791
				$0				
		$2,761		$0		$18,718		$18,718
$14,881				$0		$257,696		$257,696
-$6,162				$0		-$111,711		-$111,711
$0	$0	$0	$0	$0		$0		$0
		$6,085		$0		$6,085		$6,085
				$0				
				$0				
	$1,117	$6,792		$0	$1,335	$23,405		$23,405
$8,719	$1,117	$15,638	$166,579	$0	$1,335	$1,058,630	$0	$1,058,630
		$498,399		$0	$897,964	$4,720,145		$4,720,145
				$0		$191,275		$191,275
				$0				
$44,108		$19		$0	$37,916	$314,579		$314,579
	$0	$1,155,044		$0		$1,155,044	-$1,155,044	$0
$722,407	$186,715	$1,824,354	$297,801	$33,373	$937,215	$14,027,322	-$1,155,044	$12,872,278
$468,797				$0		$2,976,705		$2,976,705
$6,561,287		$74,415		$0		$129,051,981		$129,051,981
$178,405	$3,937	$3,336		$114,308	$184,580	$3,539,778		$3,539,778
-$4,184,148	-$3,937	-$75,553		-$114,308	-$164,321	-$107,035,843		-$107,035,843
				$0		$850,868		$850,868
				$0		$4,028,709		$4,028,709
$3,024,341	$0	$2,198	$0	$0	$20,259	$33,412,198	$0	$33,412,198
$185,000	$54,030			$0		$1,561,466	-$185,000	$1,376,466
$0	$17,391	$1,086,691		$0		$2,846,629	-$535,569	$2,311,060
$3,209,341	$71,421	$1,088,889	$0	$0	$20,259	$37,820,293	-$720,569	$37,099,724
		$1,009,562		$0		$1,009,562		$1,009,562
$3,931,748	$258,136	$3,922,805	$297,801	$33,373	$957,474	$52,857,177	-$1,875,613	$50,981,564

The accompanying Independent Auditors' Report and Notes are an integral part of this schedule.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
FINANCIAL DATA SCHEDULE (CA011)
BALANCE SHEET SUMMARY
AS OF MARCH 31, 2018
(Continued)

	Public Housing (including Capital Fund)	PIH Family Self-Sufficiency Program	Community Development Block Grant	Housing Choice Vouchers	Discretely Presented Component Unit - De Anza
CFDA Number	**14.850/14.872**	**14.896**	**14.218**	**14.871**	
312 Accounts Payable <= 90 Days	$382,988			$260,269	$108,037
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion	$103,180	$14,168		$90,446	
325 Accrued Interest Payable					$44,628
331 Accounts Payable - HUD PHA Programs	$0			$1,768	
333 Accounts Payable - Other Government	$69,573		$136,253		
341 Tenant Security Deposits	$310,962				$170,137
342 Unearned Revenue	$25,365	$2,985		$19,132	$12,147
343 Current Portion of Long-term Debt - Capital Projects				$207,967	$247,085
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	$179,273			$20,759	
347 Inter Program - Due To	$1,007,130				
348 Loan Liability - Current					
310 Total Current Liabilities	$2,078,471	$17,153	$136,253	$600,341	$582,034
351 Long-term Debt, Net of Current - Capital Projects				$1,680,374	$7,810,288
352 Long-term Debt, Net of Current - Operating Borrowings					$1,000,000
353 Non-current Liabilities - Other				$252,713	$2,174,849
354 Accrued Compensated Absences - Non Current	$31,258			$40,792	
355 Loan Liability - Non Current			$421,271		
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	$31,258	$0	$421,271	$1,973,879	$10,985,137
300 Total Liabilities	$2,109,729	$17,153	$557,524	$2,574,220	$11,567,171
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	$6,419,660			$353,583	$13,601,815
511.4 Restricted Net Position				$866,873	$1,516,117
512.4 Unrestricted Net Position	$2,273,093	$0	$0	$4,601,633	-$3,002,731
513 Total Equity - Net Assets / Position	$8,692,753	$0	$0	$5,822,089	$12,115,201
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$10,802,482	$17,153	$557,524	$8,396,309	$23,682,372

Blended Component Unit - Casa Del Rio	Rental Rehab Program	Other State & Local Programs	Continuum of Care Program	Section 8 Moderate Rehabilitation	Central Office Cost Center	Subtotal	Eliminations	Total
			14.267	**14.856**				
$15,190		$7,879	$7,338	$0	$33,554	$815,255		$815,255
		$234,221		$0		$234,221		$234,221
		$202	$628	$12	$96,671	$305,307		$305,307
				$0		$44,628		$44,628
				$33,361		$35,129		$35,129
			$141,872	$0		$347,698		$347,698
$44,347				$0		$525,446		$525,446
$3	$186,140			$0		$245,772		$245,772
$31,174				$0		$486,226		$486,226
				$0				
				$0				
		$19		$0		$200,051		$200,051
			$147,914	$0		$1,155,044	-$1,155,044	$0
				$0				
$90,714	$186,140	$242,321	$297,752	$33,373	$130,225	$4,394,777	-$1,155,044	$3,239,733
$2,852,660				$0		$12,343,322		$12,343,322
		$185,000		$0		$1,185,000	-$185,000	$1,000,000
$2,418,245				$0		$4,845,807	-$535,569	$4,310,238
		$61	$49	$0	$16,000	$88,160		$88,160
	$71,422			$0		$492,693		$492,693
		$11,993,705		$0		$11,993,705		$11,993,705
$5,270,905	$71,422	$12,178,766	$49	$0	$16,000	$30,948,687	-$720,569	$30,228,118
$5,361,619	$257,562	$12,421,087	$297,801	$33,373	$146,225	$35,343,464	-$1,875,613	$33,467,851
		$1,798,520		$0		$1,798,520		$1,798,520
-$1,742,170		$2,198	$0	$0	$20,259	$18,655,345		$18,655,345
$632,471			$0	$0		$3,015,461		$3,015,461
-$320,172	$574	-$10,299,000	$0	$0	$790,990	-$5,955,613		-$5,955,613
-$1,429,871	$574	-$10,296,802	$0	$0	$811,249	$15,715,193	$0	$15,715,193
$3,931,748	$258,136	$3,922,805	$297,801	$33,373	$957,474	$52,857,177	-$1,875,613	$50,981,564

The accompanying Independent Auditors' Report and Notes are an integral part of this schedule.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
FINANCIAL DATA SCHEDULE (CA011)
REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED MARCH 31, 2018

	Public Housing (including Capital Fund)	PIH Family Self-Sufficiency Program	Community Development Block Grant	Housing Choice Vouchers	Discretely Presented Component Unit - De Anza
CFDA Number	**14.850/14.872**	**14.896**	**14.218**	**14.871**	
70300 Net Tenant Rental Revenue	$4,112,600				$2,098,117
70400 Tenant Revenue - Other	$52,718				
70500 Total Tenant Revenue	$4,165,318	$0	$0	$0	$2,098,117
70600 HUD PHA Operating Grants	$6,515,618	$135,204		$109,147,382	
70610 Capital Grants	$1,278,700				
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70700 Total Fee Revenue					
71100 Investment Income - Unrestricted	-$26,144			$47,180	$7,854
71200 Mortgage Interest Income					
71400 Fraud Recovery				$68,095	
71500 Other Revenue	$92,226			$2,164,269	$118,985
71600 Gain or Loss on Sale of Capital Assets				-$4,020	
72000 Investment Income - Restricted				$0	
70000 Total Revenue	$12,025,718	$135,204	$0	$111,422,906	$2,224,956
91100 Administrative Salaries	$852,931			$2,335,956	$190,406
91200 Auditing Fees	$26,675			$15,117	$21,675
91300 Management Fee	$1,014,674			$1,296,333	
91310 Book-keeping Fee	$67,999			$565,312	$12,960
91400 Advertising and Marketing					$8,293
91500 Employee Benefit contributions - Administrative	$744,827			$1,220,929	$27,992
91600 Office Expenses	$362,148			$503,322	$164,109
91700 Legal Expense	$84,325			$124,412	$7,500
91800 Travel	$3,713			$2,293	
91900 Other	$22,922			$20,503	$17,280
91000 Total Operating - Administrative	$3,180,214	$0	$0	$6,084,177	$450,215
92000 Asset Management Fee	$119,400				
92100 Tenant Services - Salaries	$121,238	$103,190			
92200 Relocation Costs	$286,394				
92300 Employee Benefit Contributions - Tenant Services	$24,354	$71,649			
92400 Tenant Services - Other	$59,518			$4,725	
92500 Total Tenant Services	$491,504	$174,839	$0	$4,725	$0
93100 Water	$668,584			$6,251	$145,204
93200 Electricity	$692,752			$39,258	$18,246
93300 Gas	$139,321			$2,695	$4,063
93600 Sewer	$482,584			$902	$91,483
93000 Total Utilities	$1,983,241	$0	$0	$49,106	$258,996
94100 Ordinary Maintenance and Operations - Labor	$1,061,540			$764	$113,663
94200 Ordinary Maintenance and Operations - Materials and Other	$516,453			$4,615	$111,884
94300 Ordinary Maintenance and Operations Contracts	$1,310,543			$71,368	$151,530
94500 Employee Benefit Contributions - Ordinary Maintenance	$505,970			$566	$11,511
94000 Total Maintenance	$3,394,506	$0	$0	$77,313	$388,588

Blended Component Unit - Casa Del Rio	Rental Rehab Program	Other State & Local Programs	Continuum of Care Program	Section 8 Moderate Rehabilitation	Central Office Cost Center	Subtotal	Eliminations	Total
			14.267	**14.856**				
$523,684				$0		$6,734,401	-$19,891	$6,714,510
$4,576				$0		$57,294		$57,294
$528,260	$0	$0	$0	$0	$0	$6,791,695	-$19,891	$6,771,804
			$5,585,045	$118,453		$121,501,702		$121,501,702
				$0		$1,278,700		$1,278,700
				$0	$2,364,091	$2,364,091	-$2,364,091	$0
				$0	$119,400	$119,400	-$119,400	$0
				$0	$633,311	$633,311	-$633,311	$0
				$0	$3,116,802	$3,116,802	-$3,116,802	$0
-$1,842	-$1,124	$11,049		$3	$1,374	$38,350		$38,350
	$1,620			$0		$1,620		$1,620
				$0		$68,095		$68,095
$8		$2,560,817		$0	$1,033	$4,937,338	-$2,547,857	$2,389,481
				$0		-$4,020		-$4,020
$4,922				$0		$4,922		$4,922
$531,348	$496	$2,571,866	$5,585,045	$118,456	$3,119,209	$137,735,204	-$5,684,550	$132,050,654
$53,559			$61,532	$1,596	$1,385,872	$4,881,852		$4,881,852
$17,450		-$296		$1,000	-$2,494	$79,127		$79,127
$42,132			$53,084	$0		$2,406,223	-$2,406,223	$0
$10,320				$0		$656,591	-$643,631	$12,960
				$0		$8,293		$8,293
$5,021	$1	$1,652,343	$38,547	$1,016	$1,057,943	$4,748,619	-$2,115,181	$2,633,438
$58,477		$2,333	$23,160	$76	$328,098	$1,441,723		$1,441,723
				$0	$22,926	$239,163		$239,163
				$0	$2,914	$8,920		$8,920
				$0	$2,303	$63,008		$63,008
$186,959	$1	$1,654,380	$176,323	$3,688	$2,797,562	$14,533,519	-$5,165,035	$9,368,484
				$0		$119,400	-$119,400	$0
				$0		$224,428		$224,428
				$0		$286,394		$286,394
		$53,051		$0	$100	$149,154	-$80,478	$68,676
		$500	$404,232	$0	$48	$469,023		$469,023
$0	$0	$53,551	$404,232	$0	$148	$1,128,999	-$80,478	$1,048,521
$18,441				$0		$838,480		$838,480
$37,752				$0	$28,737	$816,745		$816,745
$2,140				$0	$2,993	$151,212		$151,212
$25,965				$0		$600,934		$600,934
$84,298	$0	$0	$0	$0	$31,730	$2,407,371	$0	$2,407,371
$51,499				$0		$1,227,466		$1,227,466
$50,563				$0	$4,333	$687,848		$687,848
$91,372				$0	$29,381	$1,654,194		$1,654,194
		$199,836		$0	$212	$718,095	-$299,746	$418,349
$193,434	$0	$199,836	$0	$0	$33,926	$4,287,603	-$299,746	$3,987,857

The accompanying Independent Auditors' Report and Notes are an integral part of this schedule.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
FINANCIAL DATA SCHEDULE (CA011)
REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED MARCH 31, 2018
(Continued)

	Public Housing (including Capital Fund)	PIH Family Self-Sufficiency Program	Community Development Block Grant	Housing Choice Vouchers	Discretely Presented Component Unit - De Anza
CFDA Number	**14.850/14.872**	**14.896**	**14.218**	**14.871**	
95200 Protective Services - Other Contract Costs	$820,145				$64,958
95300 Protective Services - Other	$53,829			$15,431	$9,897
95000 Total Protective Services	$873,974	$0	$0	$15,431	$74,855
96110 Property Insurance	$291,238			$7,591	$49,334
96120 Liability Insurance	$2,004			$60	
96130 Workmen's Compensation	$83,307	$836		$24,293	$5,000
96140 All Other Insurance				$4,520	
96100 Total insurance Premiums	$376,549	$836	$0	$36,464	$54,334
96200 Other General Expenses	$1,911			$69,110	$72,000
96210 Compensated Absences	$161,742	$13,364		$160,171	
96300 Payments in Lieu of Taxes	$92,764				$31,324
96400 Bad debt - Tenant Rents	$132,302				$35,693
96000 Total Other General Expenses	$388,719	$13,364	$0	$229,281	$139,017
96710 Interest of Mortgage (or Bonds) Payable				$98,211	$553,966
96720 Interest on Notes Payable (Short and Long Term)					$30,000
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$98,211	$583,966
96900 Total Operating Expenses	$10,808,107	$189,039	$0	$6,594,708	$1,949,971
97000 Excess of Operating Revenue over Operating Expenses	$1,217,611	-$53,835	$0	$104,828,198	$274,985
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized	-$1,962				
97300 Housing Assistance Payments	$11,092			$101,902,639	
97350 HAP Portability-In				$2,017,366	
97400 Depreciation Expense	$1,334,927			$209,192	$1,020,549
90000 Total Expenses	$12,152,164	$189,039	$0	$110,723,905	$2,970,520
10010 Operating Transfer In	$999,084	$49,721		$202,736	
10020 Operating transfer Out	-$999,084			-$49,721	
10100 Total Other financing Sources (Uses)	$0	$49,721	$0	$153,015	$0
10000 Excess (Deficiency) of Total Rev Over (Under) Total Exp	-$126,446	-$4,114	$0	$852,016	-$745,564
11020 Required Annual Debt Principal Payments	$0	$0	$0	$207,967	$247,085
11030 Beginning Equity	$7,668,497	$0	$0	$4,140,241	$12,860,765
11040 Prior Period Adj, Equity Transfers and Correction of Errors	$1,150,702	$4,114		$829,832	
11170 Administrative Fee Equity				$4,955,216	
11180 Housing Assistance Payments Equity				$866,873	
11190 Unit Months Available	13861			75375	2160
11210 Number of Unit Months Leased	11834			75375	2122
11270 Excess Cash	$70,582				
11620 Building Purchases	$1,125,324				
11640 Furniture & Equipment - Administrative Purchases	$165,780				

Blended Component Unit - Casa Del Rio	Rental Rehab Program	Other State & Local Programs	Continuum of Care Program	Section 8 Moderate Rehabilitation	Central Office Cost Center	Subtotal	Eliminations	Total
			14.267	**14.856**				
				$0		$885,103		$885,103
$7,008				$0	$6,810	$92,975		$92,975
$7,008	$0	$0	$0	$0	$6,810	$978,078	$0	$978,078
$54,664				$0	$7,274	$410,101		$410,101
				$5	$97,431	$99,500		$99,500
			$1,097	$24	$14,081	$128,638		$128,638
				$0	$4,514	$9,034		$9,034
$54,664	$0	$0	$1,097	$29	$123,300	$647,273	$0	$647,273
		$2,949		$0	$609	$146,579		$146,579
			$6,558	$177	$143,728	$485,740		$485,740
$2,478				$0		$126,566		$126,566
$7,122				$0		$175,117		$175,117
$9,600	$0	$2,949	$6,558	$177	$144,337	$934,002	$0	$934,002
$104,914				$0		$757,091		$757,091
				$0		$30,000		$30,000
$104,914	$0	$0	$0	$0	$0	$787,091	$0	$787,091
$640,877	$1	$1,910,716	$588,210	$3,894	$3,137,813	$25,823,336	-$5,664,659	$20,158,677
-$109,529	$495	$661,150	$4,996,835	$114,562	-$18,604	$111,911,868	-$19,891	$111,891,977
				$0				
				$0	-$3,062	-$5,024		-$5,024
			$5,043,649	$91,132		$107,048,512	-$19,891	$107,028,621
				$0		$2,017,366		$2,017,366
$183,440		$440		$0	$8,659	$2,757,207		$2,757,207
$824,317	$1	$1,911,156	$5,631,859	$95,026	$3,143,410	$137,641,397	-$5,684,550	$131,956,847
			$190,749	$0		$1,442,290	-$1,442,290	$0
			-$176,721	-$26,015	-$190,749	-$1,442,290	$1,442,290	$0
$0	$0	$0	$14,028	-$26,015	-$190,749	$0	$0	$0
-$292,969	$495	$660,710	-$32,786	-$2,585	-$214,950	$93,807	$0	$93,807
$31,174	$0	$0	$0	$0	$0	$486,226		$486,226
-$1,136,902	$0	-$5,726,296	$0	$0	$641,788	$18,448,093		$18,448,093
	$79	-$5,231,216	$32,786	$2,585	$384,411	-$2,826,707		-$2,826,707
				$0		$4,955,216		$4,955,216
				$0		$866,873		$866,873
960			3276	224	0	95856		95856
952			2952	208	0	93443		93443
				$0		$70,582		$70,582
				$0	$0	$1,125,324		$1,125,324
				$0	$13,581	$179,361		$179,361

The accompanying Independent Auditors' Report and Notes are an integral part of this schedule.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
SCHEDULE OF RELEVANT STATISTICS
FOR THE YEAR ENDED MARCH 31, 2018

Fiscal year ended March 31	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of employees	81	87	83	83	79	99	89	99	90	107
Number of households served:										
Public Housing	1,144	1,168	1,168	1,168	1,168	1,168	1,168	1,168	1,168	1,168
Housing Choice Voucher	6,268	6,236	6,371	6,297	6,287	6,359	6,400	6,359	6,234	6,400
Continuum of Care	317	294	294	241	241	241	241	241	303	280
Section 8 Moderate Rehab	0	25	25	25	25	26	23	26	25	25
Section 8 Voucher	0	0	0	0	0	5	5	5	4	4
Component Units										
Casa Del Rio Senior Hsg	82	82	82	82	82	82	82	82	82	82
DeAnza Gardens	180	180	180	180	180	180	180	180	180	180
Total	7,991	7,985	8,120	7,993	7,983	8,061	8,099	8,061	7,997	8,139
Capital Asset Information:										
Total managed units	1,406	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430
Total buildings	636	636	636	636	636	636	636	636	636	636
Total vehicles	48	48	46	46	46	46	46	49	49	49

By project:	Units	Bldg	Last change	Units lost	Bldg lost
11001 Martinez	50	28			
11002 Bay Point	-	1	2002	83	43
11003 Antioch	34	19			
11004 Brentwood	44	24			
11005 Pittsburgh	171	57			
11006 Richmond	54	30	2018	18	0
11008 Oakley	30	16			
11009a Richmond	84	44			
11009b Richmond	54	28			
11010 Rodeo	242	63			
11011 Martinez	50	1			
11012 Oakley	40	13			
11013 Bay Point	50	14			
11015 Antioch	100	4			
45001 San Pablo	100	31			
45002 San Pablo	41	1			
Total PHA	1,144	374			
Component units:					
Casa Del Rio Senior Hsg	82	1			
DeAnza Gardens	180	22	2005	180	22

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

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATEMENT OF COMPLETED CAPITAL FUND PROGRAM PROJECT
ANNUAL CONTRIBUTIONS CONTRACT SF-182
MARCH 31, 2018

CA39P01150115

Funds approved	$ 1,724,419
Funds expended	1,724,419
Excess of funds approved	$ -
Funds advanced	$ 1,724,419
Funds expended	1,724,419
Excess of funds advanced	$ -

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

Harn & Dolan
Certified Public Accountants
2423 Stirrup Court
Walnut Creek, California 94596-6526
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners
Housing Authority of the
County of Contra Costa
Martinez, California

We have audited, 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, the financial statements of the business-type activities of the Housing Authority of the County of Contra Costa, California, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Contra Costa, California's basic financial statements, and have issued our report thereon dated November 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the blended component units and discretely presented component units, as described in our report on the Housing Authority of the County of Contra Costa, California's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Harn & Dolan

November 30, 2018

Harn & Dolan
Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Housing Authority of the
County of Contra Costa
Martinez, California

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the County of Contra Costa, California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the County of Contra Costa, California's major federal programs for the year ended March 31, 2018. The Housing Authority of the County of Contra Costa, California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the County of Contra Costa, California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Harn & Dolan

November 30, 2018

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
STATUS OF PRIOR AUDIT FINDINGS
MARCH 31, 2018

The audit report for the fiscal year ended March 31, 2017, contained no audit findings.

HOUSING AUTHORITY OF THE COUNTY OF CONTRA COSTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Is a "going concern" emphasis-of-matter paragraph included in the audit report?	no
Is a significant deficiency in internal control disclosed?	no
Is a material weakness in internal control disclosed?	no
Is a material noncompliance disclosed?	no

Federal Awards

Does the auditor's report include a statements that the auditee's financial statements include departments, agencies, or other organizational units expending $750,000 or more in Federal awards that have separate Uniform Guidance audits which are not included in this audit?	no
Dollar threshold used to distinguish between Type A and Type B programs	$ 3,000,000
Did the auditee qualified as low-risk auditee?	yes
Identification of major programs:	
Housing Choice Voucher Program	14.871
Public and Indian Housing	14.850
Continuum of Care Program	14.267
Type of auditors' report issued on compliance for major programs:	unmodified
Did the audit disclose any audit findings which the auditor is required to report in accordance with Uniform Guidance part 200.516?	no
Internal control over major programs:	
Significant deficiencies identified?	no
Any significant deficiency reported as a material weaknesses?	none reported
Are any known questioned costs reported?	no
Were prior audit findings related to direct funding shown in the Summary of Prior Audit Findings?	no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings

None