



**DATE:** December 18, 2018  
**TO:** Chair and Members of the Vallejo Housing Authority Board  
**FROM:** Judy Shepard-Hall, Housing & Community Development Manager  
**SUBJECT:** HOUSING SUCCESSOR AGENCY ANNUAL REPORT REGARDING THE LOW AND MODERATE INCOME HOUSING ASSET FUND FOR FISCAL YEAR 2017-18

**RECOMMENDATION**

Approve the Vallejo Housing Authority (VHA) Housing Successor Agency Annual Report Regarding the Low and Moderate Income Asset Fund (LMIHAF) for Fiscal Year (FY) 2017-18, and direct staff to: (1) forward the Report to the State of California Department of Finance by no later than December 31, 2018, and (2) post the Report to the City of Vallejo's website.

**REASONS FOR RECOMMENDATION**

Housing Successor Agencies are required to provide an Annual Report to the State of California within six months of the end of the fiscal year, and to provide an Independent Audit to the local legislative body within the same time frame.

**BACKGROUND AND DISCUSSION**

In December, 2018 the Vallejo City Council is scheduled to approve the City of Vallejo's Comprehensive Annual Financial Report (CAFR) for FY 2017-18. The Independent Audit of the LMIHAF will be contained within the CAFR. The City must adhere to expenditure limits and annual reporting related to housing assets of the former Vallejo Redevelopment Agency that are now held by the Housing Successor, the VHA. A copy of ~~the Housing Successor Annual Report for FY 2017-18 (Report) is attached. The Report requires review by~~ the VHA Board, and then submission to the State Department of Finance by December 31, 2018.

The Report highlights activities and assets for FY 2017-18, based on the Independent Audit. The Report outlines that the VHA's responsibilities, acting as Successor Agency, are primarily loan administration and repayment. In addition, there are no outstanding replacement or inclusionary housing obligations as defined ~~by the Five Year Implementation Plan (FY 2009-10 through FY 2013-14) for the Vallejo Redevelopment~~ Agency, approved in July 2010 per Resolution No. 10-011.

From January 1, 2004 to January 1, 2014 64.8 percent of all deed-restricted housing created with assistance from the former Redevelopment Agency were senior residential units. Pursuant to California law, the VHA may not expend any additional funds from the LMIHAF to assist seniors until the total number of all assisted rental housing units reaches 50 percent. The purpose of this State regulation is to ensure equitable housing affordability among all populations. Finally, the Report indicates that the Successor Agency has accumulated a fund balance of \$2.0 million in LMIHAF as of June 30, 2018. In June, 2018 a total of \$1.6 million in LMIHAF funds were earmarked for the construction of permanent supportive housing units for homeless Vallejo residents, pursuant to a Loan Agreement between the Housing Authority and Eden Housing, Inc. for the

**Subject: HOUSING SUCCESSOR AGENCY ANNUAL REPORT REGARDING THE LOW AND MODERATE  
INCOME HOUSING ASSET FUND FOR FISCAL YEAR 2017-18**

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development of properties located at 2118 and 2134-36 Sacramento Street. The Sacramento Street site was acquired by the City of Vallejo in December, 2017.

**FISCAL IMPACT**

This action does not require funding, and will therefore have no fiscal impact on the City of Vallejo's General Fund.

**ENVIRONMENTAL REVIEW**

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

**ATTACHMENTS**

1. Housing Successor Agency Report FY 2017-18
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**CONTACT**

Judy Shepard-Hall, Housing & Community Development Manager (707) 648-4408  
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Housing Successor Annual Report Regarding the  
Low and Moderate Income Housing Asset Fund  
For Fiscal Year (FY) 2017-18

Pursuant to California Health and Safety Code Section 34176.1 (f)

This Housing Successor Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1 (f) and is dated December 19, 2018.

This Report sets forth certain details of the activities of the Housing Authority of the City of Vallejo (Authority) acting as Housing Successor during FY 2017-18.

The purpose of this Report is to provide the governing body of the Authority an annual report on the LMIHAF housing assets and activities of the Authority under Part 1.85, Division 24 of the California Health and Safety Code, in particular section 34176 and 34176.1 (Dissolution Law).

The following Report is based upon the information prepared by the City of Vallejo's Finance Department, Housing and Community Development Division, and information contained within the independent audit of the Low and Moderate Income Housing Asset Fund included in the City of Vallejo Comprehensive Annual Financial Report for Fiscal Year 2017-18 (Audit). Further, this Report conforms with and is organized into sections I. through XI. Pursuant to Section 34176.1 (f) of the Dissolution Law:

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- I. **Amount Deposited into LMIHAF:** This section provides the total amount of funds deposited in the LMIHAF during the Fiscal Year. Any amounts deposited for the items listed on the Recognized Obligation Payment Schedule (ROPS) must be distinguished from the other amounts deposited.
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A total of \$429,478 was deposited into LMIHAF during the Fiscal Year. Of the total funds deposited into the LMIHAF, \$0 was held for items listed on the ROPS.

Approved as to form:  
By: *Shamir Eduejer* for  
Claudia Quintana  
City Attorney

- II. Ending Balance of LMIHAF:** This section provides a statement of balance in the LMIHAF as of the close of the Fiscal Year. Any amounts deposited for the items listed on the ROPS must be distinguished from the other amounts deposited.

At the close of the Fiscal Year, the ending balance in the LMIHAF was \$2,041,045, of which \$0 is held for items listed on the ROPS.

- III. Description of Expenditures from LMIHAF:** This section provides a description of the expenditures made from the LMIHAF during the Fiscal Year. There were no expenditures made from the LMIHAF during the Fiscal Year.

Monitoring and Administration Expenditures	\$0
Homeless Prevention and Rapid Rehousing Services Expenditures	\$0
Loan Repayment to CalHFA – RDLP Loan (Loan funds received and invested in project prior to 1-10-12)	\$0
Housing Development Expenditures	
- For Low Income Units	\$0
- For Very Low Income Units	\$0
- For Extremely Low Income Units	\$0
<b>Total LMIHAF Expenditures in Fiscal Year</b>	<b>\$0</b>

- IV. Statutory Value of LMIHAF Assets Owned by the Authority:** This section provides the statutory value of LMIHAF real property owned by the Authority, the value of loans and grants receivables, and the sum of these two amounts.

Statutory Value of LMIHAF Real Property Owned by Housing Authority	\$0
Value of the LMIHAF Loans and Grants Receivables	\$12,379,234
<b>Total Value of Authority LMIHAF Assets</b>	<b>\$12,379,234</b>

- V. Description of Transfer:** This section describes transfer, if any, to another housing successor agency made in previous Fiscal Year(s), including whether the funds are unencumbered and the status of the projects, if any for which the transferred LMIHAF will be used. The sole purpose of the transfer must be for

the development of transit priority projects, permanent supportive housing, housing for agricultural employees, or special needs housing.

The Authority transferred \$500,000 in LMIHAF excess surplus to non-federal HOME Program match under Section 34176.1 (c) (2) in FY 2015-16.

- VI. Project Descriptions:** This section describes any project for which the Authority receives or holds property tax revenue pursuant to the ROPS and the status of that project.

The Authority did not receive or hold property tax revenue pursuant to the ROPS during the Fiscal Year.

However this Report presents an information only status update as of the date of the report on LMIHAF housing projects that were not yet complete on or after February 1, 2012, whose completion activities were facilitated with ROPS funds paid by the Successor Agency of the City of Vallejo.

The Authority did not initiate or conclude any housing projects during the Fiscal Year.

- VII. Status of Compliance with the California Health & Safety Code Section 33334.16:** This section provides a status on compliance with Section 33334.16 for interest in LMIHAF real property acquired by the former redevelopment agency *prior* to February 1, 2012, and for LMIHAF real property acquired on or *after* February 1, 2012.

With respect to interests in real property acquired by the former redevelopment agency prior to February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the Department of Finance (DOF) approved the property as a housing asset in the LMIHAF; thus, as the real property acquired by the former redevelopment agency now held by the Authority in the LMIHAF, the Authority must initiate activities consistent with the development of the real property for the purpose for which it was acquired within five years of the date of the DOF approved such property as a housing asset.

Section 34176.1 provides that Section 33334.16 does not apply to interests in the LMIHAF real property acquired by the Authority on or after February 1, 2012; however, this Report presents an information only status update on the LMIHAF projects related to such real property.

No property or properties have been acquired by the Authority using LMIHAF on or after February 1, 2012.

**VIII. Description of Outstanding Obligations under Section 33413:** This section describes the outstanding inclusionary and replacement housing obligations, if any, under Section 33413 that remained outstanding prior to dissolution of the former redevelopment agency as of February 1, 2012, along with the Authority's progress in meeting those prior obligations of the former redevelopment agency.

**Replacement Housing Obligation:** According to the Five-Year Implementation Plan for Fiscal Year 2009-10 through 2013-14 for the former redevelopment agency, there were no replacement housing obligations that were outstanding that were transferred to the Authority. However, as the result of the Buchongo Settlement Agreement executed in July 1999, the former redevelopment agency agreed to provide 425 affordable housing units to low and moderate income residents. The Implementation Plan reflected that although the obligation had been substantially met, the former redevelopment agency was required to produce an additional eight units. The final eight units were completed through the rehabilitation of the Temple Art Lofts prior to the transfer of housing obligations to the Authority. As such, the Authority met the obligations for the production of affordable housing.

As noted in the Plan, these replacement housing obligations were met (in terms of the number of bedrooms and by affordability levels) either through onsite replacement of units or through relaying on the excess affordable residential units constructed within the required time frame.

There were no additional projects that incurred replacement obligations between the date the Plan was written July 27, 2010 - Resolution 10-011 and the dissolution of the Redevelopment Agency of the City of Vallejo (i.e., January 10, 2012 - Resolution 12-001) on February 1, 2012.

**Inclusionary/Production Housing Obligation:** According to the 2010-14 Implementation Plan for the former redevelopment agency, no Section 33413 (b) inclusionary/production housing obligations were transferred to the Authority.

As noted, the Authority met the obligations for the production of affordable housing that had resulted from construction of new residential units listed in the Plan.

Production housing obligations were met (in terms of the number of units and by affordability levels) either through onsite replacement of units or through relying on the excess affordable residential units of appropriate affordability levels that were constructed within the required time frames.

There were no additional projects that incurred housing production obligations between the date that report was written and the dissolution of the former Redevelopment Agency of the City of Vallejo on February 1, 2012

The former redevelopment agency's Implementation Plans are posted on the City's website at [www.cityofvallejo.net](http://www.cityofvallejo.net).

**IX. Extremely Low Income Test:** This section provides the information required by Section 34176.1 (a) (3) (B) requires that the Authority must require at least 30 percent of the LMIHAF to be expended for development of rental housing affordable to and occupied by households earning 30 percent or less of the area median income (AMI). If the Authority fails to comply with the Extremely-Low Income requirement in any five-year report, then the Authority must ensure that at least 50 percent of the funds remaining in the LMIHAF be expended in each fiscal year following the latest fiscal year following the report on households earning 30 percent or less of the AMI until the Authority demonstrates compliance with the Extremely-Low Income requirement. This information is not required to be reported until 2019 for the 2014–19 period.

**X. Senior Housing Test:** This section provides the percentage of units of deed restricted rental housing restricted to seniors and assisted individuals or jointly by the Authority, its former redevelopment agency, and its host jurisdiction

within the previous ten years in relation to the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the Authority, its former redevelopment agency and its host jurisdiction within the same period.

For this Report the ten year period is January 1, 2004 to January 1, 2014.

The Authority is to calculate the percentage of units of deed-restricted rental housing restricted to seniors and assisted by the Authority, the former redevelopment agency and/or the City within the previous ten years in relation to the aggregate number of units of deed-restricted rental housing assisted by the Authority, the former redevelopment agency, and/or City within the same time period. If this percentage exceed 50%, then the Authority cannot expend future funds in the LMIHAF to assist additional senior housing units until the Authority or City assists and construction has commenced on a number of restricted rental units that is equal to 50 percent of the total amount of deed-restricted rental units.

<b>Vallejo Senior Housing Test</b>	<b>January 1, 2004 through January 1, 2014</b>
Number of Assisted Senior Rental	443
Number of Total Assisted Rental Units	683
<b>Senior Housing Percentage</b>	<b>64.8</b>

- XI. Surplus Test:** This section provides the amount of excess surplus in the LMIHAF, if any, and the length of time that the Authority has had surplus, and the Authority’s plan for eliminating the surplus.

Excess Surplus is defined in Section 34176.1(d) as an unencumbered amount in the account that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount deposited in to the account during the Authority’s preceding four Fiscal Years, whichever is greater.

**Surplus Test for FY 2017-18:**

Beginning Fund Balance as of 6-30-17 \$1,611,567

Deposits:

Principal payments \$229,428



Interest payments	\$133,132	
Transfer In	\$66,918	
		\$429,478
Less:		
Expenditures		<u>\$(0)</u>
Ending Fund Balance as of 6-30-18		\$2,041,045
Less: Encumbrance (Sacramento Street Permanent Supportive Housing Project)		<u>\$1,600,000</u>
<b>Unencumbered Fund Balance as of 6-30-2018</b>		<b><u>\$441,045 A</u></b>
Limitation (Greater of \$1,000,000 or four years deposits)		
FY 2014-15		\$357,645
FY 2015-16		\$401,430
FY 2016-17		\$667,276
FY 2017-18		<u>\$429,478</u>
<b>Total Prior year deposits</b>		<b><u>\$1,855,829</u></b>
<b>Base limitation</b>		<b><u>\$1,000,000</u></b>
<b>Greater of \$1,000,000 or total deposits</b>		<b><u>\$1,855,829 B</u></b>
<b>Computed Excess / Surplus (A-B)</b>		<b><u>None</u></b>

The LMIHAF does not have an Excess Surplus. For the past four fiscal years, the unencumbered amount in the LMIHAF has not exceeded the aggregated amount deposited in the fund. The Housing Successor has been in existence for seven years. Based upon the deposits received during the preceding four years, the LMIHAF has no Surplus.

- XII. Inventory of Homeownership Units:** This section provides an inventory of homeownership units assisted by the former redevelopment agency or the Housing Successor that is subject to covenants or restrictions, or to an adopted program that protects the former redevelopment agency's investment of monies from the LMIHAF pursuant to subdivision (f) of Section 33334.3.

Number of units	3
Number of units lost to the LMIHAF after February 1, 2012	0
Funds returned to LMIHAF	\$0
Contracts with outside entities for management of units	0

**CITY OF VALLEJO, CALIFORNIA**  
**HOUSING AUTHORITY**  
**BASIC COMPONENT UNIT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
Basic Component Unit Financial Statements  
For the Year Ended June 30, 2018**

**Table of Contents**

**FINANCIAL SECTION:**

**Independent Auditor’s Report**..... 1

**Basic Financial Statements:**

**Government-wide Financial Statements:**

Statement of Net Position .....6

Statement of Activities.....7

**Fund Financial Statements:**

**Governmental Funds:**

Balance Sheet ..... 10

Reconciliation of Governmental Funds--Fund Balances with Governmental Net Position ..... 12

Statement of Revenues, Expenditures and Changes in Fund Balances ..... 14

Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities..... 16

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:  
Administration Program Fund ..... 17

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:  
Voucher Program Fund ..... 18

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:  
Operating Reserve Fund..... 19

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:  
Housing Development Fund ..... 20

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:  
Low Income Housing and Moderate Income Housing Fund..... 21

**Notes to Basic Component Unit Financial Statements**..... 23

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
Basic Component Unit Financial Statements  
For the Year Ended June 30, 2018**

**Required Supplementary Information:**

Schedule of the Plan's Proportion Share of the Net Pension Liability and Related Ratios as of the Measurement Date.....	44
Schedule of Contributions – Pension Plan .....	45
Schedule of the OPEB Plan's Proportion Share of the Net OPEB Liability and Related Ratios as of the Measurement Date.....	46
Schedule of Contributions – OPEB Plan.....	47

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Governing Board  
of the City of Vallejo Housing Authority  
City of Vallejo, California

### *Report on Financial Statements*

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Vallejo Housing Authority (Authority), a component unit of the City of Vallejo, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic component unit financial statements as listed in the Table of Contents.

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

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

### *Auditor's Responsibility*

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

### *Opinions*

In our opinion, the basic component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2018, and the respective changes in the financial position and the respective budgetary comparisons listed in the Table of Contents as part of the basic component unit financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Change in Accounting Principles*

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of net position as discussed in Notes 6C and 9 to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

### *Other Matters*

As discussed in Note 1, the financial statements present only the Authority and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles.

### *Required Supplementary Information*

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

The Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Mane & Associates*

Pleasant Hill, California  
December 12, 2018

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**CITY OF VALLEJO HOUSING AUTHORITY**

**STATEMENT OF NET POSITION AND  
STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire Authority's financial activities and financial position.

The Statement of Net Position reports the difference between the Authority's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, including all the Authority's capital assets and all its long-term debt. This format focuses the reader on the composition of the Authority's net position.

The Statement of Activities reports increases and decreases in the Authority's net position. It is also prepared on the full accrual basis, which means it includes all the Authority's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets and current liabilities.

The Statement of Activities presents the Authority's expenses that are listed by program first. Program revenues, that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Authority's general revenues are then listed in the Governmental Activities column and the Change in Net Position is computed and reconciled with the Statement of Net Position.

VALLEJO HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Cash and investments (Note 3)	\$5,057,236
Accounts receivable	106,071
Interest	3,627
Loans receivable (Note 4)	13,298,359
Capital assets (Note 5):	
Nondepreciable	134,000
Depreciable, net of accumulated depreciation	440,446
Total Assets	19,039,739
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions (Note 8)	698,469
Related to OPEB (Note 9)	99,386
Total Deferred Outflows of Resources	797,855
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	50,942
Deposits payable	108,113
Employee benefits payable - current (Note 7)	41,154
Net pension liability (Note 8)	4,438,703
Net OPEB liability (Note 9)	616,468
Total Liabilities	5,255,380
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions (Note 8)	667,156
Related to OPEB (Note 9)	9,847
Total Deferred Inflows of Resources	677,003
<b>NET POSITION (Note 6)</b>	
Net investment in capital assets	574,446
Restricted for:	
Section 8 voucher program	6,151
Low and Moderate income housing program	14,420,279
Unrestricted	(1,095,665)
Total Net Position	\$13,905,211

See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Community development	\$111,419		\$133,132	\$21,713
Section 8 - Voucher	20,333,071		20,318,979	(14,092)
Section 8 - Administration	<u>2,211,663</u>	<u>\$43,105</u>	<u>1,807,354</u>	<u>(361,204)</u>
<b>Total Governmental Activities</b>	<u><u>\$22,656,153</u></u>	<u><u>\$43,105</u></u>	<u><u>\$22,259,465</u></u>	<u><u>(353,583)</u></u>
<b>General revenues:</b>				
Use of money and property				217,558
Transfers from the City (Note 1G)				<u>58,125</u>
<b>Total general revenues and transfers</b>				<u>275,683</u>
<b>Change in Net Position</b>				<b>(77,900)</b>
<b>Net Position-Beginning, as Restated (Note 6C)</b>				<u>13,983,111</u>
<b>Net Position-Ending</b>				<u><u>\$13,905,211</u></u>

See accompanying notes to financial statements

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## FUND FINANCIAL STATEMENTS

The **Section 8 Administration and Voucher Program Funds** are used to provide separate accountability for the HUD Housing Choice Voucher program and its administrative grant allocations.

The **Section 8 Operating Reserve Fund** is used to track pre-2004 administrative grant funds that can be used for any general housing purposes.

The **Housing Development Fund** reports the status of non-federal, unrestricted Housing Authority resources.

The **Low Income Housing and Moderate Income Housing Asset Fund** accounts for the activities related to the housing assets assumed by the Authority as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for low and moderate income households.

VALLEJO HOUSING AUTHORITY  
 GOVERNMENTAL FUNDS  
**BALANCE SHEET** ✓  
 JUNE 30, 2018

	Section 8			
	Administration Program Fund #121	Voucher Program Fund #123	Operating Reserve Fund #122	Housing Development Fund #124
<b>ASSETS</b>				
Cash and investments (Note 3)	\$1,421,341	\$79,680	\$971,440	\$543,730
Receivables:				
Accounts	57,313	48,758		
Interest			3,627	
Loans (Note 4)			919,125	
<b>Total Assets</b>	<b>\$1,478,654</b>	<b>\$128,438</b>	<b>\$1,894,192</b>	<b>\$543,730</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$35,325	\$14,174	\$1,443	
Deposits payable		108,113		
<b>Total Liabilities</b>	<b>35,325</b>	<b>122,287</b>	<b>1,443</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - loans receivable				
<b>Total Deferred Inflows of Resources</b>				
<b>FUND BALANCE (Note 6)</b>				
Restricted	1,443,329	6,151	1,892,749	\$543,730
<b>Total Fund Balances</b>	<b>1,443,329</b>	<b>6,151</b>	<b>1,892,749</b>	<b>543,730</b>
<b>Total Liabilities, Deferred Inflows     of Resources and Fund Balances</b>	<b>\$1,478,654</b>	<b>\$128,438</b>	<b>\$1,894,192</b>	<b>\$543,730</b>

See accompanying notes to financial statements



Low Income  
Housing and  
Moderate Income  
Housing Asset  
Fund #126

Total  
Governmental  
Funds

\$2,041,045	\$5,057,236
	106,071
	3,627
<u>12,379,234</u>	<u>13,298,359</u>
<u>\$14,420,279</u>	<u>\$18,465,293</u>

	\$50,942
	<u>108,113</u>
	<u>159,055</u>

<u>\$2,865,652</u>	<u>2,865,652</u>
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<u>2,865,652</u>	<u>2,865,652</u>
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<u>11,554,627</u>	<u>15,440,586</u>
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<u>11,554,627</u>	<u>15,440,586</u>
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<u>\$14,420,279</u>	<u>\$18,465,293</u>
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**VALLEJO HOUSING AUTHORITY**  
 Reconciliation of  
**GOVERNMENTAL FUNDS -- FUND BALANCES**  
 with  
**GOVERNMENTAL NET POSITION**  
**JUNE 30, 2018**

Fund balances, as reported on Governmental Funds Balance Sheet \$15,440,586

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital assets:

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 574,446

Accrual of non-current revenues and expenses:

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 2,865,652

Long -term liabilities:

Compensated absences	(41,154)
Net pension liability and pension-related deferred outflows/inflows of resources	(4,407,390)
Net OPEB liability and OPEB-related deferred outflows/inflows of resources	<u>(526,929)</u>

Net position of Governmental Activities, as reported on the Statement of Net Position \$13,905,211

See accompanying notes to financial statements

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VALLEJO HOUSING AUTHORITY  
 GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2018

	Section 8		Operating Reserve Fund #122	Housing Development Fund #124
	Administration Program Fund #121	Voucher Program Fund #123		
<b>REVENUES</b>				
Intergovernmental	\$1,807,354	\$20,318,979		
Use of money and property	6,811		\$5,161	\$3,028
Other	3,315	3,315		36,475
<b>Total Revenues</b>	<b>1,817,480</b>	<b>20,322,294</b>	<b>5,161</b>	<b>39,503</b>
<b>EXPENDITURES</b>				
Current:				
Community development				90,620
Section 8 - Voucher		20,333,071		
Section 8 - Administration	1,860,820		8,858	
<b>Total Expenditures</b>	<b>1,860,820</b>	<b>20,333,071</b>	<b>8,858</b>	<b>90,620</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(43,340)</b>	<b>(10,777)</b>	<b>(3,697)</b>	<b>(51,117)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (Note 1G)				
<b>Total Other Financing Sources (Uses)</b>				
<b>NET CHANGE IN FUND BALANCES</b>	<b>(43,340)</b>	<b>(10,777)</b>	<b>(3,697)</b>	<b>(51,117)</b>
<b>FUND BALANCES, JULY 1</b>	<b>1,486,669</b>	<b>16,928</b>	<b>1,896,446</b>	<b>594,847</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$1,443,329</b>	<b>\$6,151</b>	<b>\$1,892,749</b>	<b>\$543,730</b>

See accompanying notes to financial statements

Low Income  
Housing and  
Moderate Income  
Housing Asset  
Fund #126

Total  
Governmental  
Funds

	\$22,126,333
\$141,925	156,925
	43,105
<u>141,925</u>	<u>22,326,363</u>

	90,620
	20,333,071
	1,869,678
	<u>22,293,369</u>

<u>141,925</u>	<u>32,994</u>
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<u>58,125</u>	<u>58,125</u>
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<u>58,125</u>	<u>58,125</u>
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200,050	91,119
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<u>11,354,577</u>	<u>15,349,467</u>
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<u>\$11,554,627</u>	<u>\$15,440,586</u>
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VALLEJO HOUSING AUTHORITY  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2018

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net change in fund balances, as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$91,119
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Capital asset transactions:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay and other capital expenditures are therefore added back to fund balance	6,947
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Depreciation expense is deducted from the fund balance	(27,746)
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Accrual of non-current items:

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Unavailable revenue	193,765
Net pension liability and pension-related deferred outflows/inflows of resources	(431,175)
Net OPEB liability and OPEB-related deferred outflows/inflows of resources	35,518
Compensated absences	53,672
	53,672

Change in net position of governmental activities, as reported on the Statement of Activities	(\$77,900)
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See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY  
ADMINISTRATION PROGRAM FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$1,911,000	\$1,911,000	\$1,807,354	(\$103,646)
Use of money and property	1,169	1,169	6,811	5,642
Other	10,000	10,000	3,315	(6,685)
<b>Total Revenues</b>	<u>1,922,169</u>	<u>1,922,169</u>	<u>1,817,480</u>	<u>(104,689)</u>
<b>EXPENDITURES:</b>				
Current:				
Community development				
Section 8 - Administration	<u>2,293,891</u>	<u>2,293,940</u>	<u>1,860,820</u>	<u>433,120</u>
<b>Total Expenditures</b>	<u>2,293,891</u>	<u>2,293,940</u>	<u>1,860,820</u>	<u>433,120</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(371,722)</u>	<u>(371,771)</u>	<u>(43,340)</u>	<u>328,431</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(\$371,722)</u>	<u>(\$371,771)</u>	<u>(43,340)</u>	<u>\$328,431</u>
Fund balance, July 1			<u>1,486,669</u>	
Fund balance, June 30			<u>\$1,443,329</u>	

See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY  
VOUCHER PROGRAM FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$21,500,000	\$21,500,000	\$20,318,979	(\$1,181,021)
Other	6,000	6,000	3,315	(2,685)
<b>Total Revenues</b>	<u>21,506,000</u>	<u>21,506,000</u>	<u>20,322,294</u>	<u>(1,183,706)</u>
<b>EXPENDITURES:</b>				
Current:				
Community development Section 8 - Voucher	21,125,000	21,125,000	20,333,071	791,929
<b>Total Expenditures</b>	<u>21,125,000</u>	<u>21,125,000</u>	<u>20,333,071</u>	<u>791,929</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$381,000</u>	<u>\$381,000</u>	(10,777)	<u>(\$391,777)</u>
Fund balance, July 1			<u>16,928</u>	
Fund balance, June 30			<u>\$6,151</u>	

See accompanying notes to financial statements



VALLEJO HOUSING AUTHORITY  
 OPERATING RESERVE FUND  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property	<u>\$1,056</u>	<u>\$1,056</u>	<u>\$5,161</u>	<u>\$4,105</u>
Total Revenues	<u>1,056</u>	<u>1,056</u>	<u>5,161</u>	<u>4,105</u>
<b>EXPENDITURES:</b>				
Current:				
Community development				
Section 8 - administration	<u>50,000</u>	<u>50,000</u>	<u>8,858</u>	<u>41,142</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>8,858</u>	<u>41,142</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>(\$48,944)</u></u>	<u><u>(\$48,944)</u></u>	<u><u>(3,697)</u></u>	<u><u>\$45,247</u></u>
Fund balance, July 1			<u>1,896,446</u>	
Fund balance, June 30			<u><u>\$1,892,749</u></u>	

See accompanying notes to financial statements

VALLEJO HOUSING AUTHORITY  
HOUSING DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property	\$524	\$524	\$3,028	\$2,504
Other	<u>26,000</u>	<u>26,000</u>	<u>36,475</u>	<u>10,475</u>
<b>Total Revenues</b>	<u>26,524</u>	<u>26,524</u>	<u>39,503</u>	<u>12,979</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	<u>70,522</u>	<u>70,522</u>	<u>90,620</u>	<u>(20,098)</u>
<b>Total Expenditures</b>	<u>70,522</u>	<u>70,522</u>	<u>90,620</u>	<u>(20,098)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(43,998)</u>	<u>(43,998)</u>	<u>(51,117)</u>	<u>(7,119)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>(\$43,998)</u></u>	<u><u>(\$43,998)</u></u>	<u>(51,117)</u>	<u><u>(\$7,119)</u></u>
Fund balance, July 1			<u>594,847</u>	
Fund balance, June 30			<u><u>\$543,730</u></u>	

See accompanying notes to financial statements

**VALLEJO HOUSING AUTHORITY**  
**LOW INCOME HOUSING AND MODERATE INCOME HOUSING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Use of money and property	<u>\$141,114</u>	<u>\$141,114</u>	<u>\$141,925</u>	<u>\$811</u>
<b>Total Revenues</b>	<u>141,114</u>	<u>141,114</u>	<u>141,925</u>	<u>811</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Community development	<u>924,265</u>	<u>924,265</u>	<u></u>	<u>924,265</u>
<b>Total Expenditures</b>	<u>924,265</u>	<u>924,265</u>	<u></u>	<u>924,265</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(783,151)</u>	<u>(783,151)</u>	<u>141,925</u>	<u>925,076</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u></u>	<u></u>	<u>58,125</u>	<u>58,125</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>(\$783,151)</u></u>	<u><u>(\$783,151)</u></u>	<u>200,050</u>	<u><u>\$983,201</u></u>
Fund balance, July 1			<u>11,354,577</u>	
Fund balance, June 30			<u><u>\$11,554,627</u></u>	

See accompanying notes to financial statements

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**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Financial Reporting Entity***

The Vallejo Housing Authority was formed in June 1942 and is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe, and sanitary housing through federal assistance programs and a mortgage revenue bond program. The Housing Authority is governed by a Board of Commissioners composed of all the members of the City Council of Vallejo and two tenants of the Housing Authority.

The Authority is an integral part of the City of Vallejo and accordingly is also reported as a component unit within the basic financial statements issued by the City.

**B. *Basis of Presentation***

The Authority's Basic Financial Statements are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

***Government-wide Statements:*** The Statement of Net Position and the Statement of Activities display information about the primary government (the Authority). These statements include the financial activities of the overall Authority.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including investment income, are presented as general revenues.

***Fund Financial Statements:*** The fund financial statements provide information about the Authority's funds. Separate statements are presented for each governmental fund.

**C. *Major Funds***

The Authority reports the following major governmental funds in the accompanying financial statements:

**Section 8 – Administration and Voucher Program Funds** are used to provide separate accountability for the HUD Housing Choice Voucher program and its administrative grant allocations.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Section 8 – Operating Reserve Fund** is used to track pre-2004 administrative grant funds that can be used for any general housing purposes.

**Housing Development Fund** reports the status of non-federal, unrestricted housing authority resources.

**Low Income Housing and Moderate Income Housing Asset Fund** accounts for the activities related to the housing assets assumed by the Authority as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for low and moderate income households.

**D. Basis of Accounting**

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

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. Revenues for Section 8 program is recognized in the year of the Federal Housing and Urban Development (HUD) allocation.

The Authority may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. This period is extended to one year for grant programs. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and accumulated unpaid vacation, sick pay and other employee amounts, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**F. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Authority has deferred outflows of resources related to pensions and OPEB as discussed in Note 8 and Note 9, respectively.

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Housing Authority has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from notes and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Authority also has two types of items, which only arise under the full-accrual basis of accounting that is reported in this category, which are deferred inflows of resources related to pensions and OPEB as discussed in Note 8 and Note 9, respectively.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. *Transfers to and from the City***

As the Successor Agency repays certain loan balances due to the City, under the provisions of Health and Safety Code Section 34191.4(3)(C), the City is required to transfer 20% of the repayment amount to the Low Income Housing and Moderate Income Housing Fund. To fulfill the requirement for the transfer of the 20% of the fiscal year 2018 repayment of \$58,125 the City's Bridge Construction Fund, Hiddenbrooke Overpass Fund, and Arts & Convention Center Fund transferred the amounts of \$5,911, \$5,801, and \$46,413, respectively, to the Housing Authority's Low Income Housing and Moderate Income Housing Fund.

**H. *Estimates and Assumptions***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

**A. *Budgets and Budgetary Accounting***

The Authority's Executive Director submits a proposed budget to the Board 45 days prior to the end of the year, per City Charter. The Board holds public hearings, modifies the Executive Director's recommendations, and adopts a final budget by resolution prior to June 30 of each year. The annual budget indicates appropriations by fund or, in some instances, by program. Supplemental appropriations were adopted by the Board during the year. The Executive Director is authorized to transfer budgeted amounts between accounts within a fund. Any revisions or transfers that alter the total appropriations of any Fund must be approved by the Board.

Budget information in the accompanying schedules is presented for all major governmental funds on the modified accrual basis of accounting and in conformity with generally accepted accounting principles.

**B. *Encumbrance Accounting***

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end do not lapse and are included as part of the following year budget.



**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 3 – POOLED CASH AND INVESTMENTS**

The Authority maintains its surplus cash and HUD advances in a dedicated bank sweep account and the Local Agency Investment Fund. Other cash receipts and disbursements, including payroll, are processed by City staff which administer Authority activities. These cash transactions are recorded in the City’s main checking account with transactions allocated to each applicable fund of the City and its component units pending periodic reimbursement and settlement of inter-agency balances.

Cash and investments in the financial statements consist of:

Cash on hand	\$450
Deposits	4,293,524
Investments held with California Local Agency Investment Fund	<u>763,262</u>
Total cash and investments	<u>\$5,057,236</u>

The California Government Code requires California banks and savings and loan associations to secure cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Authority’s name. The market value of pledged securities must equal at least 110% of the Authority’s cash deposits. California law also allows institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority’s total cash deposits. The Authority has waived collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, however, each account is limited to fifteen transactions per month. Included in LAIF’s investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2018, these investments have an average maturity of 193 days.

***Investments Authorized by the California Government Code and the City’s Investment Policy***

The Authority’s investments are controlled and managed by City staff under the City’s Investment Policy and the California Government Code which permit the following investments, provided the credit ratings of the issuers are acceptable and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Investment Policy if more restrictive, that address interest rate risk, credit risk and concentration of credit risk.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 3 – POOLED CASH AND INVESTMENTS (Continued)**

The investment policy authorizes the following investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
U.S. Government Treasury Bills, Bonds and Notes	5 Years	No Limit	No Limit	No Limit
U.S. Government Agencies and Government Sponsored Enterprises	5 Years	No Limit	50%	No Limit
Repurchase Agreements	30 days	No Limit	20%	No Limit
Bankers Acceptances	180 days	No Limit	5%	\$1,000,000
Commercial Paper	270 days	Highest Rating	25%	\$1,000,000
Corporate Medium Term Notes:				
Maturing in 3 years or less	5 Years	A	30%	5%
Maturing in 3 to 5 years	5 Years	AA	30%	5%
Certificates of Deposit	5 Years	No Limit	10%	No Limit
Negotiable Certificates of Deposit	5 Years	AA	5%	No Limit
Local Agency Investment Fund State Pool	No Limit	No Limit	\$65 million per account	No Limit
State of California or Local Agency Bonds	5 Years	A	10%	No Limit
Mutual Funds and Money Market Mutual Funds	On Demand	Highest Rating	10%	10%
Asset Backed Securities	5 Years	AAA	20%	No Limit
Mortgage Backed Securities or Collateralized Mortgage Obligations	5 Years	AAA	20%	No Limit
Local Government Investment Pools	On Demand	No Limit	No Limit	No Limit
Municipal Bonds of Other States	5 Years	AA	10%	5%

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 4 – LOANS RECEIVABLE**

**A. Summary of Loans Receivable**

The following loans receivable were outstanding as of June 30, 2018:

<u>Types of Loans</u>	<u>Amounts</u>
Affordable housing (20% Set Aside):	
Avian Glen	\$3,093,750
Eden Housing/Sereno Village	2,500,000
Simpson/Bayview	1,536,843
Marina Towers	750,000
Simpson/Solano Vista I	500,000
Single family residential	382,989
Temple Arts Lofts	750,000
Accrued interest	2,865,653
Residential Rehabilitation	246,592
Vallejo Housing Collaborative	672,532
	<u>\$13,298,359</u>

**B. Affordable Housing**

Under the provisions of AB 1484, the City's Housing Authority elected to become the Housing Successor and retain the housing assets of the former Redevelopment Agency. On February 1, 2012 certain former Redevelopment Agency housing assets were transferred to the Housing Authority which are reported in the Low Income and Moderate Income Housing Asset Fund as the Authority has control of those assets, which are to be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

Various residential purchase and rehabilitation loan programs were offered to qualifying low- to moderate-income individuals by the former Redevelopment Agency. These loans are secured by first or second mortgages on the residential property and are insured by private guaranty mortgage insurance. The terms vary greatly depending on the ability of the property owner to repay the loan. Interest rates on these loans range from 3.0% to 8.0% and the principal maturity dates range from 5 years to 30 years. Deferred interest loans are offered as well as below-market-rate 30-year loans. Interest income is recorded as payments are received. In addition, the former Redevelopment Agency had entered into agreements with developers to assist in the development of affordable housing. The notes receivable are secured by deeds of trust and bear varying interest rates.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 4 – LOANS RECEIVABLE (Continued)**

**C. Residential Rehabilitation**

The residential rehabilitation loan is a single loan to Temple Art Lofts with an agreement that the principal shall be due and payable in full upon the 55<sup>th</sup> anniversary of the date of the note which is December 15, 2011. As long as no Event of Default occurs prior to the maturity date, borrower shall not be obliged to pay periodic payments of principal and or interest on the principal amount. The outstanding balance at June 30, 2018 remains at \$246,592.

**D. Vallejo Housing Collaborative**

In July 2014, the Housing Authority entered into a loan agreement with Vallejo Housing Collaborative, LLC, in the amount of \$900,000. The proceeds of the loan will be used to acquire, rehabilitate and operate from ten to twelve properties that are improved with housing to provide permanent housing for extremely low income individuals and households transitioning from homelessness. The loan bears simple interest of 3% and is repayable from residual receipts as defined in the agreement. The loan will be secured by up to twelve deeds of trust on the properties and unpaid principal and interest is due on or before the thirtieth anniversary of the promissory note. As of June 30, 2018, the developer had drawn down \$672,532 of the loan proceeds.

**NOTE 5 – CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the half year convention method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year, but only half of the full year depreciation is charged in the first year, while the other half is charged in the last year of depreciation or in the year the asset is sold or retired. The Authority has assigned the useful lives and capitalization thresholds listed below to capital assets:

	Useful Lives	Capitalization Threshold
Building and improvements	5-50 years	\$50,000
Machinery and equipment	5-25 years	5,000

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 5 – CAPITAL ASSETS (Continued)**

Improvements to existing infrastructure assets in excess of \$50,000 are capitalized if: the estimated useful life of the existing asset has been extended by at least 25%; the capacity of the existing asset has been substantially improved; or the quality of the output of the existing asset has been substantially improved. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital asset additions, retirements and balances as of June 30, 2018 are as follows:

	Balance at June 30, 2017	Additions	Balance at June 30, 2018
<i>Governmental activities</i>			
Capital assets not being depreciated:			
Land	\$134,000		\$134,000
Total capital assets not being depreciated	134,000		134,000
Capital assets being depreciated:			
Buildings and improvements	763,124		763,124
Machinery and equipment	16,702	\$6,947	23,649
Total capital assets being depreciated	779,826	6,947	786,773
Less accumulated depreciation for:			
Buildings and improvements	(307,881)	(25,717)	(333,598)
Machinery and equipment	(10,700)	(2,029)	(12,729)
Total accumulated depreciation	(318,581)	(27,746)	(346,327)
Net capital assets being depreciated	461,245	(20,799)	440,446
Governmental activity capital assets, net	\$595,245	(\$20,799)	\$574,446

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 6 – NET POSITION AND FUND BALANCES**

**A. Net Position – Statement of Net Position**

Net Position is the excess of all the Authority's assets and deferred outflow over all its liabilities and deferred inflow, regardless of fund. Net Position are divided into the following captions on the Statement of Net Position.

*Net Investment in Capital Assets* describes the portion of Net Position which is represented by the current net book value of the Authority's capital assets.

*Restricted for Section 8 Voucher Program* describes the portion of Net Position restricted for HUD Section 8 Voucher program only.

*Unrestricted* describes the portion of Net Position which is not restricted as to use.

**B. Fund Balance – Governmental Funds Balance Sheet**

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The Authority's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Authority prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendable* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the Board which may be altered only by resolution of the Board. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the Authority's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board and may be changed at the discretion of the Board. This category includes encumbrances; non-spendables, when it is the Authority's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 6 – NET POSITION AND FUND BALANCES (Continued)**

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

As of June 30, 2018, the Authority's fund balances consist only of restricted balances.

**C. Restatement**

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2018.

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net OPEB liability and a more comprehensive measure of other post-employment benefits expense.

The implementation of the above Statement required the Authority to make prior period adjustments. As a result, the beginning net position of the Governmental Activities was restated and reduced by \$562,447. See Note 9 for additional information.

**NOTE 7 – CITY OF VALLEJO EMPLOYEE BENEFITS**

Housing Authority services are provided by City of Vallejo employees. The Authority reimburses the City for its service costs on a monthly basis. Pension benefits liabilities are discussed in Note 8. Health retirement benefits liabilities are discussed in Note 9.

Compensated absences consist of vested vacation and sick leave. Compensated absences activity for the Authority for the year ended June 30, 2018 is as follows:

	Governmental Activities
<b>Compensated Absences Activity:</b>	
Beginning balance	\$94,826
Additions	109,933
Deletions	(163,605)
Ending balance - Current	\$41,154

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 8 – PENSION PLAN**

**A. General Information**

**Plan Descriptions** – All qualified regular and probationary employees are eligible to participate in the City’s Miscellaneous plan (Plan), an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits for the Miscellaneous Plan. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Classic Tier I	PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	10.645%	10.645%
Required Unfunded Accrued Liability Contribution	\$198,576	

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to *finance* any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the Authority’s contributions to the Plan were \$285,947.



**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 8 – PENSION PLAN (Continued)**

**B. Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2018, the Authority reported its proportionate share of the net pension liability of the City's Miscellaneous Plan of \$4,438,703.

The Authority's net pension liability is measured as the proportionate share of the net pension liability of the City's Miscellaneous Plan. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	3.40%
Proportion - June 30, 2017	3.51%
Change - Increase (Decrease)	0.11%

For the year ended June 30, 2018, the Authority recognized pension expense of \$329,592. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$285,947	
Differences between expected and actual experience	7,948	(\$47,968)
Changes in assumptions	312,408	
Differences in actual contributions and proportionate share of contributions	1,326	
Differences due to change in proportion		(619,188)
Net differences between projected and actual earnings on plan investments	90,840	
Total	\$698,469	(\$667,156)

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 8 – PENSION PLAN (Continued)**

\$285,947 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Annual Amortization
2019	(\$164,788)
2020	(42,348)
2021	(4,096)
2022	(43,402)

**Actuarial Assumptions** – For the measurement period ended June 30, 2017, the total pension liabilities were determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.5% (2)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Mortality	Derived using CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

**Change of Assumptions** – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 8 – PENSION PLAN (Continued)**

*Discount Rate* – The discount rate used to measure the total pension liability was 7.15% for the Miscellaneous Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Miscellaneous plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.  
(b) An expected inflation of 3.0% used for this period.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 8 – PENSION PLAN (Continued)**

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* – The following presents the Housing Authority’s proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the Housing Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$5,108,192
Current Discount Rate	7.15%
Net Pension Liability	\$4,438,703
1% Increase	8.15%
Net Pension Liability	\$2,900,107

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**C. Payable to the Pension Plan**

At June 30, 2018, the Housing Authority reported a payable of \$5,871 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**NOTE 9 – POST-EMPLOYMENT BENEFITS**

**A. General Information**

*Plan Descriptions* – All qualified regular and probationary employees are eligible to participate in the City’s Post Employment Benefit Plan, an agent multiple-employer defined benefit pension plan. Employees and their dependents are eligible for the CalPERS post-retirement health benefits if they retire directly from the Authority retaining the Public Employees Medical and Hospital Care Act (PEMHCA) health benefits. The Authority pays the retiree and eligible dependent premiums up to benefit level established in the collective bargaining agreement for each employee organization.

For the year ended June 30, 2018, the Authority’s contributions to the Plan were \$99,386.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)**

**B. Net OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB**

As of June 30, 2018, the Authority reported its proportionate share of the net OPEB liability of the City's OPEB Plan of \$616,468.

The Authority's net OPEB liability is measured as the proportionate share of the net OPEB liability of the City's Plan. The net OPEB liability of the Plan is measured as of June 30, 2017, and the total OPEB liability for the Plan used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net OPEB liability was based on the number of full-time employees. The Authority's proportionate share of the net OPEB liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	2.65%
Proportion - June 30, 2017	<u>2.29%</u>
Change - Increase (Decrease)	<u><u>-0.36%</u></u>

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$35,518. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$99,386	
Net differences between projected and actual earnings on plan investments		(\$9,847)
Total	\$99,386	(\$9,847)

\$99,386 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$2,462)
2020	(2,462)
2021	(2,462)
2022	(2,461)

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)**

*Actuarial Methods and Assumptions* – The Authority’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

The actuarially determined contribution (ADC) was determined as part of a June 30, 2016 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.50% investment rate of return, (b) 2.75% general inflation rate, and (c) 7.50% to 5.0% declining health inflation. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The actuarial accrued liability (AAL) representing the present value of future benefits, is being amortized as a level percentage of projected payroll using a 30 year amortization period.

The underlying mortality assumptions were based on the CalPERS 1997-2011 experience study and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a June 30, 2016 actuarial experience study for the period.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.0%	4.82%
Fixed Income	27.0%	1.47%
TIPS	5.0%	1.29%
Commodities	3.0%	0.84%
REITs	8.0%	3.76%
Assumed Long-term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return		6.50%

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 9 – POST-EMPLOYMENT BENEFITS (Continued)**

*Discount Rate* – The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates* - The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1% (5.50 %)	Discount Rate (6.50%)	Discount Rate +1% (7.50%)
\$728,747	\$616,468	\$522,280

The following presents the net OPEB liability of the Authority, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
Healthcare Trend Rate		
1% Decrease (6.50% - 4.0%)	Current Trend (7.50% - 5.0%)	1% Increase (8.50% - 6.0%)
\$544,379	\$616,468	\$714,778

*OPEB Plan Fiduciary Net Position* - Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued plan financial report that may be obtained from CERBT.

**CITY OF VALLEJO, CALIFORNIA  
HOUSING AUTHORITY  
NOTES TO THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS  
For The Year Ended June 30, 2018**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**A. *Federal Grant Programs***

The Authority participates in several federal grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, except as noted under Grant Program – Disallowed Costs below.

**B. *Grant Program – Disallowed Costs***

During fiscal year 2018, the Authority was subject to a monitoring visit by the Department of Housing and Urban Development (HUD) of the Authority's Housing Choice Voucher (HCV) Program funds. In its November 2018 report, HUD listed six findings covering various activities performed over a fifteen year period applicable to the program and disallowed costs approximating \$3.9 million. Authority staff objects to the claim and intends to provide responses to the findings, including assembling and providing additional documentation to HUD. As of November 2018, the final amount of disallowed costs cannot be determined at this time.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
Last 10 Years\***

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

<b>Measurement Date</b>	<b>6/30/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>	<b>6/30/2017</b>
Plan's proportion of the Net Pension Liability (Asset)	4.17000%	3.72000%	3.40000%	3.51000%
Plan's proportion share of the Net Pension Liability (Asset)	\$3,426,461	\$3,630,322	\$4,115,716	\$4,438,703
Plan's Covered Payroll	\$811,571	\$757,353	\$810,158	\$727,972
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	419.36%	479.34%	508.01%	609.74%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	67.01%	65.15%	60.84%	60.39%

\* Fiscal year 2015 was the first year of implementation.

**Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
Schedule of Contributions  
Last 10 Fiscal Years\***

	<u>Fiscal Year Ended June 30, 2015</u>	<u>Fiscal Year Ended June 30, 2016</u>	<u>Fiscal Year Ended June 30, 2017</u>	<u>Fiscal Year Ended June 30, 2018</u>
Actuarially determined contribution	\$219,395	\$236,613	\$268,210	\$285,947
Contributions in relation to the actuarially determined contributions	<u>(219,395)</u>	<u>(236,613)</u>	<u>(268,210)</u>	<u>(285,947)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$757,353	\$810,158	\$727,972	\$833,809
Contributions as a percentage of covered payroll	28.97%	29.21%	36.84%	34.29%

\* Fiscal year 2015 was the first year of implementation.

Source: City of Vallejo's general ledger

**Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan  
Last 10 Years\***  
**SCHEDULE OF THE OPEB PLAN'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

<b>Measurement Date</b>	<u><b>6/30/2017</b></u>
Plan's proportion of the Net OPEB Liability (Asset)	2.29%
Plan's proportion share of the Net OPEB Liability (Asset)	\$616,468
Plan's Covered-Employee Payroll	\$817,691
Plan's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered- Employee Payroll	75%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total OPEB Liability	40%

\* Fiscal year 2018 was the first year of implementation.

**Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan  
Last 10 Years\*  
Schedule of Contributions**

<b>Fiscal Year Ended June 30,</b>	<b><u>2018</u></b>
Actuarially determined contribution	\$68,563
Contributions in relation to the actuarially determined contribution	<u>99,386</u>
Contribution deficiency (excess)	<u>(\$30,823)</u>
Covered-employee payroll	<u>\$911,152</u>
Contributions as a percentage of covered-employee payroll	10.91%

\* Fiscal year 2018 was the first year of implementation and therefore, only one year is shown.

Source: City of Vallejo's general ledger

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