

**HOUSING AUTHORITY OF THE CITY OF UPLAND
UPLAND, CALIFORNIA**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2015

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Upland
Upland, California

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Upland (Authority), California, as of and for the year ended March 31, 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

My responsibility is to express opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Upland, California, as of March 31, 2015, and the respective changes in financial position and cash flows thereof 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 on pages i-vi 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Housing Authority of the City of Upland, California’s basic financial statements. The accompanying PHA’s Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying PHA’s Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 25, 2015, on my consideration of the Housing Authority of the City of Upland, California’s internal control over financial reporting and on my 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 my 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 Housing Authority of the City of Upland, California’s internal control over financial reporting and compliance.



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

June 25, 2015

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
March 31, 2015

Introduction

This Management's Discussion and Analysis (MD&A) of the Housing Authority of the City of Upland (Authority) provides an introduction and overview to the financial statements of the Housing Authority of the City of Upland for the fiscal year ended March 31, 2015. The Housing Authority of the City of Upland presents this discussion and analysis of its financial performance during the fiscal year ended March 31, 2015, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered. This information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has three significant programs. They include the Low Rent Housing Program, the Capital Fund Program, and the Housing Choice Voucher Program.

The Low Rent Housing Program consists of 98 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received from the Department of Housing & Urban Development based on a formula.

The Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Authority to provide capital improvements for the current dwelling structures and assist the Authority in operations.

The Housing Choice Voucher Program provides rental assistance to aid low income families in affording decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a housing assistance payment to a landlord on behalf of the tenant. The Authority currently has 624 units available. Funds are provided by HUD to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The administrative fee is computed by HUD on an annual basis.

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

The Statement of Net Position presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences between the two being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net position is comprised of three individual components:

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- *Restricted* component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
March 31, 2015

Overview of the Financial Statements – (Continued)

- *Unrestricted* component of net position represents the remaining resources available that does not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended March 31, 2015, to determine the change in net position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related to financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended March 31, 2015.

Financial Highlights

- The Housing Authority of the City of Upland's net position decreased from \$1,744,139 to \$1,604,605, a decrease of \$139,534 or 8%. The total assets increased by \$115,758 or 5%.
- Total revenues decreased from \$6,623,680 to \$6,239,888, a decrease of \$383,792 or 6%.
- Total expenses decreased by \$144,301 from \$6,537,776 to \$6,393,475 for the current year. This represents a decrease of 2%.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position for the past two years is summarized below based on the information in the current and prior financial statements. The table below provides the asset, liability, and net position (equity) comparisons for the year ended March 31, 2015, and March 31, 2014.

***Summary Statement of Net Position
Years Ended March 31, 2015 and 2014***

Category	FYE 2015	FYE 2014	Change \$	Change %
Current Assets	\$ 1,132,351	\$ 1,098,705	\$ 33,646	3%
Non-Current Assets	\$ 1,091,276	\$ 1,240,680	\$ (149,404)	-12%
Total Assets	\$ 2,223,627	\$ 2,339,385	\$ (115,758)	-5%
Current Liabilities	\$ 95,251	\$ 159,055	\$ (63,804)	-40%
Non-Current Liabilities	\$ 523,771	\$ 436,191	\$ 87,580	20%
Total Liabilities	\$ 619,022	\$ 595,246	\$ 23,776	4%
Restricted	\$ 65,018	\$ 97,373	\$ (32,355)	-33%
Unrestricted	\$ 448,311	\$ 406,086	\$ 42,225	10%
Investment in Net Capital Assets	\$ 1,091,276	\$ 1,240,680	\$ (149,404)	-12%
Total New Positions	\$ 1,604,605	\$ 1,744,139	\$ (139,534)	-8%

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
March 31, 2015

Housing Authority Activities & Highlights – (Continued)

Current Assets

Current assets increased by \$33,646 from the previous fiscal year. The increase was due primarily to higher cash balance from the previous fiscal year in the amount of \$11,251 as well as an increase of \$13,972 in prepaid expenses. The increase to prepaid expenses was due to HAARP insurance payment made for fiscal year 2016.

Non-Current Assets

Noncurrent assets decreased by \$149,404 due to the current depreciation charges.

Non-Current Liabilities

Noncurrent liabilities increased by \$87,580 from the previous fiscal year.

Net Position

The overall net financial position of the Authority decreased by \$139,534 from the previous year.

The restricted component of the financial positions held for HAP payments decreased by \$32,355 due to costs associated with HAP exceeding revenues for the current fiscal year.

The Authority's net investment in capital assets decreased by \$149,404 due to current depreciation charges.

The Authority's unrestricted component of net position changed from \$406,086 to \$448,311, an increase of \$42,225, or 10% for the current year. The Low Rent Housing Program unrestricted component of net position balance increased by \$48,416. The Housing Choice Voucher Program unrestricted component of net position balance increased from \$(24,248) to \$(30,439), a decrease of \$6,191. The decrease can be attributed to the historically low funding levels of administrative fees of 75% for the 2015 calendar year. The unrestricted component of net position is the amount available for future appropriations. These balances are subject to program specific guidelines. Individual program balances that comprise the unrestricted component of net position are as follows:

Low Rent Housing Program	\$ 478,750
Section 8 Housing Choice Voucher Program:	
Administrative Funding	<u>(30,439)</u>
Total Unrestricted Net Financial Position	\$ <u>448,311</u>

HOUSING AUTHORITY OF THE CITY OF UPLAND
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
March 31, 2015

Housing Authority Activities & Highlights – (Continued)

The table below summarizes the overall operations for the past two years for the years ending March 31, 2015, and March 31, 2014.

***Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended March 31, 2015 and 2014***

Category	FYE 2015	FYE 2014	Change \$	Change %
Tenant Revenue	\$ 436,599	\$ 434,089	\$ 2,510	1%
HUD Operating Grants	\$ 5,784,606	\$ 5,937,479	\$ (152,873)	-3%
Capital Grants	\$ -	\$ 171,190	\$ (171,190)	-100%
Other Revenue	\$ 18,683	\$ 80,922	\$ (62,239)	
 Total Revenue	 \$ 6,239,888	 \$ 6,623,680	 \$ (383,792)	 -6%
 Administration	 \$ 742,490	 \$ 823,311	 \$ (80,821)	
Tenant Services	\$ 2,000	\$ 2,000	\$ -	0%
Utilities	\$ 65,167	\$ 73,574	\$ (8,407)	-11%
Ordinary Maintenance	\$ 248,145	\$ 229,391	\$ 18,754	8%
General Expenses	\$ 58,162	\$ 25,666	\$ 32,496	127%
Extraordinary Maintenance	-	-	-	0%
HAP	5,128,107	5,224,084	(95,977)	-2%
Depreciation	\$ 149,404	\$ 159,750	\$ (10,346)	-6%
 Total Expenses	 \$ 6,393,475	 \$ 6,537,776	 \$ (144,301)	 -2%
 Excess of Revenue over Expenses	 \$ (153,587)	 \$ 85,904	 \$ (239,491)	 -279%
 Net Position, Beginning of Year	 \$ 1,744,139	 \$ 1,803,653	 \$ (59,514)	 -3%
 Prior Period Adjustment	 \$ 14,053	 \$ (145,418)	 \$ 159,471	 -110%
 Net Position, End of Year	 \$ 1,604,605	 \$ 1,744,139	 \$ (139,534)	 -8%

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants. The Authority's revenue decreased by \$383,792 during the current fiscal year as compared to the previous year amounts. This is primarily due to decreased revenue associated with the Housing Choice Voucher Program. Revenue decreased by \$186,412 over the previous fiscal year's amount in the Low Rent Housing Program. Significant variances between the current and previous year include:

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
March 31, 2015

Housing Authority Activities & Highlights – (Continued)

Results of Operations

- Capital grants decreased by \$171,190 from the previous year due to decreased activity in the Capital Fund Program.
- Other revenue decreased by \$62,239 due to decreased portability activity in the Housing Choice Voucher Program.

Total expenses decreased by \$144,301 from the previous year. Significant differences between the years include:

- Administrative costs decreased by \$80,821 from the previous year due to lower employee salaries, benefits and legal costs. Employee salaries & benefits decreased by \$50,156. Legal costs also decreased by \$42,762 from the previous year amount reported.
- Utility costs decreased by \$8,407, comprising mostly of lower water costs. Water costs decreased by \$9,909 from the previous year, a decrease of 22%.
- Maintenance costs increased by \$18,754 from the previous year primarily due to maintenance labor, material costs and employee benefit contributions.
- Insurance expense increased by \$24,671 from the previous fiscal year due to workmen's compensation and liability insurance.
- HAP payments decreased by \$44,565. This was mainly due to the leasing of units being lower this year to balance out the higher leasing in the prior year.
- HAP Portability In decreased by \$51,412. The Authority has adopted the policy to "absorb" HAP portability starting with this year and therefore portability was lower.
- Depreciation expense decreased by \$10,346 primarily due to assets becoming fully depreciated.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)
March 31, 2015

Housing Authority Activities & Highlights – (Continued)

Capital Assets

As of March 31, 2015, the Housing Authority of the City of Upland's net investment in capital assets was \$1,091,276. This investment includes land, building, equipment, and construction in progress.

Category	FYE 2015	FYE 2014	Change \$	Change %
Land	\$ 33,524	\$ 33,524	\$ -	0%
Buildings/Leasehold Improvements	\$ 8,601,968	\$ 8,601,968	\$ -	0%
Equipment	\$ 209,693	\$ 220,540	\$ (10,847)	-5%
Infrastructure	\$ 68,579	\$ 68,579	\$ -	0%
Construction in Progress	\$ -	\$ -	\$ -	0%
Assumulated Depreciation	\$ (7,822,488)	\$ (7,683,931)	\$ (138,557)	2%
Total Net Capital Assets	\$ 1,091,276	\$ 1,240,680	\$ (149,404)	-12%

- Accumulated depreciation increased by \$138,557 due to current depreciation charges incurred in the current previous year and the retirement of equipment in the amount of \$10,847.

Non-Current Liability

The non-current liability balance increased from \$436,191 to \$523,771, an increase of \$87,580. Balances classified as noncurrent include a portion of the employee's leave and the amount associated with Other Post-Employment Benefits (OPEB) liability. The majority of the increase was due to the higher OPEB liability which increased by \$101,082 from the previous fiscal year balance of \$394,418, an increase of 26%.

Subsequent Event

As of the time of this analysis, HUD has not finalized the funding levels for the 2015 calendar year. It has been projected that operating subsidy for the Low Rent program will be 89%. Administrative fees have been projected to be funded at 79% for the 2015 calendar year for the Housing Choice Voucher program.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Housing Authority of the City of Upland
Don Swift, Executive Director
1200 N. Campus Ave.
Upland, CA 91786

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

STATEMENT OF NET POSITION
March 31, 2015

ASSETS

Current Assets:

Cash and cash equivalents	\$	993,935
Cash - restricted		100,779
Receivables - net of allowances		11,080
Prepaid expenses		<u>26,557</u>

Total Current Assets 1,132,351

Non-current Assets:

Capital assets:

Land and construction in progress		33,524
Other capital assets, net of depreciation		<u>1,057,752</u>

Total capital assets - net 1,091,276

Total Non-current Assets 1,091,276

Total Assets \$ 2,223,627

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF UPLAND
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STATEMENT OF NET POSITION - (Continued)
March 31, 2015

LIABILITIES

Current Liabilities:

Accounts payable	\$	19,986
Accrued salaries and benefits		5,242
Tenant security deposit liability		35,761
Accrued compensated absences		30,827
Unearned revenues		<u>3,435</u>

Total Current Liabilities 95,251

Non-current Liabilities:

Compensated absences		28,271
Non-current liabilities - Other		<u>495,500</u>

Total Non-current Liabilities 523,771

Total Liabilities 619,022

NET POSITION

Net investment in capital assets		1,091,276
Restricted		65,018
Unrestricted		<u>448,311</u>

Total Net Position 1,604,605

Total Liabilities and Net Position \$ 2,223,627

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2015

OPERATING REVENUES	
Tenant revenue	\$ 436,599
Governmental grants and subsidy	5,784,606
Miscellaneous	<u>18,683</u>
Total operating revenue	<u>6,239,888</u>
OPERATING EXPENSES	
Administrative	742,490
Tenant services	2,000
Utilities	65,167
Ordinary maintenance and operations	248,145
Protective services	808
Insurance	47,992
General	932
Non routine maintenance	8,430
Housing assistance payment	5,128,107
Depreciation expense	<u>149,404</u>
Total operating expenses	<u>6,393,475</u>
Operating income (loss)	<u>(153,587)</u>
Income (loss) before contributions and transfers	<u>(153,587)</u>
Change in net position	(153,587)
Total net position - beginning of year	1,744,139
Prior period adjustments	<u>14,053</u>
Total net position - end of year	\$ <u><u>1,604,605</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$	432,508
Received from governmental grants and subsidy		5,752,884
Received from other operating activities		18,683
Payments for goods and services		(352,726)
Payments to employees		(809,365)
Payment for housing assistance		<u>(5,128,107)</u>

Net cash provided by (used in) operating activities (86,123)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions		(3,708)
Receipts (payments) from deferred credits and escrow deposits		<u>101,082</u>

Net cash provided by (used in) capital and related financing activities 97,374

Net increase (decrease) in cash and cash equivalents 11,251
Cash and cash equivalents at beginning of year 1,083,463

Cash and cash equivalents at end of year \$ 1,094,714

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF UPLAND
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STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended March 31, 2015

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (153,587)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	149,404
Change in assets and liabilities:	
Receivables, net	(4,715)
Prepaid expenses	(13,972)
Accounts and other payables	(18,580)
Tenant security deposit	(418)
Unearned revenues	(30,680)
Compensated absences	(14,637)
Accrued expenses	<u>1,062</u>
Net cash provided by (used) by operating activities	\$ <u><u>(86,123)</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

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

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

Low Rent – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Capital Fund Program – The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

Housing Choice Vouchers – The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

1E. Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

HOUSING AUTHORITY OF THE CITY OF UPLAND
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

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

1F. Assets, Liabilities, and Equity

Cash

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Additional cash disclosure is presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD and tenant accounts receivable.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$5,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	15-40 years
Site improvements	10 years
Furniture, equipment and machinery - dwelling	5 years
Furniture, equipment and machinery - administrative	5-7 years
Infrastructure	15 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to the security deposit fund and HAP fund under the Low Rent and Section 8 program respectively.

HOUSING AUTHORITY OF THE CITY OF UPLAND
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

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

1F. Assets, Liabilities, and Equity - (Continued)

Compensated Absences

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

Equity Classifications

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted assets first.

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenue, Expenses and Changes in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development

2B. Deposits Laws and Regulations

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority. As reflected in Note 3A, all deposits were fully insured or collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Capital Fund Program	Modernization
Housing Choice Vouchers	Housing assistance payments

For the year ended March 31, 2015, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash

As of March 31, 2015, the Authority had the following cash deposits:

Cash deposits	\$ 1,094,314
Petty cash	<u>400</u>
Total	<u>\$ 1,094,714</u>

Following is a reconciliation of the Authority’s deposit balances as of March 31, 2015:

Cash and cash equivalents	\$ 993,935
Restricted assets	<u>100,779</u>
Total	<u>\$ 1,094,714</u>

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires California banks and savings and loan association to secure the Authority’s deposits not covered by federal deposit insurance by pledging mortgages or government securities as collateral. The market value of mortgages must equal at least 150% of the face value of deposits. The market value of government securities must equal at least 110% of the face value of deposits. At March 31, 2015, the Authority’s bank balances of \$1,112,930 were entirely covered by FDIC insurance or by pledged collateral held by the Authority’s agent bank.

3B. Restricted Assets

Restricted assets at March 31, 2015 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
HAP funds	\$ 65,018	\$ ----	\$ ----	\$ 65,018
Security deposit	<u>35,761</u>	<u>----</u>	<u>----</u>	<u>35,761</u>
	<u>\$ 100,779</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 100,779</u>

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3C. Receivables

Tenants	\$ 6,150
HUD	<u>4,930</u>
Total Accounts Receivable	<u>\$ 11,080</u>

3D. Capital Assets

A summary of capital asset activity for the year ended March 31, 2015 is as follows:

	Balance April 1, 2014	Additions	(Retirement)	Balance March 31, 2015
Non-depreciable assets:				
Land	\$ 33,524	\$ -	\$ -	\$ 33,524
Total non-depreciable assets	<u>33,524</u>	<u>-</u>	<u>-</u>	<u>33,524</u>
Depreciable assets:				
Building	6,928,585	-	-	6,928,585
Equipment - dwelling	21,726	-	-	21,726
Equipment - administration	198,814	-	(10,847)	187,967
Leasehold improvements	1,673,383	-	-	1,673,383
Infrastructure	<u>68,579</u>	<u>-</u>	<u>-</u>	<u>68,579</u>
Total depreciable assets	8,891,087	-	(10,847)	8,880,240
Accumulated depreciation	<u>(7,683,931)</u>	<u>(149,404)</u>	<u>10,847</u>	<u>(7,822,488)</u>
Total depreciable assets, net	<u>1,207,156</u>	<u>(149,404)</u>	<u>-</u>	<u>1,057,752</u>
Capital assets, net	<u>\$ 1,240,680</u>	<u>\$ (149,404)</u>	<u>\$ -</u>	<u>\$ 1,091,276</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 143,297
Housing Choice Vouchers	<u>6,107</u>
Total depreciation expense	<u>\$ 149,404</u>

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3E. Accounts Payable

Accounts payable at March 31, 2015, consist of the following:

Vendors & contractors	\$ <u>19,986</u>
Total Accounts Payable	\$ <u>19,986</u>

3F. Non-current Liabilities

Non-current liabilities at March 31, 2015, consist of the following:

Accrued compensated absences	\$ 28,271
OPEB liability	<u>495,500</u>
Total Non-Current Liabilities	\$ <u>523,771</u>

The following is the summary of changes in non-current liabilities:

	<u>Balance April 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2015</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 41,773	\$ ---	\$ (13,502)	\$ 28,271	\$ 30,827
OPEB liability	<u>394,418</u>	<u>101,082</u>	<u>---</u>	<u>495,500</u>	<u>---</u>
Total non-current liabilities	<u>\$ 436,191</u>	<u>\$ 101,082</u>	<u>\$ (13,502)</u>	<u>\$ 523,771</u>	<u>\$ 30,827</u>

3G. Inter-program Transactions and Balances

Operating Transfers

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent	\$ 1,619	\$ -
Capital Fund Program	<u>-</u>	<u>1,619</u>
	<u>\$ 1,619</u>	<u>\$ 1,619</u>

HOUSING AUTHORITY OF THE CITY OF UPLAND
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3H. - Prior Period Error Correction

<u>Low Rent Program:</u>		<u>Total</u>
Other current liabilities – To correct prior year accrual per workers compensation audit	\$ 27,185	\$ 27,185
<u>Housing Choice Voucher:</u>		
Other current liabilities – To correct prior year accrual per workers compensation audit	8,136	
Accounts payable – HUD – To correct payable per HUD notification	\$ (21,268)	(13,132)
Total		\$ 14,053

NOTE 4 – OTHER NOTES

4A. Other Post-Employment Benefits

Plan Description:

Eligible retirees receive health care coverage through a plan offered by the Housing Authority of the City of Upland through the California Public Employees Retirement System (CALPERS).

Retirement cost sharing provisions for the retiree health plan is as follow:

- The Authority currently pays the entire employee premium for both active and retired employees. A surviving spouse may continue coverage and receive the 50% premium subsidy for the remainder of his or her lifetime as well, provided they apply for benefits within 60 days of the annuitant's death.
- The Authority is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued.

As of March 31, 2015, the Authority had 10 retirees receiving benefits and 8 employees.

Annual OPEB Cost and Net OPEB Obligation:

For fiscal year 2015 the Authority's annual OPEB cost was \$144,368. The Authority's OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended March 31, 2015, were as follows:

Annual required contribution	\$ 145,537
Interest on net OPEB obligation	16,893
Adjustment of annual required contribution	(18,062)
Annual OPEB cost	\$ 144,368

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 4 – OTHER NOTES - (Continued)

4A. Other Post-Employment Benefits – (Continued)

Annual OPEB Cost and Net OPEB Obligation – (Continued):

Annual OPEB cost	\$	144,368
Less: contributions made		<u>(43,286)</u>
Change in net OPEB obligation (asset)		101,082
Net OPEB obligation (asset), beginning of year		<u>394,418</u>
Net OPEB obligation (asset), end of year	\$	<u>495,500</u>

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
March 31, 2013	\$ 130,736	\$ (70,143)	53.6%	\$ 313,353
March 31, 2014	137,332	(56,267)	40.9%	394,418
March 31, 2015	144,368	(43,286)	30.0%	495,500

Funded Status and Funding Progress:

The funded status of the plan based on an actuarial valuation as of March 31, 2015, was as follows:

Actuarial accrued liability (AAL)	\$	1,993,689
Actuarial value of plan assets		<u>---</u>
		<u>1,993,689</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u>1,993,689</u>
Funded ratio (actuarial value of plan assets / AAL)		%
Annual covered payroll	\$	480,820
UAAL as percentage of covered payroll		415%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

For the actuarial valuation, the entry age normal cost, level percent of pay; closed group method was used. The actuarial assumptions include a 4.5% discount rate. A long-term inflation assumption of 3.25% was used in developing level percent amortization. The healthcare trend rate assumption is 7.5% for 2015 grading down 2% by 2018. The actuarial value of assets is equal to the market value. The unfunded actuarial accrued liability is being amortized over a period of 30 years as a level percentage of projected payroll. The amortization period at March 31, 2015 is 25 years reflecting the Authority's use of closed amortization period.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 4 – OTHER NOTES - (Continued)

4B. Defined Benefit Pension Plan

A. Plan Description

All permanent employees are eligible to participate in the California Public Employees Retirement System (CALPERS), an agent multi-employer public employee retirement systems that acts as a common investment and administrative agent for participating public entities within the State of California. The fund provides retirement, disability, and death benefits based on the employees' years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age fifty. These benefit provisions and all other requirements are established by State statute and County ordinance. Copies of the annual financial report may be obtained from CALPERS' executive office: 400 P. Street, Sacramento, CA 95814.

B. Funding Policy

The employees' have an obligation to contribute 7% of their annual covered salary to the fund. The Authority is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the CALPERS actuaries and actuarial consultant and adopted by the Board of Administration. The required employer contribution rate for the fiscal year ended March 31, 2015 was 13.996% of the employee's annual covered payroll. The contribution requirements of the plan members are established by State Statute and the employer rate is established and may be amended by CALPERS.

C. Annual Pension Cost

For the fiscal year ended March 31, 2015, the Authority's annual pension cost of \$58,375 for CALPERS was equal to the Authority's required and actual contributions. The Authority made payments to CALPERS totaling \$87,304. This \$87,304 consisted of \$58,375 employer required contributions and \$28,929 employee required contributions.

The Authority's annual pension cost for the fund was equal to the Authority's required and actual contributions which were determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. Significant actuarial assumptions used to compute the PERS pension benefit obligation include an actuarial interest rate of 7.5% per annum and projected salary increases that vary by length of service. The total increase in any future year includes an assumed 2.75% inflation rate and no across the board or merit increases. The actuarial value of the Authority's assets was determined using a technique that smooths the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains or losses. The plan's Unfunded Actuarial Accrued Liability (UAAL), or excess assets, is being amortized as a level percentage of projected payroll on a closed basis.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 4 – OTHER NOTES - (Continued)

4C. Joint Powers Agreement

1. Workers' Compensation Insurance

The Authority participates in a joint venture under a Joint Powers Agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member Housing Authorities. At December 31, 2013, there were thirty-three members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2013, is as follows:

Total assets	\$ 23,971,319
Total liabilities	<u>(16,767,281)</u>
Total net assets	<u>\$ 7,204,038</u>
Total revenues	\$ 4,347,888
Total expenses	<u>4,072,510</u>
Increase (decrease) in net position	<u>\$ 275,378</u>

CHWCA had \$16,156,661 of unpaid claims and claim adjustment expenses outstanding as of December 31, 2013. The Authority's share of year ended assets, liabilities, or net position have not been calculated.

2. Property and Liability Insurance

The Authority participates in a joint venture under a joint powers agreement (JPA) with the Housing Authorities Risk Retention Pool (HARRP). HARRP was formed to provide property and liability insurance coverage for member housing authorities. At December 31, 2013, there were 87 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information for the year ended December 31, 2013 is as follows:

Total assets	\$ 30,140,684
Total liabilities	<u>(10,207,292)</u>
Total net assets	<u>\$ 19,933,392</u>
Total revenues	\$ 8,711,719
Total expenses	<u>(12,337,239)</u>
Increase (decrease) in net assets	<u>\$ (3,625,520)</u>

HARRP had \$5,648,096 of unpaid claims and claim adjustment expenses outstanding at December 31, 2013. The Authority's share of year end assets, liabilities, or retained earnings has not been calculated.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 4 – OTHER NOTES - (Continued)

4C. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee’s health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Housing Authorities Risk Retention Pool (HARRP).
b. Injuries to employees (workers' compensation)	Purchased insurance with California Housing Workers Compensation Authority. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.
d. Health and life	Purchased health insurance with California Public Employees Retirement Systems (CALPERS). Life insurance is provided by Mass Mutual Financial Group.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4D. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes extraordinary maintenance, depreciation expense and Housing Assistance Payment (HAP) in operating activities, which differs from the presentation of basic financial statements.

4E. Commitments - Construction

At March 31, 2015, the Authority had pending Capital Fund projects in progress. The commitments related to these projects are summarized as follows:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-14	\$ 132,926	\$ 17,894

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
March 31, 2015

NOTE 4 – OTHER NOTES - (Continued)

4F. Contingencies

1. Grants

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

2. Litigation

The Authority is a defendant in an action arising from the denial of the Section 8 Vouchers to two individuals who applied for such benefits. The underlying claim was resolved and the Authority entered into a stipulation for the entry of an attorneys' fee award in the sum of \$350,000. The award may not be collectible since the Authority's assets are limited to HUD funds, which are exempt from execution. In addition, the Authority is seeking to collect the amount of the award from a liability policy issued by the Housing Authority Risk Reduction Pool (HARRP).

As such, the Authority's loss, as a result of this matter of litigation, is not determinable. No adjustment has been made to the financial statements for this matter of litigation.

The Authority is also involved in an ongoing litigation for housing discrimination case filed by a tenant subsequently. The ultimate outcome of the investigation is currently not known and cannot reasonably be estimated.

4G. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through June 25, 2015 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4H. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2016 federal budget.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
March 31, 2015

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-13</u>
Funds approved	\$ 114,557
Funds expended	<u>114,557</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 114,557
Funds expended	<u>114,557</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated September 9, 2014 submitted to HUD for approval is in agreement with the Authority's records as of March 31, 2015.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2015

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Program	14.850	\$ 191,140
Capital Fund Program	14.872	33,539
Housing Choice Vouchers	14.871	<u>5,559,927</u>
Total Federal Awards		\$ <u>5,784,606</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Upland, California and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

FINANCIAL DATA SCHEDULE
Year Ended March 31, 2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$699,946	\$293,989	\$993,935		\$993,935
113 Cash - Other Restricted	\$0	\$65,018	\$65,018		\$65,018
114 Cash - Tenant Security Deposits	\$35,761		\$35,761		\$35,761
100 Total Cash	\$735,707	\$359,007	\$1,094,714	\$0	\$1,094,714
122 Accounts Receivable - HUD Other Projects	\$4,930		\$4,930		\$4,930
126 Accounts Receivable - Tenants	\$6,150		\$6,150		\$6,150
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$11,080	\$0	\$11,080	\$0	\$11,080
142 Prepaid Expenses and Other Assets	\$16,634	\$9,923	\$26,557		\$26,557
150 Total Current Assets	\$763,421	\$368,930	\$1,132,351	\$0	\$1,132,351
161 Land	\$33,524		\$33,524		\$33,524
162 Buildings	\$6,849,176	\$79,409	\$6,928,585		\$6,928,585
163 Furniture, Equipment & Machinery - Dwellings	\$21,726		\$21,726		\$21,726
164 Furniture, Equipment & Machinery - Administration	\$111,806	\$76,161	\$187,967		\$187,967
165 Leasehold Improvements	\$1,673,383		\$1,673,383		\$1,673,383
166 Accumulated Depreciation	-\$7,706,616	-\$115,872	-\$7,822,488		-\$7,822,488
168 Infrastructure	\$68,579		\$68,579		\$68,579
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,051,578	\$39,698	\$1,091,276	\$0	\$1,091,276
180 Total Non-Current Assets	\$1,051,578	\$39,698	\$1,091,276	\$0	\$1,091,276
290 Total Assets and Deferred Outflow of Resources	\$1,814,999	\$408,628	\$2,223,627	\$0	\$2,223,627
312 Accounts Payable <= 90 Days	\$13,073	\$6,913	\$19,986		\$19,986
321 Accrued Wage/Payroll Taxes Payable	\$3,146	\$2,096	\$5,242		\$5,242
322 Accrued Compensated Absences - Current Portion	\$20,965	\$9,862	\$30,827		\$30,827
341 Tenant Security Deposits	\$35,761		\$35,761		\$35,761
342 Unearned Revenue	\$3,435		\$3,435		\$3,435
310 Total Current Liabilities	\$76,380	\$18,871	\$95,251	\$0	\$95,251
354 Accrued Compensated Absences - Non Current	\$20,943	\$7,328	\$28,271		\$28,271
357 Accrued Pension and OPEB Liabilities	\$187,348	\$308,152	\$495,500		\$495,500
350 Total Non-Current Liabilities	\$208,291	\$315,480	\$523,771	\$0	\$523,771
300 Total Liabilities	\$284,671	\$334,351	\$619,022	\$0	\$619,022
508.4 Net Investment in Capital Assets	\$1,051,578	\$39,698	\$1,091,276		\$1,091,276
511.4 Restricted Net Position	\$0	\$65,018	\$65,018		\$65,018
512.4 Unrestricted Net Position	\$478,750	-\$30,439	\$448,311		\$448,311
513 Total Equity - Net Assets / Position	\$1,530,328	\$74,277	\$1,604,605	\$0	\$1,604,605
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,814,999	\$408,628	\$2,223,627	\$0	\$2,223,627

HOUSING AUTHORITY OF THE CITY OF UPLAND
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FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$427,664	\$0	\$427,664		\$427,664
70400 Tenant Revenue - Other	\$8,935	\$0	\$8,935		\$8,935
70500 Total Tenant Revenue	\$436,599	\$0	\$436,599	\$0	\$436,599
70600 HUD PHA Operating Grants	\$224,679	\$5,559,927	\$5,784,606		\$5,784,606
71400 Fraud Recovery	\$0	\$4,054	\$4,054		\$4,054
71500 Other Revenue	\$2,904	\$11,725	\$14,629		\$14,629
70000 Total Revenue	\$664,182	\$5,575,706	\$6,239,888	\$0	\$6,239,888
91100 Administrative Salaries	\$156,626	\$188,933	\$345,559		\$345,559
91200 Auditing Fees	\$4,888	\$4,887	\$9,775		\$9,775
91500 Employee Benefit contributions - Administrative	\$98,527	\$147,788	\$246,315		\$246,315
91600 Office Expenses	\$6,722	\$16,760	\$23,482		\$23,482
91700 Legal Expense	\$591	\$14,752	\$15,343		\$15,343
91800 Travel	\$1,945	\$1,733	\$3,678		\$3,678
91900 Other	\$20,305	\$78,033	\$98,338		\$98,338
91000 Total Operating - Administrative	\$289,604	\$452,886	\$742,490	\$0	\$742,490
92400 Tenant Services - Other	\$2,000		\$2,000		\$2,000
92500 Total Tenant Services	\$2,000	\$0	\$2,000	\$0	\$2,000
93100 Water	\$35,271		\$35,271		\$35,271
93200 Electricity	\$3,604	\$7,339	\$10,943		\$10,943
93300 Gas	\$280	\$511	\$791		\$791
93600 Sewer	\$18,162	\$0	\$18,162		\$18,162
93000 Total Utilities	\$57,317	\$7,850	\$65,167	\$0	\$65,167
94100 Ordinary Maintenance and Operations - Labor	\$120,625	\$0	\$120,625		\$120,625
94200 Ordinary Maintenance and Operations - Materials and Other	\$33,387	\$0	\$33,387		\$33,387
94300 Ordinary Maintenance and Operations Contracts	\$10,842	\$0	\$10,842		\$10,842
94500 Employee Benefit Contributions - Ordinary Maintenance	\$83,291	\$0	\$83,291		\$83,291
94000 Total Maintenance	\$248,145	\$0	\$248,145	\$0	\$248,145
95200 Protective Services - Other Contract Costs	\$808	\$0	\$808		\$808
95000 Total Protective Services	\$808	\$0	\$808	\$0	\$808
96110 Property Insurance	\$11,073		\$11,073		\$11,073
96120 Liability Insurance	\$0	\$9,130	\$9,130		\$9,130
96130 Workmen's Compensation	\$25,574	\$2,215	\$27,789		\$27,789
96100 Total insurance Premiums	\$36,647	\$11,345	\$47,992	\$0	\$47,992
96200 Other General Expenses	\$0	\$932	\$932		\$932
96000 Total Other General Expenses	\$0	\$932	\$932	\$0	\$932

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended March 31, 2015

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
96900 Total Operating Expenses	\$634,521	\$473,013	\$1,107,534	\$0	\$1,107,534
97000 Excess of Operating Revenue over Operating Expenses	\$29,661	\$5,102,693	\$5,132,354	\$0	\$5,132,354
97100 Extraordinary Maintenance	\$8,430		\$8,430		\$8,430
97300 Housing Assistance Payments	\$0	\$5,128,107	\$5,128,107		\$5,128,107
97400 Depreciation Expense	\$143,297	\$6,107	\$149,404		\$149,404
90000 Total Expenses	\$786,248	\$5,607,227	\$6,393,475	\$0	\$6,393,475
10010 Operating Transfer In	\$1,619		\$1,619	-\$1,619	\$0
10020 Operating transfer Out	-\$1,619		-\$1,619	\$1,619	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$122,066	-\$31,521	-\$153,587	\$0	-\$153,587
11030 Beginning Equity	\$1,625,209	\$118,930	\$1,744,139		\$1,744,139
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$27,185	-\$13,132	\$14,053		\$14,053
11170 Administrative Fee Equity		\$9,259	\$9,259		\$9,259
11180 Housing Assistance Payments Equity		\$65,018	\$65,018		\$65,018
11190 Unit Months Available	1176	7488	8664		8664
11210 Number of Unit Months Leased	1170	7077	8247		8247
11270 Excess Cash	\$620,191		\$620,191		\$620,191

**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***

Board of Commissioners
Housing Authority of the City of Upland
Upland, California

I 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 business-type activities of the Housing Authority of the City of Upland (Authority), California, as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated June 25, 2015.

Internal Control Over Financial Reporting

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

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

My 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 my audit I did not identify any deficiencies in internal control that I 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

June 25, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of the City of Upland
Upland, California

Report on Compliance for Each Major Federal Program

I have audited the City of Housing Authority of the City of Upland (Authority), California's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the City of Upland, California, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

June 25, 2015

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR
March 31, 2015

The prior audit report for the year ended March 31, 2014 contained the following audit findings:

Financial Statement Findings

None noted.

Federal Award Findings

None noted.

HOUSING AUTHORITY OF THE CITY OF UPLAND
Upland, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	No
<u>Identification of major programs:</u>	
➤ CFDA #14.871 Housing Choice Vouchers	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended March 31, 2015 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended March 31, 2015 disclosed no Federal Awards audit finding and questioned costs.