



Where everything



City of
Santa Rosa,
California

comes together.



Housing Authority of the City of Santa Rosa **A**nnual **F**inancial **R**eport

For the Fiscal Year Ended June 30, 2015



Housing Authority of
The City of Santa Rosa
(A Component Unit of the City of Santa Rosa)

Annual Financial Report

For the Fiscal Year Ended June 30, 2015

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Introductory Section





February 29, 2016

Honorable Mayor and Members of the City Council
Members of the Housing Authority of the City of Santa Rosa
Santa Rosa, California

The Annual Financial Report of the Housing Authority of the City of Santa Rosa (the Authority), a component unit of the City of Santa Rosa (the City), for the fiscal year ended June 30, 2015 is submitted herewith. This report was prepared by the City's Finance Department and is included as a discretely presented component unit of the City in its basic financial statements. The June 30, 2015 basic financial statements have been audited by Macias Gini & O'Connell LLP, independent auditors. The Independent Auditor's Report is included in this report.

Housing Authority

The City established the Housing Authority in 1971.

The purpose of the Authority is to seek to ensure that there is adequate, decent, safe and sanitary housing for low income persons. State law specifies all rights, duties, privileges, and immunities for housing authorities. The Authority staff provides administration and support for adopted plans, approved projects, programs and activities. Activities include administering the budget; monitoring legislation and complying with changes in state and federal law; overseeing consultant contracts and services; monitoring various projects; and providing the research and planning for continued housing and community revitalization efforts within the City.

There are seven members appointed by the City Council, two of whom are participants in the Authority's Rental Housing Assistance Program. Authority staff members are City personnel.

Programs

The major programs and functions of the Authority are rental housing assistance and a variety of programs administered through the Santa Rosa Housing Trust.

RENTAL HOUSING ASSISTANCE

Through the federally funded Housing and Urban Development (HUD) Section 8 Housing Choice Vouchers program, rental assistance is provided to extremely low and very low income families.

HOUSING & COMMUNITY SERVICES
90 Santa Rosa Avenue, PO Box 1806, Santa Rosa, CA 95402-1806
Phone (707) 543-3300 Fax: (707) 543-3317

www.srcity.org

The Section 8 Housing Choice Vouchers program serves approximately 1,900 families. Assistance to renters in the form of direct payments to landlords totaled approximately \$17.1 million this year.

Major accomplishments of the Rental Housing Assistance program during fiscal year 2014-15 included:

- The Section 8 Housing Choice Voucher (HCV) program maintained a 94% voucher utilization rate and used 100% of Housing Assistance Payments (HAP) budget towards rental payments during 2014-15. The vacancy rate is less than 2% and rents increased by 10%. We implemented payment standards that varied from 94% to 110% of the Fair Market Rents to balance the HAP budget against the demands of the rental market and continued outreach to landlords. Due to the increases in rents, some of our participants pay almost 50% of their income towards their portion of rent.
- The Veterans Affairs Supportive Housing (VASH) program within the Section 8 Housing Choice Vouchers program increased the number of veterans receiving rental assistance from 235 to 365. The Authority continued to use the \$50,000 set aside to help homeless veterans with their security deposit to facilitate their lease up. The City of Santa Rosa continues to participate in a nationwide campaign to house homeless veterans due to the commitment and success of the HUD VASH program in the City.
- The Family Self Sufficiency (FSS) Program competed for and received a \$68,800 grant from HUD for the salary and benefits of a FSS case management worker. We have 42 FSS participants, 67% of whom have earned escrow. Eight families have graduated from the program, two of whom went directly to homeownership.
- The Section 8 Housing Choice Voucher Program received an award from HUD as a 2014 Housing Choice Voucher Program High Performer.

SANTA ROSA HOUSING TRUST

Housing Production

The Housing Production program assists in the development of new affordable housing for very low and low income households. Loans for new development are provided as available from HUD Community Development Block Grant (CDBG) and HOME funds, and the City's Housing Allocation Plan (HAP) Housing Impact Fees and General Funds.

Housing Conversion / Preservation

Housing Conversion and Preservation programs assist with the conversion of market rate housing to affordable housing, and preservation of existing affordable housing by extending the terms of affordability. Rehabilitation loans are provided for investors who make their housing units available for low and very low income households. The major source of funding is HUD CDBG.

Special Needs

The purpose of the Special Needs program is to assist the development or acquisition-rehabilitation of permanent and transitional housing for special populations, such as adults with mental, physical, or developmental disabilities; veterans; and youth exiting the foster care system.

Homebuyer Financing

Homebuyer assistance is provided through silent second “roll-over” mortgages for income-eligible purchasers of previously assisted affordable housing units. More recently, grant funding from the State’s Building Equity and Growth in Neighborhoods (BEGIN) program will be used by the Authority to loan as second mortgages to homebuyers of the affordable housing units in the Catalina Townhomes development.

Public Services

The Authority administers contracts on behalf of the City, as well as its own contracts with nonprofit organizations which provide services to homeless individuals and families. The funding comes from HUD CDBG, the City General Fund and the North Bay Corporation contribution.

Housing Services and Compliance

Ongoing contract compliance is monitored for the Authority’s affordable housing loans, as well as for contracts administered on behalf of the City for affordable housing purposes, including Housing Allocation Plan, Density Increase, Rezoning Exemption, In-Fill, Multi-family Housing Revenue Bonds and Fast Track. This involves reviewing owner occupancy, income levels of occupants and sales prices or rent levels. Funding is provided as part of the originating program’s budget or by developer or owner fees. The budget level is established by the actual need for staff time.

Major accomplishments of the Santa Rosa Housing Trust programs during the fiscal year 2014-15 included:

- Sponsorship of the development of 202 affordable units, including 78 new affordable units; rehabilitation of 118 existing affordable rental housing units; and acquisition/preservation of of an emergency homeless shelter, a homeless day service center, and six affordable rental housing units.
- \$4.6 million committed for the development of affordable units. These funds will leverage other sources such as tax credits and proceeds from the issuance of tax exempt Multi-family Housing Revenue Bonds. Projects receiving commitments in FY 2014-15 included Crossroads Apartments (\$2.3 million); Paulin Creek Apartments (\$1.1 million); Papago Court Apartments (\$750,000); “The Block”, including Family Support Center, Homeless Service Center, and six affordable rental housing units (\$750,000); Tamayo House (\$300,000); and Stony Point Commons (\$14,000).
- Completion of Tierra Springs Apartments, Site 1, with 41 new affordable rental housing units.

- Escrow closings for 15 affordable homeownership units.
- Seven Authority contracts with two nonprofit organizations for homeless services and housing counseling services.
- Active compliance monitoring of 3,081 restricted housing units.
- Continued implementation of the Authority's new fee schedule adopted in 2012 as a partial cost recovery measure, receiving \$87,134 through June 30, 2015.
- Continued development of the Trust Affordable Housing Loan Management System (TAHMS).

HOUSING AUTHORITY OF
THE CITY OF SANTA ROSA



DAVID E. GOUIN
Executive Director

HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
A Component Unit of the City of Santa Rosa

Members
June 30, 2015

Stephen Burke
Chair

Wayne Downey
Vice Chair

Philip Olsen
Commissioner

Emilio Gonzalez
Commissioner

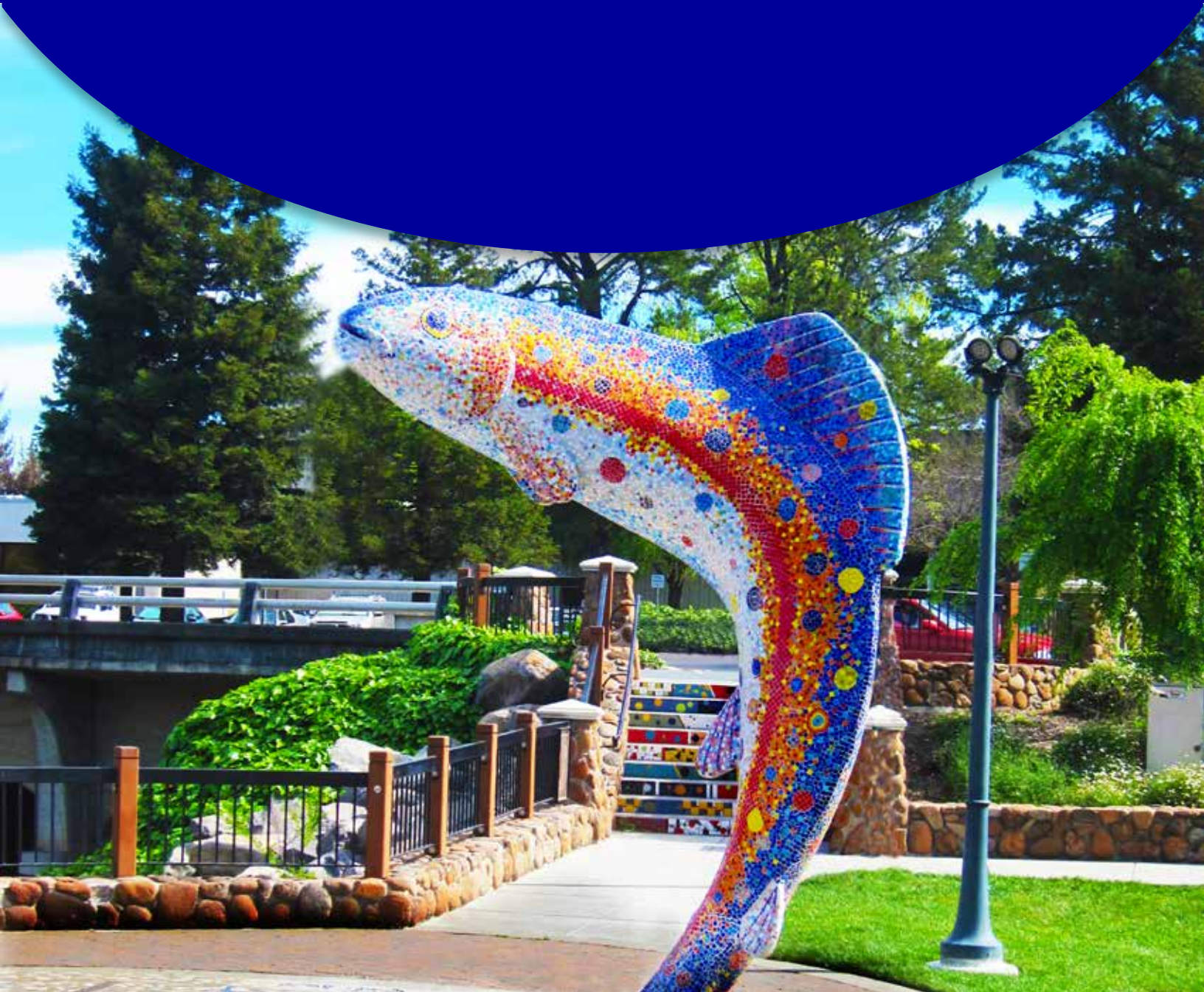
Helga Lemke
Commissioner

Delia Gaitan
Commissioner

David Harris
Commissioner

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Financial Section





- Sacramento
- Walnut Creek
- Oakland
- Los Angeles
- Century City
- Newport Beach
- San Diego

Independent Auditor's Report

Members of the Housing Authority
of the City of Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Santa Rosa, California (Authority), a component unit of the City of Santa Rosa, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining

fund information of the Authority, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of revenues, expenditures and changes in fund balance – budget and actual for the general fund and major special revenue funds, as listed in the accompanying 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
February 29, 2016

HOUSING AUTHORITY OF THE CITY OF SANTA ROSA

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

JUNE 30, 2015

As management of the Housing Authority of the City of Santa Rosa (the Authority), a component unit of the City of Santa Rosa (the City), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015. Readers are encouraged to consider the following information in conjunction with the Authority's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities by \$128,613,552 (net position). Of this amount, \$125,869,699 (restricted net position) is restricted for affordable housing programs and \$646,593 is invested in capital assets. The remaining amount of \$2,097,260 (unrestricted net position) is available to provide future program services.
- The Authority's governmental funds reported ending fund balances of \$110,643,639, representing an increase of \$3,993,768 compared to the prior year. This increase is primarily due to an increase in the Community Development Block Grant and HOME funds and an increase in housing impact fees due to an increase in developer activities.
- Notes and loans receivables increased by \$4,672,345 to \$101,451,847 due primarily to an increase in developer loans activity.
- During the year, the Authority had a change in net position of \$6,110,847. This change was primarily due to the increase in deferred interest and the increase to grant funds from the Community Development Block Grant and HOME program.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's annual financial report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and other required supplementary information.

The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's purpose is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is funded primarily with grant revenues received from the U.S. Department of Housing and Urban Development (HUD). The Authority fulfills its purpose through the following functions: housing services and compliance, housing conversion/preservation, housing production, public services and rental housing assistance.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The general fund and the special revenue funds are governmental funds used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The Authority maintains one general fund and nine major special revenue funds in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

The governmental funds focus is narrower than that of the government-wide financial statements. It is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. This comparison will facilitate a better understanding of the long-term impacts of the government's near-term financial decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances each provide a reconciliation to facilitate this comparison between the *governmental funds* and *governmental activities*.

Notes to the basic financial statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's improving or deteriorating financial position. In the case of the Authority, assets exceeded liabilities by \$122,502,705.

Net Position June 30

	2015	2014	Total Dollar Change	Total Percentage Change
Assets:				
Current and other assets	\$ 134,193,406	\$ 128,071,778	\$ 6,121,628	4.8%
Capital assets, net	646,593	625,934	20,659	3.3%
Total assets	134,839,999	128,697,712	6,142,287	4.8%
Liabilities:				
Current and other liabilities	526,447	495,007	31,440	6.4%
Long-term debt	5,700,000	5,700,000	-	0.0%
Total liabilities	6,226,447	6,195,007	31,440	0.5%
Net Position:				
Net investment in capital assets	646,593	625,934	20,659	3.3%
Restricted	125,869,699	119,871,932	5,997,767	5.0%
Unrestricted	2,097,260	2,004,839	92,421	4.6%
Total net position	\$ 128,613,552	\$ 122,502,705	\$ 6,110,847	5.0%

The Authority's restricted net position (\$125,869,699) represents resources that are subject to external restrictions for affordable housing programs. By far the largest portion of the Authority's restricted net position (99 percent) reflects its investment in Notes, Loans and Interest receivables. There was an increase of \$5,997,767 in restricted net position. A portion of this increase is due to loans provided Tierra Springs Apartments LP (\$3,783,386), Paulin Creek Apartments Investors, LP (\$1,075,000) and Catholic Charities of the Diocese of Santa Rosa for The Block (\$750,000). A portion is attributed surplus cash receipts received from Burbank Housing Development Corporation for various projects (\$894,785) and the use of Housing Choice Voucher program reserves (\$645,862). Additionally, the Authority experienced an increase of \$2,096,420 in its interest receivables due to the various significant developer loans and the silent second program.

The unrestricted net position of the Authority (\$2,097,260) is available to provide future program services. There was an increase of \$92,421 in unrestricted net position during the current fiscal year. This increase is primarily due to payoffs for Parkside loan fees.

**Change in Net Position
For the Fiscal Year Ended June 30**

	2015	2014	Total Dollar Change	Total Percentage Change
Revenues:				
Program revenues:				
Charges for services	\$ 211,505	\$ 205,891	\$ 5,614	2.7%
Operating grants and contributions	18,399,662	17,746,064	653,598	3.7%
General revenues:				
Grants and contributions not restricted to specific programs	4,286,118	1,981,934	2,304,184	116.2%
Unrestricted investment income	3,246,984	3,378,575	(131,591)	-3.9%
Other	422,231	162,794	259,437	159.4%
Total revenues	<u>26,566,500</u>	<u>23,475,258</u>	<u>3,091,242</u>	13.2%
Expenses:				
Rental housing assistance	18,970,643	18,691,743	278,900	1.5%
Housing production	910,344	843,513	66,831	7.9%
Housing conversion/preservation	46,502	155,594	(109,092)	-70.1%
Public services	211,060	207,460	3,600	1.7%
Housing services and compliance	317,104	312,657	4,447	1.4%
Debt service interest	-	137,405	(137,405)	-100.0%
Total expenses	<u>20,455,653</u>	<u>20,348,372</u>	<u>107,281</u>	0.5%
Change in net position	6,110,847	3,126,886	2,983,961	95.4%
Net position, beginning of year	122,502,705	119,375,819	3,126,886	2.6%
Net position, end of year	<u>\$ 128,613,552</u>	<u>\$ 122,502,705</u>	<u>\$ 6,110,847</u>	5.0%

The net position of the Authority increased by \$6,110,847 during the current fiscal year. The Authority's revenues are largely intergovernmental revenues received from cost reimbursement grants. The Authority draws down monies from the grants' awards for allowable program expenses, except for non-cash transactions, such as depreciation expense. The Authority's intergovernmental revenues and charges for services were sufficient to cover all operational expenses incurred during the year.

The table above reflects an increase in grants and contributions not restricted to specific programs of \$2,304,184, which was due to an increase in the HOME and CDBG grants due to the increased loan activity.

The decrease in unrestricted investment income (\$131,591) was primarily due to the combination of a decrease in interest earned (\$422,023) and an increase in interest deferred (\$290,432).

The increase in other revenue (\$259,437) was primarily due to an increase in Fraud Recovery restitution and Family Self Sufficiency forfeiture revenues in the Choice Voucher Program and payment of Parkside loan fees.

The increase in rental housing assistance (\$278,900) is due to an increase in allocated vouchers in the Choice Voucher Program.

The decrease in debt service expense (\$137,405) is due to the Authority reaching the maximum amount of accrued interest on its loan with the California Housing Finance Agency for the Catalina Self-Help Project. The interest accrual for this loan is capped at \$750,000 (of which \$50,000 was paid as of June 30, 2015), provided the entire unpaid balance is paid no later than August 14, 2018.

FUND FINANCIAL ANALYSIS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's governmental funds are discussed below:

Governmental funds. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes in future years.

As of the end of the current fiscal year, the Authority reported combined ending fund balances of \$110,643,639, an increase of \$3,993,768 in comparison with the prior year. Approximately 1.9% of this total amount (\$2,097,260) constitutes *unassigned fund balance*, which is available for spending at the Authority's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for general spending because 1) it is restricted for the purpose of the special revenue funds (\$7,094,532) and 2) the proceeds from long-term notes and loans receivables (\$101,451,847) are restricted.

The Authority's major sources of revenues are cost-reimbursement grant revenues, Section 8 program contracts, developer fees and loan interest repayments. The major uses of these funds are to provide rental assistance to low and very low-income families, loans for building or rehabilitating affordable housing and program administration. The increase in notes and loans receivable of \$4,672,345 represents the net change between payments received on existing loans and the awarding of new loans. Among the significant loans made were loans to Tierra Springs Apartments, LP, Paulin Creek Apartments Investors, LP, and Catholic Charities of the Diocese of Santa Rosa.

The fund balances primarily represent the accumulation of administrative fees and loan repayments in excess of expenditures.

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,097,260, while total fund balance was \$16,905,793. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 653% of total general fund expenditures, while total fund balance represents 5,263% of that same amount.

The restricted fund balance of the Authority's Choice Voucher Program Fund decreased by \$645,862 during the fiscal year. This decrease is primarily due to the change in funding methodology that HUD uses to fund the Housing Choice Voucher (HCV) program Housing Assistance Payments (HAP). HUD began taking back the Net Restricted Asset (NRA) balances from public housing authorities by reducing the grant amounts provided to pay for landlord payments.

The restricted fund balance of the Authority's Southwest Low and Moderate Income Housing Fund increased by \$123,753 during the fiscal year. This increase is due to receipt of interest income on borrower repayments, funded by the borrower's surplus cash receipts primarily from Burbank Housing Development Amorosa 1 & 2 and Crossroads projects.

The restricted fund balance of the Authority's Community Development Block Grant Fund increased by \$2,099,075 during the fiscal year. This increase is due to the recognition of federal grant revenue of \$2,290,157, just about all of which was loaned out via notes and loans receivable.

The restricted fund balance of the Authority's HOME Fund increased by \$635,886 during the fiscal year. This increase is due to the recognition of HOME federal grant revenue of \$577,820, all of which was loaned out via notes and loans receivable.

The restricted fund balance of the Authority's Housing Impact Fee Fund increased by \$925,318 during the fiscal year. This increase is due to the collection of Impact Fee revenue of \$1,073,828.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were changes in appropriations between the original and final amended budget for the General Fund, Community Development Block Grant, Low and Moderate Income Housing Fund, Rental Rehabilitation and HOME Program.

During the year there was a net positive variance between the final amended expenditure budget and the final amended revenue budget for the General Fund and the actual amounts (presented using the budgetary basis) in the amount of \$1,944,845. Following are the main components of the variance:

- City of Santa Rosa General Fund Contribution revenue final budget of \$974,828 compared to \$680,312 actually received. This (\$294,516) variance was caused by the City's practice of transferring funds to the Authority only as expended. These were carryover real property transfer tax funds from the prior year that were not transferred because the funds were not spent in FY 2014-15. The funds will be transferred in FY 2015-16 to the extent costs are incurred.
- Interest revenue final budget of \$15,500 compared to \$62,075 actually recognized. This \$46,575 variance was caused by interest revenue from deferred loan payoffs. Interest earnings recognized from the borrowers varies each year and cannot be reasonably estimated by the Authority, so a conservative budget approach is used.
- Housing services and compliance expenditure final budget of \$168,016 compared to the \$121,029 actually expended. This \$46,987 variance is primarily a result of the property maintenance budget for the Brookwood Shelter being held for unforeseeable property maintenance issues.
- Housing loans expenditure final budget of \$2,239,341 compared to \$410,862 actually expended. This \$1,828,479 variance was caused primarily by holding available \$250,000 committed to Tierra Springs, L.P. and \$1,000,000 to Burbank Housing for the Crossroads project.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital assets. The Authority's investment in capital assets for its governmental activities was \$646,593 (net of accumulated depreciation) for land, equipment, and buildings.

Additional information on the Authority's capital assets can be found in Note 4 to the Basic Financial Statements.

Long-term debt. The Authority's loan with the California Housing Finance Agency for the Catalina Self-Help Project was amended June 25, 2013 to extend the time to repay the loan. The term of the agreement was extended to August 14, 2018. As a condition of the extension, interest accrual was capped at \$750,000, which was reached during fiscal year ended June 30, 2014.

Additional information on the Authority's long-term debt can be found in Note 5 to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The following factors were considered in preparing the Authority's budget for the 2015-16 fiscal year:

- The Authority plans to commit funds to developers of new affordable units to begin work toward the new Housing Element production goal of 947 very low income units and 581 low-income units by 2023.
- Funding to the Authority's General Fund from local real property transfer tax revenue was divided by the City Council between homeless services and affordable housing production (estimated \$182,659 for production). Housing Impact Fee (formerly In-Lieu Fee) revenue is estimated to increase as new home development increases in the coming year. The loss of Redevelopment 20% tax increment housing set-aside funds due to the dissolution of the Redevelopment Agency results in no new revenue for production from those sources beyond loan repayments and existing funds. The HOME grant and the Community Development Block Grant are consistent with prior year funding. Continued implementation of a new processing fee schedule adopted in 2012, with partial cost recovery of approximately \$20,000 this year, will continue to help mitigate the costs of administering existing contracts and agreements.
- The Authority continues year-round operation of the 138-bed Samuel Jones Hall homeless shelter. Additionally, for the second consecutive year, the City Council has approved budget of \$150,000 for operation of a winter shelter bed program, with half of the funding coming from the County of Sonoma.
- The Authority has an objective of providing rental assistance to approximately 2,000 families in 2015-2016. The Housing Choice Voucher program received 69 additional vouchers for the HUD-VASH program. We will continue outreach to landlords and increase our use of Project-Based Vouchers as a way to help spur development of new affordable units. Rents continue to increase and we will need to monitor HAP expenditures to match HUD budget received in 2014. Revenue from HUD is received and budgeted on a calendar basis while the City budgets on a fiscal year.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

There is an increased need for local subsidy due to: 1) the loss of Redevelopment 20% tax increment housing set-aside funds; 2) increased competition for 9% tax credits; and 3) prevailing wage requirements.

The budget cuts to the Section 8 Housing Choice Voucher (HCV) Program under sequestration have been restored for Housing Assistance Payments (HAP), but not fully restored for administrative revenue. The HCV program will continue to redesign the delivery of services to maximize efficiency, as regulatory and reporting requirements increase without additional funding to support these responsibilities. HUD has also implemented a new regulation where Housing Assistance Payment (HAP) reserves of the Authority will be held by HUD and not by the Authority.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 90 Santa Rosa Ave., 2nd Floor, Santa Rosa, CA 95404.

Basic Financial Statements



HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

ASSETS

Cash and short-term investments	\$ 8,279,736
Receivables:	
Accounts (net of allowance for doubtful accounts)	131,437
Interest	15,142
Intergovernmental	1,117,329
Restricted assets:	
Cash and short-term investments	846
Family self-sufficiency program investment	173,749
Interest receivable on loans	23,023,320
Notes and loans receivable	101,451,847
Capital assets:	
Non-depreciable	198,002
Depreciable, net of accumulated depreciation	<u>448,591</u>
 Total assets	 <u>134,839,999</u>

LIABILITIES

Accounts payable	335,804
Intergovernmental payable	16,048
Payable from restricted assets:	
Deposits	846
Family self-sufficiency program escrows	173,749
Long-term debt:	
Due beyond one year	<u>5,700,000</u>
 Total liabilities	 <u>6,226,447</u>

NET POSITION

Net investment in capital assets	646,593
Restricted for affordable housing programs	125,869,699
Unrestricted	<u>2,097,260</u>
 Total net position	 <u><u>\$ 128,613,552</u></u>

The notes to the basic financial statements are an integral part of this statement.

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HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
FUNCTIONS/PROGRAMS:				
Housing services and compliance	\$ 317,104	\$ 38,972	\$ -	\$ (278,132)
Housing conversion/preservation	46,502	-	-	(46,502)
Housing production	910,344	-	-	(910,344)
Public services	211,060	-	335,999	124,939
Rental housing assistance	18,970,643	172,533	18,063,663	(734,447)
TOTAL	<u>\$ 20,455,653</u>	<u>\$ 211,505</u>	<u>\$ 18,399,662</u>	<u>(1,844,486)</u>
GENERAL REVENUES				
Grants and contributions not restricted to specific programs				4,286,118
Unrestricted investment income				3,246,984
Other				<u>422,231</u>
Total general revenues				<u>7,955,333</u>
Change in net position				6,110,847
Net position, beginning of year				<u>122,502,705</u>
NET POSITION, END OF YEAR				<u>\$ 128,613,552</u>

The notes to the basic financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds				
	General Fund	Choice Voucher Program	Moderate Rehabilitation Program #2	Community Development Block Grant	Rental Rehabilitation
ASSETS					
Cash and short-term investments	\$ 1,365,623	\$ 1,576,089	\$ 34,177	\$ -	\$ 13,827
Receivables:					
Accounts (net of allowance for doubtful accounts)	14,251	117,186	-	-	-
Interest	4,148	-	-	-	30
Intergovernmental	-	121,064	-	971,256	-
Due from other funds	726,302	-	-	-	-
Restricted assets:					
Cash and short-term investments	-	846	-	-	-
Family self-sufficiency program investments	-	173,749	-	-	-
Interest receivable on loans	3,420,501	-	-	5,141,939	28,315
Notes and loans receivable	14,808,533	-	-	22,852,250	146,887
TOTAL ASSETS	\$ 20,339,358	\$ 1,988,934	\$ 34,177	\$ 28,965,445	\$ 189,059
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 13,064	\$ 59,190	\$ -	\$ 244,954	\$ -
Intergovernmental payable	-	-	16,048	-	-
Due to other funds	-	-	-	726,302	-
Payable from restricted assets:					
Deposits	-	846	-	-	-
Family self-sufficiency program escrows	-	173,749	-	-	-
TOTAL LIABILITIES	13,064	233,785	16,048	971,256	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues	3,420,501	-	-	5,141,939	28,315
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,433,565	233,785	16,048	6,113,195	28,315
FUND BALANCES					
Restricted:					
Affordable housing programs	14,808,533	1,755,149	18,129	22,852,250	160,744
Unassigned	2,097,260	-	-	-	-
TOTAL FUND BALANCES	16,905,793	1,755,149	18,129	22,852,250	160,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,339,358	\$ 1,988,934	\$ 34,177	\$ 28,965,445	\$ 189,059

(Continued)

The notes to the basic financial statements are an integral part of this statement.

Special Revenue Funds						
Southwest Low and Moderate Income Housing	Low and Moderate Income Housing	HOME	Mortgage Revenue Bonds	Housing Impact Fee	Total	
\$ 1,396,754	\$ 1,485,673	\$ 98,005	\$ 179,413	\$ 2,130,175	\$ 8,279,736	
-	-	-	-	-	131,437	
2,864	3,144	-	398	4,558	15,142	
-	-	25,009	-	-	1,117,329	
-	-	-	-	-	726,302	
-	-	-	-	-	846	
-	-	-	-	-	173,749	
2,407,815	2,979,021	3,467,161	288,737	5,289,831	23,023,320	
15,265,035	12,186,621	14,872,498	708,059	20,611,964	101,451,847	
<u>\$ 19,072,468</u>	<u>\$ 16,654,459</u>	<u>\$ 18,462,673</u>	<u>\$ 1,176,607</u>	<u>\$ 28,036,528</u>	<u>\$ 134,919,708</u>	
\$ 1,323	\$ -	\$ 16,945	\$ -	\$ 328	\$ 335,804	
-	-	-	-	-	16,048	
-	-	-	-	-	726,302	
-	-	-	-	-	846	
-	-	-	-	-	173,749	
<u>1,323</u>	<u>-</u>	<u>16,945</u>	<u>-</u>	<u>328</u>	<u>1,252,749</u>	
<u>2,407,815</u>	<u>2,979,021</u>	<u>3,467,161</u>	<u>288,737</u>	<u>5,289,831</u>	<u>23,023,320</u>	
<u>2,409,138</u>	<u>2,979,021</u>	<u>3,484,106</u>	<u>288,737</u>	<u>5,290,159</u>	<u>24,276,069</u>	
<u>16,663,330</u>	<u>13,675,438</u>	<u>14,978,567</u>	<u>887,870</u>	<u>22,746,369</u>	<u>108,546,379</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,097,260</u>	
<u>16,663,330</u>	<u>13,675,438</u>	<u>14,978,567</u>	<u>887,870</u>	<u>22,746,369</u>	<u>110,643,639</u>	
<u>\$ 19,072,468</u>	<u>\$ 16,654,459</u>	<u>\$ 18,462,673</u>	<u>\$ 1,176,607</u>	<u>\$ 28,036,528</u>	<u>\$ 134,919,708</u>	

Amounts reported in governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	646,593
Interest receivable on loans is not available to pay for current period expenditures and therefore is deferred in the funds.	23,023,320
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Loan payable	\$ (5,000,000)
Interest payable	(700,000)
Net position of governmental activities	<u>\$ 128,613,552</u>

(Concluded)

HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds				
	General Fund	Choice Voucher Program	Moderate Rehabilitation Program #2	Community Development Block Grant	Rental Rehabilitation
REVENUES:					
Intergovernmental:					
Federal Housing Assistance	\$ -	\$ 15,446,521	\$ 96,187	\$ -	\$ -
City of Santa Rosa Block Grant Contributions	-	-	-	2,290,157	-
City of Santa Rosa HOME Contributions	-	-	-	-	-
City of Santa Rosa General Fund Contributions	680,312	-	-	-	-
Housing assistance payments - portability	-	2,520,955	-	-	-
Interest	62,075	249	3	282,047	1,576
Net change in the fair value of investments	(728)	-	4	-	(48)
Charges for service	38,972	172,533	-	-	-
Housing in lieu fee	-	-	-	-	-
Other	341,042	80,388	-	-	-
TOTAL REVENUES	1,121,673	18,220,646	96,194	2,572,204	1,528
EXPENDITURES:					
Current:					
Housing services and compliance	121,029	-	-	4,625	-
Housing conversion/preservation	-	-	-	-	-
Housing production	164,220	-	-	293,444	12,306
Public services	36,000	-	-	175,060	-
Rental housing assistance	-	18,866,508	100,921	-	-
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	321,249	18,866,508	100,921	473,129	12,306
NET CHANGE IN FUND BALANCES	800,424	(645,862)	(4,727)	2,099,075	(10,778)
FUND BALANCES, beginning of year	16,105,369	2,401,011	22,856	20,753,175	171,522
FUND BALANCES, end of year	\$ 16,905,793	\$ 1,755,149	\$ 18,129	\$ 22,852,250	\$ 160,744

(Continued)

The notes to the basic financial statements are an integral part of this statement.

Special Revenue Funds					
Southwest Low and Moderate Income Housing	Low and Moderate Income Housing	HOME	Mortgage Revenue Bonds	Housing Impact Fee	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,542,708
-	-	-	-	-	2,290,157
-	-	577,820	-	-	577,820
-	-	-	-	-	680,312
-	-	-	-	-	2,520,955
328,390	173,300	125,880	6,017	173,732	1,153,269
(345)	(859)	-	(68)	(661)	(2,705)
-	-	-	-	-	211,505
-	-	-	-	1,073,828	1,073,828
638	163	-	-	-	422,231
<u>328,683</u>	<u>172,604</u>	<u>703,700</u>	<u>5,949</u>	<u>1,246,899</u>	<u>24,470,080</u>
168,113	-	-	-	23,337	317,104
-	46,502	-	-	-	46,502
36,817	-	67,814	11,294	298,244	884,139
-	-	-	-	-	211,060
-	-	-	-	-	18,967,429
-	50,078	-	-	-	50,078
<u>204,930</u>	<u>96,580</u>	<u>67,814</u>	<u>11,294</u>	<u>321,581</u>	<u>20,476,312</u>
123,753	76,024	635,886	(5,345)	925,318	3,993,768
<u>16,539,577</u>	<u>13,599,414</u>	<u>14,342,681</u>	<u>893,215</u>	<u>21,821,051</u>	
<u>\$ 16,663,330</u>	<u>\$ 13,675,438</u>	<u>\$ 14,978,567</u>	<u>\$ 887,870</u>	<u>\$ 22,746,369</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 50,078	
Depreciation expense	(29,419)	\$ 20,659

Interest on loans in the statement of activities do not provide current financial resources and are not reported as revenues in the funds until collected.

2,096,420

Change in net position of governmental activities

\$ 6,110,847

(Concluded)

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HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
JUNE 30, 2015

ASSETS	
Cash and short-term investments	\$ 306,812
Interest receivable	<u>698</u>
Total assets	<u>307,510</u>
LIABILITIES	
Deposits payable	<u>307,510</u>
NET POSITION	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Santa Rosa (the Authority), a component unit of the City of Santa Rosa (the City), was formed on July 27, 1971 pursuant to the Housing Authorities Law of the State of California, and particularly Article 2, Chapter 1, Part 2, Division 24 of the Health and Safety Code of the State of California (Health and Safety Code Section 34240 et. seq.).

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The following is a summary of the significant policies:

Reporting Entity and Related Parties

These basic financial statements contain the financial data of the Authority. The Authority is governed by seven members who are appointed by the City Council of the City. The City exercises significant financial and management control over the Authority. Therefore, the financial data of the Authority has also been included as a discretely presented component unit within the City's basic financial statements for the year ended June 30, 2015.

(a) Government-wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the Authority's activities except for fiduciary activities. The effect of interfund activity has been removed from these statements. All of the activities of the Authority are governmental or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Grants and contributions not restricted to specific programs, unrestricted investment income and other items not properly included among program revenues are reported instead as general revenues.

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Under the terms of grant agreements, the Authority funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Authority's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers

intergovernmental, charges for service and interest revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Authority reports the following major governmental funds:

- **General Fund** is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes and include:
 - The **Choice Voucher Program Fund** records annual contributions from the U.S. Department of Housing and Urban Development (HUD) under provisions of its Section 8 Housing Choice Vouchers program and rental subsidies to low and very low-income families through direct subsidy payments to landlords.
 - The **Moderate Rehabilitation Program #2 Fund** records annual contributions from HUD under provisions of its Section 8 Project-based Assistance Program which provides unit-based rental subsidies for low- to moderate-income individuals and families.
 - The **Community Development Block Grant Fund** records the City's HUD Community Development Block Grant (CDBG) award that is contributed to the Authority for purposes of providing loans for rehabilitation of existing property and to facilitate construction of low cost housing.
 - The **Rental Rehabilitation Fund** records the program revenue from the HUD Rental Rehabilitation program and the loans for rehabilitation of existing property and to facilitate construction of low cost housing.
 - The **Southwest Low and Moderate Income Housing Fund** records the loan repayments received from the Southwest Project Area of the former Redevelopment Agency of the City of Santa Rosa for the purpose of providing loans for rehabilitation of existing property and to facilitate construction of low cost housing.
 - The **Low and Moderate Income Housing Fund** records the loan repayments received for the purpose of providing loans for rehabilitation of existing property and to facilitate construction of low cost housing.
 - The **HOME Fund** records the program revenue from the City's HUD HOME award that is contributed to the Authority for the purposes of providing loans for rehabilitation of existing property, facilitating construction of low cost housing, and assisting first-time home buyers.
 - The **Mortgage Revenue Bonds Fund** records the program revenue from loan repayments for the purpose of providing loans for rehabilitation of existing property and to facilitate construction of low cost housing.
 - The **Housing Impact Fee Fund** records the developer fees received in lieu of constructing low cost housing for the purpose of providing loans to facilitate construction of low cost housing.
- The **Agency Fund** is used to account for funds held by the Authority as an agent for private organizations. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

(c) Investments

Investments are stated at fair value. Valuations are obtained by using actual quotations provided by published indices.

(d) Capital Assets

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include land and buildings. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The estimated useful lives of the Authority's buildings are 30 years and equipment is 5 years. Buildings and equipment used in operations are depreciated using the straight-line method over the estimated lives in the government-wide statements.

(e) Unavailable Revenues

Unavailable revenues of \$23,023,320 reflects accrued interest on notes and loans receivable. Accrued interest on notes and loans is considered unavailable as it will not be collected within 60 days of the end of the reporting period.

(f) Interfund Transactions

Interfund transactions are reflected as loans, reimbursements or transfers. Loans reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers within governmental funds are netted as part of the reconciliation to the government-wide presentation.

(g) Net Position/Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as Net investment in capital assets, restricted, and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted for Affordable Housing Programs – This category represents assets restricted for the creation and preservation of low- and moderate-income housing within the City of Santa Rosa reduced by liabilities related to those assets.
- Unrestricted – This category represents net position of the Authority, not restricted for any project or other purpose.

In the fund financial statements, fund balances are categorized as nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable – to reflect amounts that cannot be spent because they are (1) not in spendable form, such as prepaid items, inventories, and long-term receivables for which the payment of proceeds are not restricted or committed with respect to the nature of the specific expenditures of that fund, or (2) legally or contractually required to remain intact.
- Restricted – to reflect amounts that are restricted by external parties such as creditors or imposed by grants, laws, or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed – to reflect amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action by the entity’s “highest level of decision-making authority,” which the Authority considers to be the Authority’s Board. As of June 30, 2015, the Authority had no committed fund balance.
- Assigned – to reflect amounts that have been allocated by action of the Authority Board in which the Authority’s intent is to use the funds for a specific purpose. As of June 30, 2015, the Authority had no assigned fund balance.
- Unassigned – to reflect amounts that constitute the residual balances that have no restrictions placed on them in the General Fund. For other governmental funds, as restrictions exceed available resources, only deficit amounts are reported in the unassigned category.

The Authority does not have a policy on the order of spending unrestricted resources when an expenditure is incurred for which resources in any of the unrestricted fund balance classifications could be used. Therefore, by default under GASB Statement No. 54, the Authority uses committed resources first, then assigned resources, and unassigned resources last as they are needed.

(h) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. At June 30, 2015, the Authority’s accounts receivable are shown net of an estimated allowance for doubtful accounts for the Choice Voucher Program fund in the amount of \$2,707.

NOTE 2 – CASH AND SHORT-TERM INVESTMENTS

Total Authority cash and short-term investments are reported as follows:

Statement of Net Position:	
Cash and short-term investments	\$ 8,279,736
Restricted assets:	
Cash and short-term investments	846
Family self-sufficiency program investments	173,749
Statement of Fiduciary Net Position	<u>306,812</u>
Total cash and short-term investments	<u>\$ 8,761,143</u>

The Authority participates in a cash and investment pool with the City. The City pool invests Authority funds (\$6,847,768 at June 30, 2015) in accordance with the California Government Code, which limits the Authority to investments in obligations of the U.S. government and its agencies and instrumentalities, California municipalities, negotiable certificates of deposit, time deposits/time certificates of deposit, corporate notes, mortgage-backed securities, commercial paper, bankers' acceptances, repurchase agreements, mutual funds, money market funds, government pools, and the State Local Agency Investment Fund. At June 30, 2015, the City's cash and investment pool is unrated and has a weighted average maturity of less than 1 year.

City pool deposits were covered by federal depository insurance or were collateralized in accordance with Section 53652 of the California Government Code. Information regarding interest rate risk, credit risk, and concentration of credit risk of the City's pooled cash and investments is presented in the City's basic financial statements.

Although statutes permit the Authority and the City to enter into reverse repurchase agreements, the Authority and the City did not do so during the year ended June 30, 2015.

In addition, the Authority has \$1,739,626 in a separate bank account for its Section 8 funds and \$173,749 for its Family Self Sufficiency (FSS) Escrows. The bank balance was collateralized in accordance with Section 53652 of the California Government Code.

The California Government Code requires California banks and savings and loan associations to secure the Authority's deposits not covered by federal depository insurance by pledging government securities or mortgage notes as collateral. The fair value of pledged securities must equal 110% of the Authority's deposits or 150% for mortgage-backed collateral. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the Authority's name. The Authority has no custodial credit risk as of June 30, 2015.

Each fund's portion of the cash and investment pool and of the Section 8 account is displayed on the Statement of Net Position, Balance Sheet and the Statement of Fiduciary Net Position as "Cash and Short-Term Investments."

NOTE 3 – NOTES AND LOANS RECEIVABLE

The long-term notes and loans receivable (\$101,451,847 at June 30, 2015) consist of housing rehabilitation and housing opportunity notes and loans, including: principal repayment only, 3% and 5% interest deferred repayment, principal repayment deferred, mortgage loans receivable, and other principal and interest repayment loans bearing interest at 3% to 10.7% and maturing at various dates through 2068. The notes and loans receivable are recorded as assets and fund balances have been restricted in the fund financial statements for the total of future principal payments to indicate that the receipt of those payments are restricted for affordable housing programs.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
<i>Capital assets, not being depreciated</i>				
Land	\$ 198,002	\$ -	\$ -	\$ 198,002
Construction in progress	32,116	-	(32,116)	-
Total capital assets, not being depreciated	<u>230,118</u>	<u>-</u>	<u>(32,116)</u>	<u>198,002</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	662,869	-	-	662,869
Equipment	24,102	82,194	-	106,296
Total capital assets, being depreciated	<u>686,971</u>	<u>82,194</u>	<u>-</u>	<u>769,165</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	270,268	22,096	-	292,364
Equipment	20,887	7,323	-	28,210
Less accumulated depreciation	<u>291,155</u>	<u>29,419</u>	<u>-</u>	<u>320,574</u>
Total depreciable capital assets, net	<u>395,816</u>	<u>52,775</u>	<u>-</u>	<u>448,591</u>
Total capital assets, net	<u>\$ 625,934</u>	<u>\$ 52,775</u>	<u>\$ (32,116)</u>	<u>\$ 646,593</u>

Depreciation expense in the amount of \$26,205 was charged to the housing production function and \$3,214 was charged to the rental housing assistance function.

NOTE 5 – LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Amounts Due Within One Year
CalHFA loan ^(a)	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ -
Accrued interest	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>-</u>
Total long-term debt	<u>\$ 5,700,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,700,000</u>	<u>\$ -</u>

- (a) The California Housing Finance Agency (CalHFA) loan bears interest at 3% per annum. Payment is deferred until August 14, 2018. The loan proceeds were loaned to Burbank Housing to assist with predevelopment and construction costs of Catalina Townhomes, a 60-unit ownership development self-help project. The total loan amount is \$5,000,000 (\$3,607,143 for predevelopment and \$1,392,857 for construction costs). The third amendment dated June 25, 2013 extended the term to August 14, 2018. As a condition of this extension, borrower shall make a partial payment to the CalHFA on or before July 1, 2013 in the sum \$50,000, which the CalHFA will apply toward accrued interest. Interest accrual will be capped at \$750,000 (of which \$50,000 was paid as of June 30, 2015), provided the entire balance is paid no later than August 14, 2018.

As of June 30, 2015, annual debt service requirements of the CalHFA loan to maturity are as follows:

Year ending June 30:	Principal	Interest
2016	\$ -	\$ -
2017	-	-
2018	-	-
2019	5,000,000	700,000
Total	<u>\$ 5,000,000</u>	<u>\$ 700,000</u>

The loan will be repaid with funds received from Burbank Housing upon repayment of their loan to the Authority which is recorded in the General Fund. Burbank Housing will pay back the Authority loan with proceeds from the sale of the Catalina Townhomes.

NOTE 6 – INTERFUND TRANSACTIONS

During the year, the General Fund loaned \$726,302 to the Community Development Block Grant Fund to cover program expenditures until reimbursed by HUD grants.

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority is named insured on the City’s excess policies and participates in the City’s self-funded liability programs and property insurance programs. Additionally, the Authority carries commercial auto liability insurance for the auto, registered in the name of the Authority as follows:

	Limits	Deductible
Automotive Liability	\$ 1,000,000	\$ 500

Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 8 – CONDUIT DEBT

From time to time, the Authority has issued Multi-family Housing Revenue Bonds to provide funds to builders for the construction of multi-family housing projects. The bonds are payable solely from the revenues collected by the builders of the projects. The Authority is not obligated in any manner for repayment of the indebtedness. Accordingly, the liabilities are not reported in the Authority’s basic financial statements.

As of June 30, 2015, the Authority had participated in the issuance of fourteen series of Multi-family Housing Revenue Bonds. The aggregate principal amount outstanding was \$53,392,145 at June 30, 2015.

NOTE 9 – RELATED PARTY TRANSACTIONS

The City contributed \$680,312 to the Authority’s General Fund. The contributions to the Authority’s Community Development Block Grant (CDBG) Fund of \$2,290,157 and HOME Fund of \$577,820 are grants received directly by the City from the U.S. Department of Housing and Urban Development, which the City has designated the Authority to administer on their behalf.

The Authority contracts with the City for all personnel services and, therefore, does not directly incur related employee costs. The Authority paid the City \$1,967,494 for these services for the year ended June 30, 2015.

Required Supplementary Information



HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual (Budget Basis)	Variance With Final Budget Positive (Negative)
REVENUES:				
Intergovernmental:				
City of Santa Rosa General Fund Contributions	\$ 974,828	\$ 974,828	\$ 680,312	\$ (294,516)
Interest	15,500	15,500	62,075	46,575
Net change in the fair value of investments	-	-	(728)	(728)
Collection of loans receivables	-	-	2,859	2,859
Charges for service	9,406	9,406	38,972	29,566
Other	115,541	115,541	341,042	225,501
TOTAL REVENUES	<u>1,115,275</u>	<u>1,115,275</u>	<u>1,124,532</u>	<u>9,257</u>
EXPENDITURES:				
Current:				
Housing services and compliance	168,016	168,016	121,029	46,987
Housing production	213,356	213,356	164,220	49,136
Public services	46,986	46,986	36,000	10,986
Housing loans	1,239,341	2,239,341	410,862	1,828,479
TOTAL EXPENDITURES	<u>1,667,699</u>	<u>2,667,699</u>	<u>732,111</u>	<u>1,935,588</u>
NET CHANGE IN FUND BALANCE	<u>\$ (552,424)</u>	<u>\$ (1,552,424)</u>	<u>392,421</u>	<u>\$ 1,944,845</u>
ADJUSTMENTS TO GAAP BASIS:				
Basis differences due to:				
Long-term loans recorded as expenditures			410,862	
Collection of loans receivable			(2,859)	
TOTAL ADJUSTMENTS TO GAAP BASIS			<u>408,003</u>	
FUND BALANCE, beginning of year			<u>16,105,369</u>	
FUND BALANCE, end of year			<u>\$ 16,905,793</u>	

The note to the required supplementary information is an integral part of this schedule.

HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
CHOICE VOUCHER PROGRAM
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual (Budget Basis)	Variance With Final Budget Positive (Negative)
REVENUES:				
Intergovernmental:				
Federal Housing Assistance	\$ 17,590,936	\$ 17,590,936	\$ 15,446,521	\$ (2,144,415)
Housing assistance payments - portability	3,348,000	3,348,000	2,520,955	(827,045)
Interest	600	600	249	(351)
Charges for service	256,780	256,780	172,533	(84,247)
Other	-	-	80,388	80,388
TOTAL REVENUES	<u>21,196,316</u>	<u>21,196,316</u>	<u>18,220,646</u>	<u>(2,975,670)</u>
EXPENDITURES - CURRENT:				
Rental housing assistance	<u>21,193,414</u>	<u>21,193,414</u>	<u>18,866,508</u>	<u>2,326,906</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,902</u>	<u>\$ 2,902</u>	<u>(645,862)</u>	<u>\$ (648,764)</u>
FUND BALANCE, beginning of year			<u>2,401,011</u>	
FUND BALANCE, end of year			<u>\$ 1,755,149</u>	

The note to the required supplementary information is an integral part of this schedule.

**HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
MODERATE REHABILITATION PROGRAM #2
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES:				
Intergovernmental:				
Federal Housing Assistance	\$ 145,543	\$ 145,543	\$ 96,187	\$ (49,356)
Interest	-	-	3	3
Net change in the fair value of investments	-	-	4	4
TOTAL REVENUES	145,543	145,543	96,194	(49,349)
EXPENDITURES - CURRENT:				
Rental housing assistance	145,543	145,543	100,921	44,622
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(4,727)	\$ (4,727)
FUND BALANCE, beginning of year			22,856	
FUND BALANCE, end of year			\$ 18,129	

The note to the required supplementary information is an integral part of this schedule.

**HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
COMMUNITY DEVELOPMENT BLOCK GRANT
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual (Budget Basis)	Variance With Final Budget Positive (Negative)
REVENUES:				
Intergovernmental:				
City of Santa Rosa Block Grant Contributions	\$ 3,187,217	\$ 3,687,217	\$ 2,290,157	\$ (1,397,060)
Interest	23,000	23,000	282,047	259,047
Collection of loans receivables	10,000	10,000	94,734	84,734
TOTAL REVENUES	<u>3,220,217</u>	<u>3,720,217</u>	<u>2,666,938</u>	<u>(1,053,279)</u>
EXPENDITURES:				
Housing services and compliance	90,696	90,696	4,625	86,071
Housing production	276,382	340,947	293,444	47,503
Public services	175,060	175,060	175,060	-
Housing loans	1,057,885	2,599,026	2,193,809	405,217
TOTAL EXPENDITURES	<u>1,600,023</u>	<u>3,205,729</u>	<u>2,666,938</u>	<u>538,791</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,620,194</u>	<u>\$ 514,488</u>	<u>-</u>	<u>\$ (514,488)</u>
ADJUSTMENTS TO GAAP BASIS:				
Basis differences due to:				
Long-term loans disbursed			2,193,809	
Collection of loans receivable			(94,734)	
TOTAL ADJUSTMENTS TO GAAP BASIS			<u>2,099,075</u>	
FUND BALANCE, beginning of year			<u>20,753,175</u>	
FUND BALANCE, end of year			<u>\$ 22,852,250</u>	

The note to the required supplementary information is an integral part of this schedule.

HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
RENTAL REHABILITATION
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual (Budget Basis)	Variance With Final Budget Positive (Negative)
REVENUES:				
Interest	\$ -	\$ -	\$ 1,576	\$ 1,576
Net change in the fair value of investments	-	-	(48)	(48)
Collection of loans receivables	-	-	1,851	1,851
TOTAL REVENUES	-	-	3,379	3,379
EXPENDITURES - CURRENT:				
Housing production	13,046	13,046	12,306	740
Housing loans	-	32,241	32,241	-
TOTAL EXPENDITURES	13,046	45,287	44,547	740
NET CHANGE IN FUND BALANCE	\$ (13,046)	\$ (45,287)	(41,168)	\$ 4,119
ADJUSTMENTS TO GAAP BASIS:				
Basis differences due to:				
Long-term loans recorded as expenditures			32,241	
Collection of loans receivable			(1,851)	
TOTAL ADJUSTMENTS TO GAAP BASIS			30,390	
FUND BALANCE, beginning of year			171,522	
FUND BALANCE, end of year			\$ 160,744	

The note to the required supplementary information is an integral part of this schedule.

HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
SOUTHWEST LOW AND MODERATE INCOME HOUSING
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual (Budget Basis)	Variance With Final Budget Positive (Negative)
REVENUES:				
Interest	\$ 9,000	\$ 9,000	\$ 328,390	\$ 319,390
Net change in the fair value of investments	-	-	(345)	(345)
Collection of loans receivables	-	-	20,396	20,396
Other revenues	-	-	638	638
TOTAL REVENUES	<u>9,000</u>	<u>9,000</u>	<u>349,079</u>	<u>340,079</u>
EXPENDITURES - CURRENT:				
Housing services and compliance	148,785	148,785	168,113	(19,328)
Housing production	74,180	74,180	36,817	37,363
Housing loans	207,999	207,999	11,896	196,103
TOTAL EXPENDITURES	<u>430,964</u>	<u>430,964</u>	<u>216,826</u>	<u>214,138</u>
NET CHANGE IN FUND BALANCE	<u>\$ (421,964)</u>	<u>\$ (421,964)</u>	<u>132,253</u>	<u>\$ 554,217</u>
ADJUSTMENTS TO GAAP BASIS:				
Basis differences due to:				
Long-term loans recorded as expenditures			11,896	
Collection of loans receivable			(20,396)	
TOTAL ADJUSTMENTS TO GAAP BASIS			<u>(8,500)</u>	
FUND BALANCE, beginning of year			<u>16,539,577</u>	
FUND BALANCE, end of year			<u>\$ 16,663,330</u>	

The note to the required supplementary information is an integral part of this schedule.

**HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
LOW AND MODERATE INCOME HOUSING
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual (Budget Basis)	Variance With Final Budget Positive (Negative)
REVENUES:				
Interest	\$ 2,500	\$ 2,500	\$ 173,300	\$ 170,800
Net change in the fair value of investments	-	-	(859)	(859)
Collection of loans receivables	1,500	1,500	99,045	97,545
Other revenues	-	-	163	163
TOTAL REVENUES	<u>4,000</u>	<u>4,000</u>	<u>271,649</u>	<u>267,649</u>
EXPENDITURES:				
Housing conversion/preservation	113,079	160,884	46,502	114,382
Mobilehome assistance loans	60,742	60,742	2,080	58,662
Housing loans	1,035,328	1,035,328	521,038	514,290
Capital outlay	50,078	50,078	50,078	-
TOTAL EXPENDITURES	<u>1,259,227</u>	<u>1,307,032</u>	<u>619,698</u>	<u>687,334</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,255,227)</u>	<u>\$ (1,303,032)</u>	<u>(348,049)</u>	<u>\$ 954,983</u>
ADJUSTMENTS TO GAAP BASIS:				
Basis differences due to:				
Long-term loans disbursed			523,118	
Collection of loans receivable			(99,045)	
TOTAL ADJUSTMENTS TO GAAP BASIS			<u>424,073</u>	
FUND BALANCE, beginning of year			<u>13,599,414</u>	
FUND BALANCE, end of year			<u>\$ 13,675,438</u>	

The note to the required supplementary information is an integral part of this schedule.

HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
HOME
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual (Budget Basis)	Variance With Final Budget Positive (Negative)
REVENUES:				
Intergovernmental:				
City of Santa Rosa HOME Contributions	\$ 1,830,238	\$ 1,830,238	\$ 577,820	\$ (1,252,418)
Interest	21,300	21,300	125,880	104,580
Collection of loans receivables	16,000	16,000	102,573	86,573
TOTAL REVENUES	<u>1,867,538</u>	<u>1,867,538</u>	<u>806,273</u>	<u>(1,061,265)</u>
EXPENDITURES:				
Housing production	83,921	83,920	67,814	16,106
Housing loans	1,609,304	1,609,304	632,390	976,914
TOTAL EXPENDITURES	<u>1,693,225</u>	<u>1,693,224</u>	<u>700,204</u>	<u>993,020</u>
NET CHANGE IN FUND BALANCE	<u>\$ 174,313</u>	<u>\$ 174,314</u>	<u>106,069</u>	<u>\$ (68,245)</u>
ADJUSTMENTS TO GAAP BASIS:				
Basis differences due to:				
Long-term loans disbursed			632,390	
Collection of loans receivable			<u>(102,573)</u>	
TOTAL ADJUSTMENTS TO GAAP BASIS			<u>529,817</u>	
FUND BALANCE, beginning of year			<u>14,342,681</u>	
FUND BALANCE, end of year			<u>\$ 14,978,567</u>	

The note to the required supplementary information is an integral part of this schedule.

**HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
MORTGAGE REVENUE BONDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual (Budget Basis)	Variance With Final Budget Positive (Negative)
REVENUES:				
Interest	\$ 6,000	\$ 6,000	\$ 6,017	\$ 17
Net change in the fair value of investments	-	-	(68)	(68)
Collection of loan receivables	2,000	2,000	1,540	(460)
TOTAL REVENUES	8,000	8,000	7,489	(511)
EXPENDITURES - CURRENT:				
Housing production	19,269	19,269	11,294	7,975
Housing loans	186,345	186,345	11,836	174,509
TOTAL EXPENDITURES	205,614	205,614	23,130	182,484
NET CHANGE IN FUND BALANCE	\$ (197,614)	\$ (197,614)	(15,641)	\$ 181,973
ADJUSTMENTS TO GAAP BASIS:				
Basis differences due to:				
Long-term loans recorded as expenditures			11,836	
Collection of loans receivable			(1,540)	
TOTAL ADJUSTMENTS TO GAAP BASIS			10,296	
FUND BALANCE, beginning of year			893,215	
FUND BALANCE, end of year			\$ 887,870	

The note to the required supplementary information is an integral part of this schedule.

**HOUSING AUTHORITY OF THE CITY OF SANTA ROSA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)
HOUSING IMPACT FEE
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual (Budget Basis)	Variance With Final Budget Positive (Negative)
REVENUES:				
Interest	\$ 25,000	\$ 25,000	\$ 173,732	\$ 148,732
Net change in the fair value of investments	-	-	(661)	(661)
Collection of loans receivables	4,000	4,000	-	(4,000)
Housing impact fee	240,000	240,000	1,073,828	833,828
TOTAL REVENUES	<u>269,000</u>	<u>269,000</u>	<u>1,246,899</u>	<u>977,899</u>
EXPENDITURES:				
Housing services and compliance	8,424	8,424	23,337	(14,913)
Housing production	311,804	311,804	298,244	13,560
Housing loans	1,508,973	1,508,973	879,193	629,780
TOTAL EXPENDITURES	<u>1,829,201</u>	<u>1,829,201</u>	<u>1,200,774</u>	<u>628,427</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,560,201)</u>	<u>\$ (1,560,201)</u>	<u>46,125</u>	<u>\$ 1,606,326</u>
ADJUSTMENTS TO GAAP BASIS:				
Basis differences due to:				
Long-term loans disbursed			879,193	
FUND BALANCE, beginning of year			<u>21,821,051</u>	
FUND BALANCE, end of year			<u>\$ 22,746,369</u>	

The note to the required supplementary information is an integral part of this schedule.

NOTE 1 - BUDGETS

Budgets are adopted for all Authority funds. All budgets are adopted on a basis consistent with GAAP with the following exceptions:

1. Long-term loans disbursed are budgeted as expenditures;
2. Interest reclassified as loans receivable are not budgeted as revenues; and
3. Collections of loans receivable are budgeted as revenues.

The budget is legally required to be adopted prior to July 1 for the ensuing year.

The City Manager is authorized to transfer an unlimited amount of appropriations within any fund so long as the total appropriations are not increased. The City Manager is also authorized to transfer up to \$50,000 of appropriations between funds. In addition, the City Manager is authorized to transfer up to \$100,000 of appropriations between funds within one Enterprise activity. Only the City Council has the authority to increase total appropriations subject to the appropriation limitations established by state law. Budget appropriations lapse at the end of the fiscal year, with the exception of contract commitments and capital improvements, which are carried over until the commitment is met, or the project has been completed.

The legal level of budgetary control is by fund, although budgets are adopted within funds at the department or division level in all funds.

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Compliance Section





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

Members of the Housing Authority
of the City of Santa Rosa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Housing Authority of the City of Santa Rosa, California (Authority), a component unit of the City of Santa Rosa, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Macias Gini & O'Connell LLP

Sacramento, California
February 29, 2016



City of
Santa Rosa

100 Santa Rosa Avenue, Santa Rosa, CA 95404