HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)

Independent Auditor's Reports,
Basic Financial Statements and
Supplementary Information

For the Year Ended June 30, 2011

MGO Certified Public Accountants.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
For the Year Ended June 30, 2011

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Members of the Board of Commissioners of the
Housing Authority of the County of Santa Clara
San Jose, California

Independent Auditor's Report

We have audited the accompanying financial statements of the business-type activities (primary government) and the aggregate discretely presented component units of the Housing Authority of the County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the Authority. Those financial statements, except for the Julian Street Partners, L.P., were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, except for Julian Street Partners, L.P., is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the aggregate discretely presented component units, except for the AE Associates, LTD; HACSC/Choices Family Associates, Opportunity Center Associates; Fairground Luxury Family Apartments; S.P.G. Housing, Inc. and Subsidiaries; Villa Garcia, Inc.; Villa San Pedro HDC, Inc.; and Program Responsible in Daring Excellence, were not audited in accordance with *Government Auditing Standards.* An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The financial statements of Julian Street Partners, L.P., a discretely presented component unit presently under development, have not been audited, and we were not engaged to audit the Julian Street Partners, L.P. financial statements as part of our audit of the Authority's basic financial statements. Julian Street Partners, L.P.'s financial activities are included in the Authority's basic financial statements as a discretely presented component unit and represent 13.5% of assets, 5.8% of net assets and 5.9% of revenues of the Authority's aggregate discretely presented component units.

In our opinion, based on the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had Julian Street Partners, L.P.'s financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the Authority as of June 30, 2011 and the changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities (primary government) for the Authority, as of June 30, 2011 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1(b) to the financial statements, effective July 1, 2010, the Authority implemented the guidance of the Governmental Accounting Standards Board associated with the relationship of housing authorities as general partners of limited tax credit partnerships. As a result, the Authority included the limited partners' interests and the limited partnerships' financial position and results of operations of certain discretely presented component units on its basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012 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* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The combining discretely presented component unit financial statements, program financial schedules and public housing schedules are presented for purposes of additional analysis and are not a required part of the financial statements. These combining statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macias Gini & O'Connell LLP

Walnut Creek, California
March 28, 2012

This section of the Housing Authority of the County of Santa Clara's (the Authority) financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the Authority's financial statements, which follows this section.

Financial Highlights

- Total net assets increased from $101.0 million to $135.7 million as of June 30, 2011. The net increase of $34.7 million, is attributed to the following:
  - $26.7 million increase in total assets mainly due to a gain on the disposition of the Public Housing projects as explained in Note 5 to the financial statements.
  - $8.0 million decrease in total liabilities due to a reduction in bank overdraft, bank line of credit and other net reduction in overall liabilities.
- As of June 30, 2011, the Authority had long-term debt outstanding of $9.5 million compared to $11.2 million at June 30, 2010. During the year, the Authority retired $1.7 million of debt and did not have any additions to long-term debt.

Overview of the Financial Statements

The financial statements consist of three parts: the management's discussion and analysis, the basic financial statements and supplementary information. The basic financial statements include three kinds of statements that present different views of the Authority:

- The first two statements are the government-wide financial statements that provide information about the Authority's overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets.
- The basic financial statements also include a "Notes to Financial Statements" section that explains some of the information in the Authority-wide and fund financial statements and provides more detailed data.
- The Notes to Financial Statements are followed by a "Supplementary Information" section, which presents the financial statements of the Authority's combining component unit financial statements, combining schedules on its federal and local programs, and other public housing combining schedules.

The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of these statements. The government-wide statements report information about the Authority as a whole, using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets regardless of when cash is received or paid. Certain prior year amounts were reclassified to conform to the current year presentation. The current year's financial statement presentation changed from the prior year to better facilitate the reconciliation between the Authority's basic financial statements and the U.S. Housing and Urban Development Real Estate Assessment Center's Financial Data Schedules.

The basic financial statements include both blended and discretely presented component units. Complete financial statements of individual component units can be obtained from the Authority's Finance Department.

Overview of the Financial Statements (Continued)

Individual Program Financial Schedules

The combining program financial schedules provide more detailed information about the Authority's programs. The net assets of these programs represent accumulated earnings since their inception and are usually restricted for specific purposes by external parties.

Financial Analysis of the Authority

Net Assets - The Authority's net assets increased by $34.7 million during the current fiscal year. This represents an increase of 34.3% of net assets when compared to the prior fiscal year. For the details explaining this significant increase in the Net Assets, refer to the Financial Highlights section noted above The following table indicates the net assets as of June 30, 2011 and 2010 (in thousands):

	June 30,		Increase/(Decrease)	
	2011	2010	Amount	%
Assets:				
Current and other assets	$ 125,180	$ 86,771	$ 38,409	44.3
Capital assets	30,023	42,284	(12,261)	(29.0)
Total assets	155,203	129,055	26,148	20.3
Liabilities:				
Current liabilities	6,578	13,253	(6,675)	(50.4)
Noncurrent liabilities	12,961	14,809	(1,848)	(12.5)
Total liabilities	19,539	28,062	(8,523)	(30.4)
Net assets:				
Invested in capital assets, net of related debt	21,124	31,625	(10,501)	(33.2)
Restricted	15,519	-	15,519	-
Unrestricted	99,022	69,367	29,655	42.8
Total net assets	$ 135,665	$ 100,992	$ 34,673	34.3

The net increase in current and other assets was due primarily to two factors as summarized below:

- As described in Note 5, "Property Disposition", during the year, the Authority disposed six Public Housing Projects (Phase IIB Properties) in the amount of $34.3 million contributing to the increase in the Authority's current and other assets.
- The rest of the current assets and other assets have remained stable as compared to June 30, 2010. However, within the Authority's programs the Authority transferred excess Moving-To-Work (MTW) cash reserves to provide for a separate designated Board approved "Acquisition and Development program" and "Facilities Consolidation program" in amount of $15 million and $7 million, respectively, as stated in the MTW 2012 Annual Plan.

The change in capital assets, as described in Note 6, "Capital Assets" was due to the following factors:

- $3.8 million, net decrease in capital assets represents the sale (HUD approved disposition) of accumulated predevelopment activity costs to a tax credit partnership as part of the Authority's Phase IIB Public Housing Disposition.
- $17.9 million, net decrease in capital assets including building structures, furniture and equipment related to the Phase IIB Public Housing Disposition as discussed in Note 5.
- $1.1 million, net increase in accumulated depreciation of Structures, Furniture and Equipment and $10.5 million net decrease in accumulated depreciation on the capital assets associated with the Phase IIB Public Housing Disposition ($9.7 million) and in other capital asset retirements ($0.8 million).

Financial Analysis of the Authority (Continued)

The decrease in current and non-current liabilities is mainly due to the decreased use of the bank overdraft and the bank line of credit to provide temporary funding for the Authority's construction and rehabilitation activities and also to provide liquidity to the various affiliated entities. Changes in Long-term liabilities are described in Note 8, "Long-Term Obligations".

The impact of the Authority's disposition of its Phase IIB Public Housing units along with the retirement of its related debt in the amount of $1.6 million contributed to the decrease in the Authority's net assets invested in capital assets, net of related debt in the amount of $10.5 million.

Statement of Revenues, Expenses and Changes in Net Assets - The statement shows the sources of the Authority's changes in net assets as they arise through its various programs and functions. A summary of the activities for the fiscal year ended June 30, 2011 and 2010 is shown in the following table (in thousands).

	For the year ended June 30,		Increase/(Decrease)	
	2011	2010	Amount	%
Revenues:				
Operating revenues:				
Rental income	$ 1,423	$ 2,158	$ (735)	-34.1
Service fees	6,695	6,841	(146)	-2.1
Housing assistance payments	247,604	237,273	10,331	4.4
HUD administrative fees	18,347	16,636	1,711	10.3
Donation and other	3,340	738	2,602	352.6
Nonoperating revenues:				
Intergovernmental	1,606	1,655	(49)	-3.0
Gain on disposal of capital assets	26,592	-	26,592	n/a
Land lease income	181	159	22	13.8
Investment income	1,110	1,588	(478)	-30.1
Capital contributions	-	1,647	(1,647)	-100.0
Total revenues	306,898	268,695	38,203	14.2
Expenses:				
Operating expenses:				
Administrative	15,985	16,266	(281)	-1.7
Tenant services	67	11	56	509.1
Utilities	443	640	(197)	-30.8
Maintenance and operations	1,370	2,218	(848)	-38.2
Maintenance contracts	1,099	834	265	31.8
General	9,936	13,651	(3,715)	-27.2
Depreciation and amortization	1,080	1,408	(328)	-23.3
Housing assistance payments	241,417	226,788	14,629	6.5
Other	373	80	293	366.3
Interest expense	455	431	24	5.6
Total expenses	272,225	262,327	9,898	3.8
Change in net assets	34,673	6,368	28,305	444.5
Net assets, beginning of year	100,992	94,624	6,368	6.7
Net assets, at end of year	$ 135,665	$ 100,992	$ 34,673	34.3

Financial Analysis of the Authority (Continued)

Revenues: As compared to 2010, revenues for 2011 increased by $38.2 million due to the following:

- Non Operating Revenues in 2011 included a one-time $26.6 million gain on the disposition of the six Public Housing Projects (Phase 2B). The Authority did not recognize a similar gain in 2010. While the Authority did not earn Federal American Recovery and Reinvestment Act of 2009 (ARRA) funds in 2011 as compared to the $1.1 million of ARRA funds earned in 2010.
- Operating Revenues in 2011 increased by $13.8 million mainly due to an increase in the amount of $11 million in MTW Housing assistance funding and administrative fees as compared to 2010 related to the Section 8 Rental Voucher program. While Public Housing rental revenues have decreased by $0.7 million due to decreased units available to rent after the Authority's disposition of its Public Housing Projects (Phase IIB), other revenues, mostly non-recurring, earned in year 2011 exceeds year 2010 by $2.6 million.

Expenses: As compared to 2010, expenses for 2011 increased by $10.0 million mainly due to the following:

- $9.5 million increase in HUD Section 8 Programs expenses is mainly comprised of an increase in Housing Assistance Payments of $14.6 million. This is offset by a decrease in Section 8 Programs administrative expenses that included in 2010 a one-time major expense related to the OPEB actuarial required contribution of $4 million due to a change in the amortization period used to fund the Authority's OPEB obligation.
- $2.2 million decrease in HUD Conventional Housing Program expenses is mainly due to a reduction of operating expenses after the disposition of the Public Housing Projects (Phase IIB) in 2011
- $2.7 million net increase in total of other program expenses, including an increase of $ 3.2 million in Special Purpose Voucher Program operating expenses.

Financial Analysis of the Authority's Programs

At the end of the fiscal year, the unrestricted net assets for the Moving to Work program were $17.0 million. As discussed in Note 14, "Moving to Work Program", the eligible uses of MTW funds are defined in the Authority's MTW Agreements with the U.S. Housing and Urban Development and the agreements state that the eligibility would be as under Sections 9(d)(1), 9(e)(1) and 8(o) of the 1937 Act and the Authority may use MTW Reserves for activities that would be eligible for Public Housing and Voucher programs. As discussed above the unrestricted net assets of the separately designated programs, HUD approved MTW activities, "Acquisition and Development program" and "Facilities Consolidated program" were $15 million and $7 million, respectively.

In addition, at the end of the fiscal year, the unrestricted net assets/(deficits) for the Conventional Housing Program and the Section 8 Rental Voucher Program were ($1.0 million) and $19.6 million, respectively. The unrestricted net assets deficits of the Real Estate Services and the Development Services Programs were $4 million and $0.9 million, respectively. While the Special Purpose Voucher Program fund had $4 million as net unrestricted net assets.

Capital Acquisitions and Construction Activities

During the fiscal year ended June 30, 2011, the Authority's activities related to construction and rehabilitation of the various projects was not significant as most of the Public Housing projects were disposed during the year. Similarly, additions to furniture and equipment were also minimal. Additional information on the Authority's capital assets can be found in Note 6, Capital Assets, to the basic financial statements.

Long-Term Debt Activity (in thousands)

	For the year ended June 30,		Increase/(Decrease)	
	2011	**2010**	**Amount**	**%**
Notes payable for the				
Conventional housing program	$ -	$ 1,573	$ (1,573)	-100.0
Section 8 Rental Voucher	1,403	1,405	(2)	-0.1
Lease revenue bonds				
Housing Development Corporation	8,085	8,220	(135)	-1.6
Total long-term debt	9,488	11,198	(1,710)	-15.3

During fiscal year ended June 30, 2011, the Authority's long-term debt decreased by $1.7 million due to retirement of debt related to the property disposition discussed above in the amount of $1.6 million and scheduled principal retirements.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development,
- Future congressional appropriation bills on MTW funding.
- Local and national property rental markets that determine Housing Assistance Payments.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, economic and employment trends that can affect resident income and therefore impact the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs.

Contact

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Housing Authority of the County of Santa Clara, CFO/Director of Finance, 505 W. Julian Street, San Jose, CA 95110.

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HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Statement of Net Assets

June 30, 2011

	Business-type Activities	Component Units
Assets:		
Current Assets:		
Cash, cash equivalents and investments (Note 3)	$ 40,032,471	$ 5,030,150
Accounts receivable:		
Tenants	8,042	348,908
HUD	1,732,482	3,343
Others	295,308	134,911
Interest receivable	2,538,754	-
Due from component units and related parties (Note 10(a))	5,074,498	1,468,373
Prepaid expenses	256,682	565,453
Restricted cash and investments (Note 3)	18,261,866	24,897,686
Total current assets	68,200,103	32,448,824
Noncurrent assets:		
Self-help loans receivable (Note 4)	167,740	-
Long-term receivables from component units and related parties (Note 10(a))	40,640,055	-
Net pension asset (Note 12(a))	15,896,065	-
Other assets	276,040	4,801,653
Capital assets (Note 6):		
Nondepreciable	18,906,439	42,935,266
Depreciable	11,116,499	312,293,507
Total capital assets	30,022,938	355,228,773
Total noncurrent assets	87,002,838	360,030,426
Total assets	155,202,941	392,479,250
Liabilities:		
Current liabilities:		
Bank overdraft (Note 3)	836,652	-
Accounts payable	662,986	460,891
Accrued interest payable	147,549	1,476,347
Intergovernmental payable	240,405	3,343
Payable to component units and related parties	4,206	2,449,517
Due to primary government	-	10,441,319
Other accrued liabilities	445,791	86,752
Tenant security deposits	76,552	750,881
Deferred revenue	169,324	318,786
Line of credit payable (Note 7)	1,658,767	-
Current portion of accrued vacation and sick leave (Note 8)	352,607	-
Current portion of long-term obligations (Note 8)	1,983,131	2,745,905
Total current liabilities	6,577,970	18,733,741
Noncurrent liabilities:		
Deferred credit from related parties (Note 10(b))	1,457,531	-
FSS escrow (Note 2(h))	823,779	-
Accrued vacation and sick leave, net of current portion (Note 8)	635,964	-
Long-term interest payable (Note 8)	531,834	18,397,321
Long-term obligations, net of current portion (Note 8)	9,511,459	238,658,445
Advance from primary government	-	43,854,644
Other noncurrent liabilities	-	314,778
Total noncurrent liabilities	12,960,567	301,225,188
Total liabilities	19,538,537	319,958,929
Net Assets:		
Invested in capital assets, net of related debt	21,123,600	80,180,314
Restricted	15,519,281	17,095,861
Unrestricted	99,021,523	(24,755,854)
Total net assets	$ 135,664,404	$ 72,520,321

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

	Business-type Activities	Component Units
Operating revenues:		
Rental income	$ 1,422,601	$ 27,960,977
Service fees	6,695,173	314,962
Housing assistance payments earned	247,603,585	-
HUD administrative fees	18,347,196	-
Donation and other	3,339,892	1,382,687
Total operating revenues	277,408,447	29,658,626
Operating expenses:		
Administrative	15,985,423	5,062,830
Tenant services	66,609	-
Utilities	442,570	2,618,098
Maintenance and operations	1,370,290	5,274,369
Maintenance contracts	1,099,356	-
General	9,936,137	1,794,995
Depreciation and amortization	1,079,779	10,149,791
Housing assistance payments	241,416,649	-
Other	373,201	1,051,770
Total operating expenses	271,770,014	25,951,853
Operating income (loss)	5,638,433	3,706,773
Nonoperating revenues (expenses):		
Intergovernmental	1,605,782	579,669
Gain on disposition of capital assets to related party (Note 5)	26,591,839	-
Loss on disposal of capital assets	-	(143,719)
Land lease income	181,182	-
Investment income	1,109,732	246,192
Interest expense	(454,992)	(11,207,992)
Other nonoperating expenses, net	-	(3,251,570)
Total nonoperating revenues (expenses)	29,033,543	(13,777,420)
Income (loss) before capital contributions	34,671,976	(10,070,647)
Capital contributions	-	26,640,106
Change in net assets	34,671,976	16,569,459
Net assets, beginning of year, as previously reported	100,992,428	5,171,351
Prior period adjustment, change in reporting entity (Note 1)	-	50,779,511
Net assets, beginning of year, as restated	100,992,428	55,950,862
Net assets, end of year	$ 135,664,404	$ 72,520,321

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Statement of Cash Flows

For the Year Ended June 30, 2011

	Business-type Activities
Cash flows from operating activities:	
Receipts from tenants	$ 1,692,387
Receipts from customers and others	10,900,222
Receipts from housing assistance programs	267,837,417
Payments to suppliers for goods and services	(10,413,513)
Housing assistance payments on behalf of tenants	(241,488,491)
Payments to employees for services	(21,911,237)
Net cash provided by operating activities	6,616,785
Cash flows from noncapital financing activities:	
Bank overdraft repayments	(2,378,335)
Intergovernmental revenue	1,605,782
Increase of loans and other receivables to related parties and component units	(2,295,528)
Net cash used in noncapital financing activities	(3,068,081)
Cash flows from capital and related financing activities:	
Proceeds from disposition of capital assets to related parties	11,487,150
Proceeds from sale of capital assets to related parties and others	3,819,827
Acquisition of capital assets	(337,121)
Proceeds from line of credit	1,459,109
Repayments of short-term and long-term liabilities	(6,269,339)
Interest paid	(418,508)
Net cash provided by capital and related financing activities	9,741,118
Cash flows from investing activities:	
Interest received	524,196
Net proceeds from sale of investments	12,445,837
Net cash provided by investing activities	12,970,033
Net change in cash and cash equivalents	26,259,855
Cash and cash equivalents, beginning of year	24,595,775
Cash and cash equivalents, end of year	$ 50,855,630

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Statement of Cash Flows

For the Year Ended June 30, 2011

		Business-type Activities
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$	5,638,433
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		1,079,779
Decrease (increase) in:		
Receivables		2,677,091
Prepaid expenses		60,575
Net pension asset		(1,476,065)
Increase (decrease) in:		
Accounts payable		(629,147)
Intergovernmental payable		(71,842)
Tenant security deposits and FSS escrow		273,683
Deferred revenue		70,805
Accrued vacation and sick leave		(70,780)
Other liabilities		(935,747)
Net cash provided by operating activities	$	6,616,785
Cash and cash equivalents:		
Cash, cash equivalents and investments	$	40,032,471
Restricted cash and investments		18,261,866
Less investments not meeting the definition of cash and cash equivalents		(7,438,707)
Total cash and cash equivalents	$	50,855,630
Noncash capital and related financing activities		
Disposition of capital assets with seller-loan receivable from related party	$	22,802,850

See accompanying notes to financial statements.

NOTE 1 – THE FINANCIAL REPORTING ENTITY

(a) Primary Government

The Housing Authority of the County of Santa Clara (the Authority) was established in 1967 by the Santa Clara County (County) Board of Supervisors to administer a federal rent subsidy program authorized under the United States Housing Act of 1937. The objective of the Authority is to provide and inspire affordable housing solutions for low-income people in Santa Clara County to achieve financial stability and self-reliance. It accomplishes its objective by providing management, administrative and educational services to tenants and landlords to facilitate the operation of the various federal and state housing assistance programs.

The Authority's general operation is overseen by the Board of Commissioners, members of which are appointed by the County Board of Supervisors. The Board of Commissioners consists of seven commissioners, one from each of the five supervisorial districts and two tenants of the Authority, one being a senior citizen. Each member is appointed for a four-year term except the resident commissioners, who are appointed for two-year terms. As a result of this and because of the financial and operational relationship with the County, the Authority has been classified as a discrete component unit of the County.

(b) Component Units

The governmental reporting entity consists of the Authority (the Primary Government) and its component units. Component units are legally separate organizations for which the Board of Commissioners is financially accountable or other organizations whose nature and significant relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the Authority's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the Authority.

The basic financial statements include both blended and discretely presented component units. The blended component unit is a legally separate entity, and should be, in substance, part of the Authority's operations, and so data from this unit is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

Complete financial statements of individual component units can be obtained from the Finance Department of the Authority. Although the limited partnerships and non-profit corporations and organizations do not follow government accounting for presentation purposes certain transactions may be reflected differently in these financial statements than in the separately issued information in order to conform to the presentation of the primary government.

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

Blended Component Unit

- **Housing Development Corporation (HDC)** – A non-profit public benefit corporation organized on September 14, 1983 in the State of California. The HDC engaged in the construction of the Authority's central office building and the leasing of such property to the County. The Authority subleased the building to be used as the site of its central offices. The HDC and the Authority have a financial and operational relationship which requires that the HDC's financial statements be blended into the Authority's financial statements. The HDC's primary assets, the central office building and land on which it is located, will vest with the Authority at the termination of the lease, August 15, 2017, or at such time when all of the principal components of the lease payments have been paid. In addition, HDC's policies are determined by a five-member board. The HDC has no employees and all staff work is done by the Authority staff or by consultants to the HDC.

Discretely Presented Component Units

During the fiscal year, the Governmental Accounting Standards Board (GASB) issued guidance effective June 30, 2011 related to the relation of housing authorities as general partners of limited tax credit partnerships whereby the limited partners have limited rights regarding the operation of the partnership and the housing authority possesses essentially all authority over day-to-day operations. Prior to this guidance, the Authority has discretely presented the financial position and results of operations of the general partners' interests. After evaluating the recent guidance, the Authority decided to restate the following discretely presented component units to include the limited partners' interests and present the limited partnerships' financial position and results of operations:

- **Avenida Espana HDC, Inc. –** A non-profit corporation organized in April 1990 to serve as the general partner in three limited partnerships (**AE Associates, Ltd.**, **Rincon Gardens Associates, L.P.** and **Julian Street Partners, L.P.**). Avenida Espana HDC, Inc.'s three-member Board of Directors are appointed by the Authority's Board of Commissioners. The Authority is also legally obligated to finance deficits of Avenida Espana HDC, Inc. and to finance operating deficits up to $1,400,000 of Rincon Gardens Associates, L.P. and $1,900,000 of the Julian Street Partners, L.P.

- **Bracher HDC, Inc.** - A California non-profit corporation organized in August 1993 to provide housing for low-income persons, where no adequate housing exists for such groups, including serving as a general partner in two limited partnerships (**HACSC/Choices Senior Associates** and **HACSC/Choices Family Associates**) formed to develop housing for low-income persons. Bracher HDC, Inc. was also the owner of Life Services Alternatives (LSA) which consists of 3 buildings that exist to serve the developmentally disabled. In February 2011, Bracher HDC, Inc. sold its interest in LSA. Bracher HDC, Inc.'s five-member board is comprised of three Directors appointed by the Authority's Board of Commissioners and two Directors appointed by the Housing Choices Coalition, Inc. Bracher HDC, Inc. is a component unit of the Authority because three out of the five-member governing board is comprised of the Executive Director of the Authority and two Authority staff. The Authority is also legally obligated to finance deficits of Bracher HDC, Inc.

- **DeRose HDC, Inc.** - A California non-profit corporation created in October 1988 to serve as the general partner of three limited partnerships (**Blossom River Associates, Thunderbird Associates** and **Bascom HACSC Associates**). It is a component unit of the Authority because the three-member governing board is comprised of the Executive Director of the Authority and two Authority staff. The Authority is also legally obligated to finance deficits of DeRose HDC, Inc.

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

- **Opportunity Center HDC, Inc. -** A California non-profit corporation established in October 2002 to serve as a general partner in **Opportunity Center Associates**, a California Limited Partnership. It is a component unit of the Authority because the three members of the five-member governing board are employees of the Authority. The other two members are each appointed by the boards of directors from Community Working Group, a California non-profit corporation, and InnVision, The Way Home (InnVision). The Authority is also legally obligated for a loan guarantee with Opportunity Center HDC, Inc.

- **Pinmore HDC, Inc. -** A California non-profit corporation established in September 1993 to serve as a general partner in six limited partnerships (**Helzer Associates, Willows/HACSC Associates, Fairground Luxury Family Apartments, 1st and Rosemary Senior Housing, 1st and Rosemary Family Housing** and **Fairgrounds Senior Housing**). It is a component unit of the Authority because the three-member governing board is comprised of the Executive Director of the Authority and two Authority staff. The Authority is also legally obligated to finance deficits of the Pinmore HDC, Inc. 1st and Rosemary Senior Housing and 1st and Rosemary Family Housing did not have financial activity for the year ended December 31, 2010.

- **Rotary Plaza/HACSC HDC, Inc. -** A California non-profit corporation established in May 1991 to serve as the managing general partner of **Morrone Gardens Associates** and **Huff Avenue Associates**, which were established to develop, construct, manage and provide living facilities for economically and otherwise disadvantaged persons. The five-member governing board of Rotary Plaza/HACSC HDC, Inc. is comprised of the Executive Director of the Authority, two Authority staff and two directors appointed by the Board of Directors of Rotary Plaza of San Jose. It is a component unit of the Authority because the Authority bears responsibility for financial and operational matters of the corporation.

- **S.P.G. Housing, Inc. -** A California non-profit corporation established in March 1992 to serve as a general partner in four limited partnerships: **Bracher Associates, San Pedro Gardens Associates, Klamath Associates,** and **Pinmore Associates**. In 2005, S.P.G. Housing, Inc. acquired DeRose Senior Housing, a 76 unit housing complex for the elderly located in San Jose, California from DeRose Housing Associates; a California limited partnership, of which S.P.G. Housing, Inc. was the general partner. It is a component unit of the Authority because the three-member governing board is comprised of the Executive Director of the Authority and two Authority staff. The Authority is also legally obligated to finance deficits of the S.P.G. Housing, Inc.

  As mentioned above, S.P.G. Housing, Inc. serves as the general partner of San Pedro Gardens Associates, Ltd. (SPGA). SPGA is a limited partnership formed on August 15, 1990 to develop and operate a 20-unit affordable housing complex located in Morgan Hill, California. On September 30, 2007, the limited partner of SPGA assigned its limited partnership interest to the Authority and the Authority assumed ownership of the property and the related debt.

  The component unit presented in the Authority's financial statements includes the accounts of S.P.G. Housing, Inc. and its 4 controlled limited partnerships.

- **Poco Way HDC, Inc.** – A California non-profit corporation established in July 1994 to serve as a general partner in a limited partnership (**Poco Way Associates**). It is a component unit of the Authority because the three-member governing board is comprised of the Executive Director of the Authority and two Authority staff. The Authority is also legally obligated to finance deficits of Poco Way HDC, Inc.

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

The impact of the change in reporting entity restatement is as follows:

Aggregage discretely presented component units	
Net assets, beginning of year, as previously reported	$ 5,171,351
Add net assets of limited liability partnerships:	
AE Associates, Ltd.	(1,141,867)
Rincon Gardens Associates, L.P.	911,530
HACSC/Choices Senior Associates	1,901,737
HACSC/Choices Family Associates	2,633,778
Blossom River Associates	(1,941,420)
Thunderbird Associates	4,307,314
Bascom HACSC Associates	2,247,085
Opportunity Center Associates	4,222,186
Helzer Associates	1,019,520
Willows/HACSC Associates	(713,464)
Fairground Luxury Family Apartments	27,709,236
Fairground Senior Housing	2,892,921
Morrone Gardens Associates	544,101
Huff Avenue Associates	3,041,428
S.P.G. Housing, Inc. and Subsidiaries	4,494,944
Poco Way Associates	5,543,434
Less net assets of general partners already included in the limited liability partnerships:	
Avenida Espana HDC, Inc.	901,418
Bracher HDC, Inc.	(2,971,916)
DeRose HDC, Inc.	(781,640)
Opportunity Center HDC, Inc.	(1,581,237)
Pinmore HDC, Inc.	(132,099)
Rotary Plaza/HACSC HDC, Inc.	(443,264)
S.P.G. Housing, Inc.	(1,062,192)
Poco Way HDC, Inc.	(822,022)
Net assets, beginning of year, as restated	$ 55,950,862

All of the discretely presented component units listed above have a December 31, 2010 year end except for the Poco Way Associates, which has a May 31, 2011 year end.

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

In addition to the discretely presented component units listed above, the Authority also has the following discretely presented component units with a December 31, 2010 year end:

- **Villa Garcia, Inc.** - A non-profit corporation established in December 1970 to manage an 80-unit apartment project subject to HUD regulations. It is a component unit of the Authority because the three-member governing board is comprised of the Executive Director of the Authority and two Authority staff. The Authority through contractual arrangements is also responsible for financial and operational matters of Villa Garcia, Inc.
- **Villa San Pedro HDC, Inc.** – A non-profit corporation established in March 1990 to provide low-income families with housing facilities and services related thereto. It is a component unit of the Authority because the three-member governing board is comprised of the Executive Director of the Authority and two Authority staff. The Authority through contractual arrangements is also responsible for financial and operational matters of Villa San Pedro HDC, Inc.
- **Property Management, Inc. (PMI)** – A for-profit corporation founded on March 1992 to provide services relating to management of housing units owned and controlled by the Authority and its related parties. The Authority provides financial, accounting, administrative and maintenance services requested by PMI, which in turn, reimburses actual costs of all services. PMI is presented as a discrete component unit because the Authority owns 100% of PMI stock.

The following discrete component unit's fiscal year ended on June 30, 2011 and its financial activities are reported as of that date.

- **Program Responsible in Daring Excellence (PRIDE)** – PRIDE was established as 501c(3) non-profit organization in December 1994 to provide low-income families, elderly persons and persons with disabilities with resident initiative programs and services, to develop and assist in the development of enriched housing with support services for low-income persons and families, and to promote activities and programs that encourage economic self-sufficiency. The Board of Directors of PRIDE is comprised of three employees of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and Fund Financial Statements

The government-wide financial statements report information of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from certain legally separate discrete component units for which the primary government is financially accountable.

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and fund financial statements are the same. Separate financial schedules are provided for the Authority's individual programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The 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 at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Authority receives value without directly giving equal value in exchange, include revenues from federal, state and local assistance programs. Revenue from these sources is recognized in the fiscal year in which all eligibility requirements have been met.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are HUD housing assistance payments earned, HUD administrative fees and rental income from its public housing units. Operating expenses include employee services, services and supplies, administrative expenses, utilities, depreciation on capital assets and housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenues because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net assets.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Summary of Significant Programs

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD and other governmental entities at the Authority. A summary of each significant programs is provided below:

- **Conventional Housing Program** includes the activity of the Conventional Housing Program which is used for the operations of the Authority's own rental housing units subsidized by the U.S. Department of Housing and Urban Development (HUD) through annual contributions contract SF-1533. At June 30, 2011, this program has 20 occupied units under management in the following HUD contracts: Deborah Drive (CA059016) and Eklund Gardens I and II (CA059014). During the year ended June 30, 2011, the Authority transferred seller-financed notes receivables and other related balances from its property dispositions (see Note 5) and established the Rincon Activity Program and the Phase II Activity Program in amount of $17.6 million and $35.2 million, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Section 8 Rental Voucher Program** includes the operations of the low income housing program which is funded by HUD under the annual contributions contract numbers CA-056VO and CA-059VO for approximately 16,604 units.

- **Moving to Work (MTW) Program** includes the Authority's demonstration program operations in design and test innovative approaches in assisted housing. The purpose of the Authority's demonstration program is to provide incentives to families to become economically self-sufficient, to reduce the Authority's costs and achieve greater cost effectiveness, and to increase housing choice for low-income families. During the year ended June 30, 2011, the Authority transferred excess MTW cash reserves to provide for a separate designated Board approved Acquisition and Development Program and Facilities Consolidation Program in amount of $15 million and $7 million, respectively (see Note 14).

- **Real Estate Services Program** includes the operations of the activities related to the Property Management and Maintenance Services, Resident Services, Program Compliance Monitoring Services and Asset Management provided to approximately 2,400 residential housing units that are owned by the Authority and its affiliate entities and property disposition activities. Revenues for the Real Estate Services fund is mostly derived from the fees earned for these services.

- **Development Services Program** include the operations of development activities related to the development and construction of new housing properties through various different financial arrangements including tax credit, tax revenue bonds, and local soft funding. The program also includes the major rehabilitation of existing low income housing units/projects and earns development fees and also certain specialized revenues.

(d) Cash Equivalents and Investments

The Authority considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. This includes bank certificates of deposit and deposits with the State of California Local Agency Investment Fund (LAIF).

(e) Receivables, net

Receivables consist of revenues earned during the fiscal year and not yet received. Amounts due from HUD and other governments represent reimbursable expenses or grant subsidies earned that have not been collected as of year-end; these amounts are considered fully collectible.

(f) Capital Assets

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. Land, structures and equipment are recorded at cost. Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings	27.5 – 40 years
Site Improvements and modernization	10 years
Dwelling and non-dwelling equipment	5 years
Vehicles	5 years
Computer hardware and software	3 years

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Compensated Absences

Employees of the Authority are entitled to paid vacation, depending on job classification, length of service and other factors. Additionally, employees may accumulate unused sick leave benefits based on length of service. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, the estimated liability for vested leave benefits is recorded when it is earned as an expense and the cumulative unpaid amount is reported as a liability.

(h) Family Self Sufficiency (FSS) Escrow

The FSS Escrow Account is an interest bearing account reported as part of restricted cash and investments and established by the Authority for each participating family in the Section 8 Housing Choice FSS Program. An escrow credit reported as a liability is based on increases in earned income of the family. This escrow is credited to this account by the Authority during the term of the FSS contract. The Authority may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the Authority terminates the contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow account is forfeited.

(i) Eliminations

Inter-program due from/ due to – In the normal course of operations, certain programs may pay for common costs or advance funds for operational shortfalls that create inter-program receivables or payables. The inter-program receivables and payables net to zero and are eliminated for presentation of the Authority as a whole. For the year ended June 30, 2011, offsetting amounts of $19,393,010 were eliminated.

Fee for Service – The Authority's Central Office Cost Center (COCC) internally charges fees to its Asset Management Programs (AMPs). These charges include management fees, bookkeeping fees, and asset management fees. For financial reporting purposes, $109,337 of fee for service charges have been eliminated for the year ended June 30, 2011.

Internal Charges – The Authority internally charges its costs of support service; indirect costs allocations and rent provided by one department to other Authority departments on a cost-reimbursement basis. For financial reporting purposes, $7,704,427 of internal charges for services has been eliminated for the year ended June 30, 2011.

(j) Net Assets

Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and special items. Net assets are classified in the following three components:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(k) Use of Estimates

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Actual results may differ from those estimates.

(l) Effects of New Pronouncements

In June 2010, GASB issued Statement No. 59, *Financial Instruments: Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an impact on the Authority for the fiscal year ended June 30, 2011.

The Authority is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB Statement No. 61 is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. GASB Statement No. 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending – reporting component units as if they were part of the primary government – in certain circumstances. Application of this Statement is effective for the Authority's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that was issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.* The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2013.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 64, *Derivatives Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.* The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for the City's fiscal year ending June 30, 2013.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

(a) Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are presented on the accompanying statements of net assets as of June 30, 2011 for the Primary Government and as of the various fiscal year ends of the individual discretely presented component units are as follows:

	Primary Government	Component Units	Total
Unrestricted Cash, cash equivalents and investments	$ 40,032,471	$ 5,030,150	$ 45,062,621
Restricted cash and investments	18,261,866	24,897,686	43,159,552
Bank overdraft	(836,652)	-	(836,652)
Total cash, cash equivalents and investments	$ 57,457,685	$ 29,927,836	$ 87,385,521

Cash, cash equivalents and investments as of June 30, 2011 for the Primary Government and as of the various fiscal year ends of the individual discretely presented component units consist of the following:

	Primary Government	Component Units	Total
Cash on hand and deposits with financial institutions	$ 26,942,910	$ 22,850,891	$ 49,793,801
Cash equivalents and investments	30,514,775	7,076,945	37,591,720
Total cash, cash equivalents and investments	$ 57,457,685	$ 29,927,836	$ 87,385,521

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

(b) Custodial Credit Risk – Deposits

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. In addition, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

(c) Investments Authorized by the Authority

The Authority is empowered by the HUD Notice 96-33 (extended indefinitely by HUD Notice PIH 2002-13) to invest HUD funds in the following:

A. United States Treasury bills, notes and bonds.
B. Obligations issued by Agencies or instrumentalities of the U.S. Government.
C. State or Municipal Depository Funds, such as the Local Agency Investment Fund (LAIF).
D. Insured demand and savings deposits, provided that deposits in excess of the insured amount must be 100 percent collaterialized by securities listed in A and B above.
E. Insured money market deposit accounts, provided that deposits in excess of the insured amount must be 100 percent collaterialized by securities listed in A and B above.
F. Insured super NOW accounts, provided that deposits in excess of the insured amount must be 100 percent collaterialized by securities listed in A and B above.
G. Repurchase Agreements of any securities authorized above. Securities purchased under repurchase agreements shall be no less than 102 percent of market value.
H. Reverse Repurchase Agreements of any U.S. Treasury and Federal Agency securities in the portfolio.
I. Sweep accounts that are 100 percent collateralized by securities listed in A and B above.
J. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized above (money market mutual funds). Such funds must carry the highest rating of at least two national rating agencies. Not more than 15 percent or 20 percent of surplus funds can be invested in money market mutual funds.
K. Funds held under the terms of a trust indenture or other contract or agreement, including the HUD/Public Housing Agency Annual Contributions Contract, may be invested according to the provisions of those indentures or contracts.
L. Any other investment security authorized under the provisions of HUD Notice 96-33, as extended by HUD Notice PIH 2002-13.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority is empowered by the California Government Code Sections 5922 and 53601 et seq. and its Investment Policy to investment non-HUD funds in the following:

A. Bonds issued by local government agencies with a maximum maturity of five years.
B. United States Treasury bills, notes and bonds.
C. Registered warrants, treasury notes or bonds issued by the State of California.
D. Bonds, notes, warrants or other evidence of debt issue by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurer, other local agencies or joint power agencies.
E. Obligations issued by Agencies or instrumentalities of the U.S. Government.
F. Bankers Acceptances with a term not to exceed 270 days. Not more than 40 percent of surplus funds can be invested in Bankers' Acceptances and no more than 30 percent of surplus funds can be invested in the Bankers' Acceptances of any single commercial bank.
G. Prime Commercial Paper with a term not to exceed 180 days and the highest ranking issued by Moody's Investors Service (Moody's) or Standard & Poor's Corporation (S&P). Commercial Paper cannot exceed 15 percent of total surplus funds, provided that if the average maturity of all Commercial Paper does not exceed 31 days, up to 30 percent of surplus funds can be invested in Commercial Paper.
H. Repurchase Agreements of any securities authorized by this section. Securities purchased under repurpose agreements shall be no less than 102 percent of market value.
I. Reverse Repurchase Agreements of any U.S. Treasury and Federal Agency Securities in the portfolio.
J. Medium term notes (not to exceed 2 years) of U.S. Corporations rated "A" or better by Moody's and S&P. Not more than 30 percent of surplus funds can be invested in medium term notes.
K. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations authorized by this section (Money Market Mutual Funds). Such funds must carry the highest rating of at least two national rating agencies. Not more than 15 percent of surplus funds can be invested in Money Market Mutual Funds.
L. Funds held under the terms of a trust indenture or other contract or agreement may be invested according to the provisions of those indentures or agreements.
M. Collaterized bank deposits with a perfected security interest in accordance with the Uniform Commercial Code (UCC) or applicable federal security regulations.
N. Any mortgage pass-through security, collaterized mortgage obligation, mortgaged backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable backed bond of a maximum maturity of five years. Securities in this category must be rated AA or better by a national rating service. No more than 30 percent of surplus funds can be invested in this category of securities.
O. Any other investment security authorized under the provisions of the California Government Code section 5922 and 53601.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

(d) Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. As of June 30, 2011, the total amount recorded by all participating public agencies in LAIF was approximately $24.0 billion. Of that amount, 94.99% was invested in non-derivative financial products and 5.01% in structured notes and asset backed securities. These investments had weighted average maturity of 237 days.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A summary of the Authority's investments at June 30, 2011 is shown below.

	Moody's Credit Rating	Fair Value	Investment Maturities (in years) Less than 1	1 - 3	3 - 5
Conventional Housing Program:					
State Local Agency Investment Fund	Not rated	$ 808,302	$ 808,302	$ -	$ -
Prime Money Market Mutual Fund	Aaa	3,304	3,304	-	-
Subtotal Conventional Housing Program		811,606	811,606	-	-
Moving To Work Program:					
State Local Agency Investment Fund	Not rated	1,161,292	1,161,292	-	-
Prime Money Market Mutual Fund	Aaa	80,154	80,154	-	-
Subtotal Moving To Work Program		1,241,446	1,241,446	-	-
Acquisition Development/Facilities Consolidation					
Federal National Mortgage Association Discount Notes	Not available	999,940	999,940	-	-
Federal National Mortgage Association Bonds - Callable	Aaa	988,150	-	-	988,150
Federal Home Loan Mortgage Corporation Discount Notes	Not available	4,284,042	4,284,042	-	-
Federal Home Loan Mortage Corporation Bonds - Callable	S&P AA+	992,500	-	-	992,500
Federal Home Loan Bank Discount Notes	Not available	1,399,370	1,399,370	-	-
Federal Home Loan Bank Bonds	Aaa	3,586,139	1,513,712	2,072,427	-
Federal Farm Credit Bank Discount Notes	Not available	2,799,060	2,799,060	-	-
Federal Farm Credit Bank Bonds	Aaa	1,599,488	1,599,488	-	-
State Local Agency Investment Fund	Not rated	338,640	338,640	-	-
Subtotal Acquisition Development/Facilities Consolidation		16,987,329	12,934,252	2,072,427	1,980,650
Other Programs:					
State Local Agency Investment Fund	Not rated	10,711,629	10,711,629	-	-
Prime Money Market Mutual Fund	Aaa	3,622	3,135	-	-
Subtotal nonmajor enterprise funds		10,715,251	10,714,764	-	-
With fiscal agents:					
Federal Home Loan Bank Medium Term Notes	Aaa	272,430	272,430	-	-
First American Treasury Obligation Fund	Aaa	486,713	486,713	-	-
Subtotal with fiscal agents		759,143	759,143	-	-
Total investments - business-type activities		$ 30,514,775	$ 26,461,211	$ 2,072,427	$ 1,980,650
With fiscal agents:					
U.S. Bank N.A. Commercial Paper Manual Sweep	S&P P-1	$ 7,076,945	$ 7,076,945	$ -	$ -
Total investments - component units		$ 7,076,945	$ 7,076,945	$ -	$ -

(e) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. More than 5 % of the Authority's investments are invested with Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and Federal Farm Credit Bank which represent 6.5%, 17.3%, 17.2%, and 14.4%, respectively, of the Authority's investments.

(f) Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. As of June 30, 2011, all of the Authority's investments are not exposed to custodial credit risk.

NOTE 4 – SELF HELP LOANS RECEIVABLE

The San Pedro Gardens project consists of 20 rental apartments and 16 self-help owner built units. The Authority held seven individual loans, net of allowance, totaling $167,740 at June 30, 2011 secured by deeds of trust on the individual properties. The loan agreements allow the Authority to repurchase units during the first four years of ownership at a restricted sales price and at market rates thereafter. If the borrower has occupied the unit for 20 years, 10% of the balance outstanding will be forgiven each year thereafter and the loan will be totally canceled at year 30. Due to the uncertainty of payment, a provision for allowance has been set aside for the cumulative accrued interest receivable at June 30, 2011 in the amount of $815,778.

NOTE 5 – PROPERTY DISPOSITIONS

The Authority's Conventional Housing Program has had 555 occupied units under management in the following HUD contracts: Rincon Gardens (CA059004), Sunset Gardens (CA059005), Lucretia/Julian (CA059012), Deborah/Miramar (CA059016), Eklund Gardens (CA059014), Lenzen Gardens (CA059007), Cypress Gardens (CA059008). On September 26, 2007, HUD approved the Authority's request for the disposition of improvements/buildings at Fair Market Value and the disposition of the underlying land via long-term ground lease for these 555 occupied units.

Disposition of Public Housing Phase I, Rincon Gardens

During the year ended June 30, 2009, the Authority completed the disposition of Rincon Gardens. On April 1, 2008, Avenida Espana HDC, Inc., an affiliate of the Authority and as sole general partner, formed Rincon Gardens Associates LP, a California limited partnership (Partnership) with the Authority as the original limited partner. On April 7, 2008, the Partnership entered into a Ground Lease and agreed to lease from the Authority real property located at 400 West Rincon Avenue, Campbell, California (Property).

On September 16, 2008, the Authority sold the 200 unit multifamily rental housing development located at the Property (Rincon Gardens) with the interest to the Partnership and provided a seller takeback note in the amount of $15,670,000 (Authority Loan) and recognized a gain in the amount of $12,792,581. The Authority Loan is secured by a subordinate deed of trust recorded against the Project, bears interest at 5.35% and matures on October 1, 2063. On September 16, 2008, PNC MultiFamily Capital Institutional Fund XXXIX Limited Partnership, a Delaware limited partnership, and Columbia Housing SLP Corporation, an Oregon corporation, purchased the limited partnership interest while the Authority withdrew as the limited partner and provided a guaranty of the obligations of the General Partner, Avenida Espana HDC, Inc. (see Note 10). The Partnership financed the rehabilitation and development of the Project with bond financing (Bond Loan) and the Authority agreed to guaranty the obligations of Partnership, as borrower, under the Bond Loan (Loan Guaranty). In conjunction, the Authority issued conduit debt, Multifamily Housing Revenue Bonds (Rincon Gardens Apartments), 2008 Series A-1 in an amount of $13,630,000, 2008 Series A-2 in an amount of $3,391,000, and 2008 Series A-3 in an amount of $5,979,000, secured by a Master Pledge and Assignment, to provide financing to Rincon Gardens Associates, LP. (Borrower), for the acquisition and rehabilitation of Rincon Gardens (see Note 15(b)).

NOTE 5 – PROPERTY DISPOSITIONS (Continued)

Disposition of Public Housing Phase IIB Properties:
Cypress Gardens, Lenzen Gardens, Sunset Gardens, Lucretia Gardens, Julian Gardens, and Miramar Way

During the year ended June 30, 2011, the Authority completed the disposition of 6 properties. On September 22, 2009, Avenida Espana HDC, Inc., an affiliate of the Authority as sole general partner, formed Julian Street Partners, L.P., a California limited partnership (Partnership) with the Authority as the original limited partner. On November 19, 2010, the Partnership entered into a Ground Lease and agreed to lease from the Authority six real properties located at 355 Judro Way, San Jose (Cypress Gardens); 893 Lenzen Avenue, San Jose (Lenzen Gardens); 7750 Wren Avenue, Gilroy (Sunset Gardens); 2018-2044 Lucretia Avenue, San Jose (Lucretia Gardens); 345 E. Julian Street, San Jose (Julian Gardens); and 3761 Miramar Way, Santa Clara (Miramar Way).

On November 19, 2010, the Authority sold 335 public housing units located at the six Phase IIB properties (Cypress Gardens, Lenzen Gardens, Sunset Gardens, Lucretia Gardens, Julian Gardens and Miramar Way) with a book value of $7.7 million to the Partnership in the amount of $34,290,000 and recognized a gain from the disposition in the amount of $26.6 million. The Authority received proceeds restricted by the HUD pursuant to its disposition agreement in the amount of $11.5 million and provided a seller take-back note in the amount of $22,802,850. The Authority loan is secured by a subordinate deed of trust recorded against the Phase IIB properties, bears interest at 4.35% and matures on December 31, 2055. On November 19, 2010, PNC MultiFamily Capital Institutional Fund 45 Limited Partnership, a Delaware limited partnership, and Columbia Housing SLP Corporation, an Oregon corporation, purchased the limited partnership interest while the Authority withdrew as the limited partner and provided a guaranty of the obligations of the General Partner, Avenida Espana HDC, Inc. The Partnership financed the rehabilitation and development of the Project with bond financing (Bond Loan) and the Authority agreed to guaranty the obligations of the Partnership, as borrower, under the Bond Loan (Loan Guaranty). In conjunction, the Authority authorized the issuance of conduit debt, Multifamily Housing Revenue Bonds (HACSC Portfolio) 2010 Series A-1 in the amount of $18,035,000 and Series A-2 bonds in the amount of $26,115,000, secured by the Master Pledge and Assignment, to provide financing to Julian Street Partners, L.P. (Borrower) for the acquisition and rehabilitation of the six Phase IIB properties. As of June 30, 2011, the Authority issued the 2010 Series A-1 bonds in the amount of $18,035,000.

With the disposition of 335 public housing units on November 19, 2010, the Authority has 20 public housing units (Phase IIA) remaining to manage under HUD's Public Housing rules and regulations.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Reductions/ Transfers	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	$ 17,229,032	$ -	$ -	$ 17,229,032
Construction in progress	5,429,061	163,689	(3,915,343)	1,677,407
Total capital assets, not being depreciated	22,658,093	163,689	(3,915,343)	18,906,439
Capital assets, being depreciated:				
Structures	33,156,355	38,226	(17,550,979)	15,643,602
Furniture and equipment	3,595,124	76,443	(488,209)	3,183,358
Total capital assets, being depreciated	36,751,479	114,669	(18,039,188)	18,826,960
Less accumulated depreciation				
Structures	(13,993,968)	(764,402)	9,780,379	(4,977,991)
Furniture and equipment	(3,132,020)	(315,377)	714,927	(2,732,470)
Less accumulated depreciation	(17,125,988)	(1,079,779)	10,495,306	(7,710,461)
Total capital assets, being depreciated, net	19,625,491	(965,110)	(7,543,882)	11,116,499
Total capital assets, net	$ 42,283,584	$ (801,421)	$ (11,459,225)	$ 30,022,938

A copy of each of the Housing Authority's discretely presented component units' separately issued audited financial statements can be obtained from the Housing Authority's management.

NOTE 7 – SHORT-TERM BORROWINGS

The Authority maintains a $5,000,000 line of credit, which provides the Authority with a ready means of short-term financing. On November 12, 2010, the Authority agreed to grant the bank a security interest in its money market account (restricted cash) maintained at the bank and extended the maturity date to September 16, 2016. The line of credit bears interest at a rate of prime rate minus 0.5% and is at 3.25% at June 30, 2011, which is payable monthly. During the year ended June 30, 2011, the Authority had the following short-term borrowing activity:

	Conventional Housing Program	Real Estate Services Program	Development Services Program	Total
Balance at July 1, 2010	$ -	$ 500,000	$ 4,258,891	$ 4,758,891
Additions	295,287	525,000	638,822	1,459,109
Reductions	-	-	(4,559,233)	(4,559,233)
Balance at June 30, 2011	$ 295,287	$ 1,025,000	$ 338,480	$ 1,658,767

NOTE 8 – LONG-TERM OBLIGATIONS

Outstanding long-term debt consisted of the following:

Type of indebtedness (purpose)	Maturity	Interest Rates	Principal Installments	Original Issue Amount	Balance June 30, 2011
Notes payable					
Section 8 Choice Voucher					
Redevelopment Agency of the City of Morgan Hill	6/15/2021	1%	$ 425,000	$ 425,000	$ 425,000
County of Santa Clara (San Pedro Gardens)	11/30/2012	0%	2,500/year	50,000	5,000
City of San Jose (Morrone Gardens)	9/23/2024	4%	972,500	972,500	972,500
Total Section 8 Voucher Program					1,402,500
Lease Revenue Bonds:					
Internal Service Program					
2004 Series (Julian Office)	9/1/2029	(1)	85,000 - 255,000	3,550,000	3,110,000
2006 Series (Julian Office Renovation)	9/1/2038	5%	50,000 - 510,000	5,125,000	4,975,000
Total Internal Service Program					8,085,000
Total Business-Type Activities					$ 9,487,500

(1) The Bonds initially bear variable interest which is set weekly by the remarketing agent based upon prevailing interest rates for 7-day variable rate demand bonds of similar credit quality trading in the municipal market place during the week. On June 30, 2011, the interest rate for the 2004 Series A Bonds was 0.08%.

Changes to the business-type activities long-term obligations are as follows:

	July 1, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Business-Type Activities:					
Note payable for the:					
Conventional Housing Program	$ 1,572,606	$ -	$ (1,572,606)	$ -	$ -
Section 8 Rental Voucher	1,405,000	-	(2,500)	1,402,500	2,500
Lease Revenue Bonds	8,220,000	-	(135,000)	8,085,000	145,000
Total long-term debt	11,197,606	-	(1,710,106)	9,487,500	147,500
Premium on lease revenue bonds	177,583	-	(6,124)	171,459	-
Payment In Lieu Of Taxes	2,230,028	27,933	(422,330)	1,835,631	1,835,631
Accrued vacation and sick leave	1,059,351	1,387,887	(1,458,667)	988,571	352,607
Long-term interest payable	508,684	23,150	-	531,834	-
Total Business-type Activities	$ 15,173,252	$ 1,438,970	$ (3,597,227)	$ 13,014,995	$ 2,335,738

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

Defeasance of the 2004 Certificates of Participation - As part of the Authority's disposition of Conventional Public Housing improvements/projects to an entity other than a state or local government, the Authority defeased its outstanding Certificates of Participation, Series 2004 bonds on September 8, 2008. The Authority funded the escrow with $2,021,541 of available balances of the Series 2004 bond funds and a $2,140,128 advance from the Authority's Moving-to-Work funds and invested these funds in United States Treasury Obligations, State and Local Government Series. These investments were used to defease all of the outstanding Certificates, in the aggregate amount of $3,895,000, and to pay interest on and principal and redemption price of the Certificates through and including April 1, 2011. At June 30, 2011, the defeased balance is $0.

Lease Revenue Bonds – On September 1, 2004, the Santa Clara County Financing Authority (Financing Authority) issued $3,550,000 of Series 2004A Lease Revenue Bonds that bear interest that set each week by the remarketing agent based upon prevailing interest rates for 7-day variable rate demand bonds of similar credit quality trading in the municipal market place during the week. In connection with the issuance of the Series 2004A Lease Revenue Bonds, the Financing Authority obtained an irrevocable letter of credit as a credit facility with U.S. Bank N.A. for these bonds. At June 30, 2011, the letter of credit was set to expire on September 1, 2012. The Financing Authority's repayment of unreimbursed draws made on the credit facilities bear interest at rates as defined in the reimbursement agreement up to LIBOR plus 4% per annum with the principal due at September 1, 2012. The Financing Authority is required to pay U.S. Bank N.A. an annual commitment fee of 1.50% based on the outstanding principal amount of the bonds supported by the credit facility and for the year ended June 30, 2011 paid annual commitment fee in the amount of $48,081.

On October 19, 2006, the Financing Authority issued $5,125,000 of 2006 Lease Revenue Bonds (2006 Bonds). The bond proceeds were used to provide additional financing for the renovation of the office building used by the Authority. The 2006 Bonds are on parity with the 2004 Bonds.

The Finance Authority assisted the Authority in financing its office project. The lease revenue bonds are payable by a pledge of revenues from the base rental payments payable by the Authority pursuant to lease and sub-lease agreements between the County of Santa Clara, the Financing Authority and the Housing Development Corporation for the use of the office building. The leases act like direct financing leases with lease payments equal to debt service payments. Total debt service requirements remaining on the lease revenue bonds is $13,233,752 payable through September 1, 2038. For the current year, the total lease (debt service) payments made by the Authority totaled $392,398.

PILOT - In connection with the Conventional Housing Program, HUD requires the Authority to compute the annual Payment In Lieu Of Taxes (PILOT) based on the lesser of assessable value of owned housing multiplied by the current tax rate or 10% of the dwelling rents net of utilities expense to its taxing jurisdiction (County of Santa Clara). For the year ended June 30, 2011, the Authority accrued an additional $27,933 for PILOT. The balance due to the County of Santa Clara is expected to be paid off by June 30, 2012.

NOTE 8 – LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements of business-type activities to maturity are as follows:

	Notes Payable		Lease Revenue Bonds	
Year Ending June 30,	Principal	Interest	Principal	Interest (1)
2012	$ 2,500	$ 43,150	$ 145,000	$ 249,831
2013	2,500	43,150	150,000	247,000
2014	-	43,150	155,000	244,298
2015	-	43,150	165,000	241,587
2016	-	43,150	170,000	238,750
2017 – 2021	425,000	215,750	1,000,000	1,148,793
2022 – 2026	972,500	126,425	1,255,000	1,067,420
2027 – 2031	-	-	1,580,000	974,198
2032 – 2036	-	-	2,005,000	625,125
2037 – 2039	-	-	1,460,000	111,750
Total	$ 1,402,500	$ 557,925	$ 8,085,000	$ 5,148,752

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(1) The Lease Revenue Bonds initially bear variable interest which is set weekly by the remarketing agent based upon prevailing interest rates for 7-day variable rate demand bonds of similar credit quality trading in the municipal market place during the week. On June 30, 2011, the interest rate for the 2004 Series A Bonds was 0.08%.

NOTE 9 – DEFICIT PROGRAM NET ASSETS

There are two programs with a deficit net assets balance at June 30, 2011. These deficit net assets are expected to be cured through a transfer from the Authority's unrestricted resources. These programs and the related deficits are as follows:

Shelter Plus Care	$ 23,642
Real Estate Services	4,002,025
Development Services	885,940

The Authority plans to cure the deficits in Real Estate Services and Development Services with its unrestricted resources in fiscal year 2012. In addition, the Shelter Plus Care program expects to have an increase in net assets in the upcoming year to cure this deficit.

NOTE 10 – RELATED PARTIES

(a) Receivables from Related Parties

The Authority has the following receivables from related parties and other component units as of June 30, 2011:

	Receivable due to			Long-term Receivables			
	Development and other Advances	Development Services/ Real Estate Group	Management, Payroll and Overhead Charges	Notes Receivable	Lease/ Mortgage Receivables	Seller Take-Back Note	Total
Discrete component units:							
AE Associates	$ -	$ -	$ 5	$ 34,237	$ 89,689	$ -	$ 123,931
Bascom HACSC Associates	-	41,447	-	-	-	-	41,447
Bracher Associates	-	-	15,000	-	-	-	15,000
HACSC/Choices Senior Associates	13,081	46,766	15,000	-	-	-	74,847
Helzer Associates	-	414,482	-	-	-	-	414,482
Julian Street Partners, L.P.	961,003	-	-	-	-	22,802,850	23,763,853
Klamath Associates	15,426	-	-	-	-	-	15,426
Morrone Gardens Associates	-	-	-	-	286,235	-	286,235
Rincon Garden Associates	350,000	-	-	-	-	15,670,000	16,020,000
San Pedro Gardens Associates	-	-	-	20,000	199,525	-	219,525
Thunderbird Associates	-	-	15,000	-	-	-	15,000
Willows /HACSC Associates	116,710	185,578	-	-	-	-	302,288
Avenida Espana HDC, Inc	1,860,000	-	-	-	-	-	1,860,000
S.P.G. Housing, Inc.	-	-	-	-	1,255,919	-	1,255,919
Villa Garcia, Inc.	-	-	-	281,600	-	-	281,600
Property Management, Inc.	1,025,000	-	-	-	-	-	1,025,000
Total	$ 4,341,220	$ 688,273	$ 45,005	$ 335,837	$ 1,831,368	$ 38,472,850	$ 45,714,553

Development and Other Advances - The Authority advanced funds to the partnerships for development costs. These advances are non-interest bearing and are due in future years from available cash flow.

Development Services/Real Estate Group – For services performed in developing the partnerships' projects, the Authority earned developer fees. The receivables from the partnerships bear interest and are due in future years from available cash flow. As a result, at June 30, 2011 the Authority recorded an allowance for bad debts based on estimated collectibility of the receivables as follows:

Partnership	Property	Amount	Accrued Interest	Allowance for Bad Debts	Receivable, Net of Allowance
Bascom HACSC Associates	El Parador	$ 256,349	$ 23,150	$ (238,052)	$ 41,447
HACSC/Choices Senior Associates	John C. Burns Gardens	351,986	-	(305,220)	46,766
HACSC/Choices Family Associates	RiverTown	266,104	-	(266,104)	-
Helzer Associates	Helzer Court Apartments	392,873	21,609	-	414,482
Willows/HACSC Associates	The Willows	171,760	13,818	-	185,578
	Total	$ 1,439,072	$ 58,577	$ (809,376)	$ 688,273

Management, Payroll and Overhead Charges - The Authority has entered into agreements with the partnerships and component units to render services in managing the business of the partnerships and component units in return for fees and other reimbursements for payroll, related benefits, operating costs and insurance.

NOTE 10 – RELATED PARTIES (Continued)

Notes Receivable:

- **AE Associates –** The Authority provided an unsecured loan, in the original amount of $96,693, to the partnership. The loan is non-interest bearing and is due October 2024.
- **San Pedro Gardens Associates –** The Authority provided an unsecured loan to the partnership in the original amount of $50,000. The loan is non-interest bearing and is due on demand.
- **Villa Garcia, Inc. –** The Authority has loaned the corporation, in the original amount of $355,000, to help fund operating deficits and rehabilitation costs. Interest accrues at 6% compounded annually. Payments of principal and interest are due annually to the extent of 25% of the Project Net Income as defined. Unpaid principal and accrued interest thereon are due in full in May 2016.

Leases/Mortgage Receivable:

- **AE Associates –** The Authority (Lessor) and the partnership (Lessee) have entered into a 65-year land lease agreement for the premises on which the 84 residential apartment units are built. The annual rent is $20,000 and is only payable to the extent of surplus cash. Any unpaid rent shall accrue without interest and is payable at the end of the lease term.
- **Morrone Gardens Associates –** The Authority (Lessor) and the partnership (Lessee) have entered into a 60-year land lease agreement. The annual rent is $20,000 and is payable to the extent of surplus cash, as defined. Any unpaid rent shall accrue interest at 7% compounded annually, and is payable in subsequent years from surplus cash. Due to the uncertainty of payment, interest will be recorded when paid.
- **San Pedro Gardens Associates –** The Authority (Lessor) and the partnership (Lessee) have entered into a 65-year land lease agreement for the premises on which 20 residential apartment units are built. The annual rent is $10,000 and is payable only to the extent of surplus cash, as defined. Any unpaid rent shall accrue interest at 8% compounded annually. Due to the uncertainty of payment, interest will be recorded when paid.
- **S.P.G. Housing, Inc**. subleases the land, on which a 76-unit affordable housing complex for the elderly was built, from the Authority. The sublease ends in 2028 and requires a monthly base payment of $5,500 to the lessor which is subject to annual increases (Current Rent) and annual payment of $66,000 to the Authority which is payable from distributable cash (Accrued Rent). The unpaid rent accrues without interest. At the end of the lease term, the Authority has the right to acquire the leasehold improvements at the fair market price as established in the sublease agreement.

Seller-Takeout Receivable:

- **Rincon Garden Associates –** On September 16, 2008, the Authority (Lessor) and the partnership (Lessee) have entered into a seller-takeback note in the amount of $15,670,000 for the premises on which a 200-unit multifamily rental housing property (Rincon Gardens) is located. The note is secured by a subordinate deed of trust recorded against the Rincon Gardens property, bears 5.35%, payments are due and payable beginning October 1, 2008 and continues on the first day of each month thereafter until the maturity date October 1, 2063 to the extent of available Net Cash Flow.
- **Julian Street Partners –** On November 1, 2010, the Authority (Lessor) and the partnership (Lessee) have entered into a seller-takeback note in the amount of $22,802,850 for the premises on which 6 multifamily rental housing properties (Cypress Gardens, Lenzen Gardens, Sunset Gardens, Lucretia Gardens, Julian Gardens and Miramar Way) are located. The note is secured by a subordinate deed of trust recorded against these properties, bears 4.35%, payments are due and payable beginning June 1, 2011 and continues on the first day of each month thereafter until the maturity date December 31, 2055 to the extent of available Net Cash Flow as defined in the agreement. Due to the uncertainty of payment, interest will be recorded when paid.

NOTE 10 – RELATED PARTIES (Continued)

(b) Deferred Credit from Related Parties

Willows/HACSC Associates - The Authority (Lessor) and the partnership (Lessee) entered into a 60-year land lease agreement. Total cost of the lease was $1,841,094, which was paid in full at inception of the agreement. The lease revenues are being amortized over the life of the lease. At June 30, 2011, the Authority has a deferred credit balance in the amount of $1,457,531 related to this ground lease.

(c) Guarantees and Commitments

The Authority has agreed to guarantee obligations of affiliated entities that are general partners in affordable housing limited partnerships. These obligations may include operating deficits, development and low income housing tax credit guarantees. At June 30, 2011, the Authority's significant guarantees and commitments are as summarized follows:

Partnership	Operating Deficit Guarantees	General Partner Demand Notes	Tax Indemnification Guarantees	Loan Repayment Guarantee
AE Associates	$ -	$ 150,000	$ -	$ -
Bascom HACSC Associates (El Parador)	-	-	1,892,160	-
Blossom River Associates	-	250,000	903,408	-
Bracher Associates	-	190,000	284,428	-
DeRose Housing Associates	-	175,000	-	-
Helzer Associates	1,300,000	-	1,090,639	-
HACSC/Choices Family Associates	840,000	-	1,786,699	-
HACSC/Choices Senior Associates	630,000	-	1,455,273	-
Huff Avenue Associates	593,000	277,000	156	-
Julian Street Partnership	1,900,000		24,710,370	unlimited
Klamath Associates	114,000	71,000	-	-
Morrone Gardens Associates	-	194,000	-	95,000
Opportunity Center Associates	404,541	-	-	1,443,463
Pinmore Associates	-	186,000	-	-
Poco Way Associates	764,000	460,000	240,624	-
Rincon Gardens Associates	1,400,000	-	-	-
San Pedro Gardens Associates	-	80,000	-	-
Thunderbird Associates (Villa Hermosa)	-	-	315,001	-
Willows/HACSC Associates	643,000	-	4,688	-
Total guarantees and commitments	$ 8,588,541	$ 2,033,000	$ 32,683,446	$ 1,538,463

(d) Conduit Debt

From time to time, the Authority has issued Multi-family Housing Revenue Bonds to provide funds to developers for the construction of multi-family housing projects. The bonds are payable solely from the revenues collected by the developers 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.

Conduit Debt with the Authority's related parties:

- **Blossom River Associates –** In March 1998, the Authority participated in the issuance of $13,350,000 of Multifamily Housing Revenue Bonds Series 1998 A and 1998A-T. These bonds were issued to provide financing for the construction and development by Blossom River Associates of a 144-unit multifamily rental housing project and related support facilities. In accordance with the Indenture of Trust, trusts were established with the Bond Trustee to receive revenues from the project and distribute those revenues to various funds for principal and interest and other reserves, with the balance available for operating expenses. At June 30, 2011, the principal amount payable for this issue was $12,265,000.

NOTE 10 – RELATED PARTIES (Continued)

- **HACSC/Choices Family Associates –** In August 2001, the Authority participated in the issuance of Multifamily Housing Revenue Bonds Series 2001A in the amount of $8,865,000. These bonds were issued to provide a portion of the financing for the construction and development by HACSC/Choices Family Associates of 100 apartment units located in the City of Santa Clara (RiverTown Apartment Project). In accordance with the Indenture of Trust, trusts were established with the Bond Trustee to receive revenues from the project and distribute those revenues to various funds for principal and interest and other reserves, with the balance available for operating expenses. At June 30, 2011, the principal amounts payable for this issue was $8,255,000.
- **HACSC/Choices Senior Associates –** In August 2001, the Authority participated in the issuance of Multifamily Housing Revenue Bonds Series 2001A in the amount of $6,715,000. These bonds were issued to provide part of the financing for the construction and development by HACSC/Choices Senior Associates of a 100-unit multifamily rental housing development for seniors and related support facilities to be known as John Burns Gardens Apartments. In accordance with the Indenture of Trust, trusts were established with the Bond Trustee to receive revenues from the project and distribute those revenues to various funds for principal and interest and other reserves, with the balance available for operating expenses. At June 30, 2011, the principal amount payable for this issue was $6,255,000.
- **Rincon Garden Associates –** On September 16, 2008, the Authority issued Multifamily Housing Revenue Bonds (Rincon Gardens Apartments), 2008 Series A-1 in an amount of $13,630,000, 2008 Series A-2 in an amount of $3,391,000, and 2008 Series A-3 in an amount of $5,979,000, secured by a Master Pledge and Assignment, to provide financing to Rincon Gardens Associates, LP. (Borrower), for the acquisition and rehabilitation of Rincon Gardens. At June 30, 2011, the principal amount payable for these issues was $16,707,743.
- **Willows/HACSC Associates –** In April 2005, the Authority issued multifamily housing revenue bonds in the amount of $4,284,000 in tax-exempt Series A bonds. The bonds were issued to provide refunding funds related to the acquisition of a leasehold interest in the land and fee interest in the improvements and rehabilitation by Willows/HACSC Associates of a 47-unit multifamily rental housing project. At June 30, 2011, the principal amount payable on the refunding bond issues was $4,180,000.

Conduit Debt with other entities:

The Authority participated as a conduit debt issuer for a number of housing development projects that are not part of the Authority’s operations. These issues are typically used in multi-family housing acquisition and construction. The Authority usually assigns the financing agreement (including all rights of issuer, except for reserved rights) together with other property to the Trustees. As of June 30, 2011, the Authority has the following outstanding conduit debt with non-Authority related entities.

Partnership	Project	Number of Units	Original Issue	Balance June 30, 2011
Cedar Glen Associates	Cedar Glen	260	$ 16,550,000	$ 10,375,000
MP Timberwood Associates	Timberwood	286	18,415,000	10,545,000
Monte Vista Associates, LP	Monte Vista Terrace	150	13,000,000	9,420,000
Benton Park Central Apts.	Benton Park Central	172	10,900,000	10,900,000
Elena Gardens	Elena Gardens	168	8,665,000	7,495,000
MP Latham Associates	Latham Park	74	4,500,000	1,785,307
	Total			$ 50,520,307

NOTE 11 – 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; injuries to employees; and natural disasters. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the Authority's insurance coverage in any of the past three fiscal years.

The Authority purchased insurance for comprehensive liability, all-risk property, vehicle liability & property damage and employment practices liability (including errors and omissions) from the Housing Authority Risk Retention Group, Inc. (HARRG), Travelers, and CHARTIS.

Workers compensation and employer's liability insurance are provided through California Housing Workers Compensation Authority (CHWCA), a joint powers insurance authority. The purpose of CHWCA is to pool resources of its members to provide coverage through group self-insurance, purchase insurance beyond what is provided through the pool and obtain favorable rates afforded through purchasing as a pool. Members are assessed premiums to cover both the self-insurance as well as the purchased insurance coverage of this risk management.

The Authority's deductibles and maximum coverage at June 30, 2011 were as follows:

Liabilities	Deductible	Coverage	Excess Coverage
Personal liability	$ 25,000	$ 10,000,000	n/a
Bodily injury and property damage	25,000	10,000,000	n/a
Business auto liability	-	5,000,000	n/a
Mold, other fungi or bacteria liability	25,000	250,000	n/a
Employee benefits	1,000	1,000,000	n/a
Employer's liability	35,000	2,000,000	n/a
Workers' compensation	-	500,000	Statutory

Changes in the Authority's claims liability during the fiscal years ended June 30, 2011 and 2010 were as follows:

	Claims Liability July 1	Claims and Changes in Estimates	Year Claims Payments	Claims Liability June 30
2010	$ -	$ 50,000	$ 50,000	$ -
2011	-	25,000	25,000	-

NOTE 12 – RETIREMENT PLANS

(a) Pension Plan

In January 2009, the Authority entered into a contract with the California Public Employees' Retirement System (CalPERS) in order to participate in a CalPERS defined benefit pension plan (2% at age 55 Supplemental Formula with 100% Prior Service) from and after January 12, 2009. The CalPERS Pension Plan is administered by the Public Employees Retirement System of the State of California. This is for all employees hired after January 12, 2009 and includes 209 employees who as of January 12, 2009 elected CalPERS pension plan coverage.

Plan Description. All eligible Authority employees participate in CalPERS, an agent multiple-employer defined benefit pension plan. CalPERS provides retirement, disability, and death benefits based on the employees' years of service, age and final compensation. Employees vest after five years of CalPERS-credited service and they are eligible for service retirement if they are 50 years old or over and have at least 5 years of CalPERS-credited service. These provisions and all other requirements are established by State statute and Authority resolutions. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy. The contribution requirements of plan members and the Authority are established and may be amended by CalPERS. Effective January 12, 2009, the Authority elected to pay 3% and the employees agreed to pay 4% of the 7% employees' contribution to CalPERS. Effective July 1, 2009, the Authority elected to pay 6% and the employees agreed to pay 1% of the 7% employees' contribution and effective January 1, 2010 the Authority elected to pay 7% of the employees' contribution. The Authority is also required to contribute the remaining amounts necessary to fund CalPERS. Employer contributions are determined by a rate that is subject to annual review and adjustment by CalPERS actuaries and adopted by the CalPERS Board of Administration.

In December 2009, the Authority made a "lump sum" payment in the amount of $14,420,000 to CalPERS to fund its actuarially unfunded liability. As a result, the employer's contribution rate decreased from 19.562% (pre-payment rate) to 7.314% (post-payment rate). For the year ended June 30, 2011, the Authority contributed its annual required contribution of $933,691 and prepaid $2,092,647 towards its actuarial unfunded liability.

Annual Pension Cost. The Authority's annual pension cost for CalPERS is equal to the Authority's required contributions and the actual contributions rates which were determined as part of the July 31, 2008 new agency actuarial valuation. This valuation was performed in order to set forth the actuarial assets and funding liabilities of the Authority's plan as of July 31, 2008 and to establish the initial "fresh start" actuarially required contribution rates of this plan. The July 31, 2008 new agency actuarial valuation used the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25% to 14.45% depending on age, service, and type of employment, and (c) 3% per year inflation adjustment. CalPERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The average remaining amortization period as of June 30, 2009 is 12 years.

NOTE 12 – RETIREMENT PLANS (Continued)

The Authority's changes in net pension asset for the year ended June 30, 2011, were as follows:

Annual required contribution	$ 933,691
Interest on net pension asset	(1,117,550)
Amortization of net pension asset	1,734,132
Annual pension cost	1,550,273
Contributions made	3,026,338
Change in net pension asset	(1,476,065)
Net pension asset, beginning of year	(14,420,000)
Net pension asset, end of year	$ (15,896,065)

Three-year trend information for the Authority is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2011	$ 1,550,273	195%	$ (15,896,065)
6/30/2010	1,332,315	1182%	(14,420,000)
6/30/2009	1,153,694	100%	-

Funded Status and Funding Progress

The CalPERS' Board of Administration adopted updated actuarial assumptions to be used beginning with the June 30, 2009 valuation. The Authority's June 30, 2010 actuarial valuation (most recent valuation) used the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.55% to 14.45% depending on age, service, and type of employment, and (c) 3% per year inflation adjustment. CalPERS' unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The average remaining amortization period as of June 30, 2010 is 11 years.

Summary of funding progress are as follows:

Actuarial valuation date	6/30/10
Actuarial asset value	$ 31,452,488
Actuarial accrued liability - entry age	35,087,140
Unfunded actuarial accrued liability (UAAL)	$ 3,634,652
Funded ratio	89.6%
Covered payroll	$ 13,362,748
UAAL as percentage of covered payroll	27.2%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 12 – RETIREMENT PLANS (Continued)

(b) Other Post-Employment Benefits

Plan Description. The Authority provides eligible employees with post-retirement healthcare benefits, which include medical, dental and vision service plan coverage. Medical insurance is provided through a choice of Blue Shield HMO or Kaiser Permanente HMO. Dental insurance is provided through Delta Dental and vision insurance is through Vision Service Plan. The coverage is available for employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency services or approved disability retirement). An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits.

The Authority participates in the CalPERS medical program as permitted under the Public Employees' Medical and Hospital and Care Act (PEMHCA). As such, the Authority is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. As provided by the PEMHCA, the Authority has been under contract with CalPERS for medical plan coverage since 2008 and has chosen to satisfy its retiree medical benefit commitment using the unequal contribution method. The Authority made contributions toward the medical premiums of employees who meet the conditions set forth in the following table:

Age at	Years of Employment at the Authority		
Retirement	20-25	25-30	30+
62	80%	90%	100%
63	85%	95%	100%
64	90%	100%	100%
65	100%	100%	100%

The Authority has a $1,200 "cap" as of July 1, 2008 on the premiums paid by the Authority for medical benefits. In addition to its contributions toward the cost of retiree medical coverage, the Authority pays 100% of the cost of dental and vision insurance for all current and future retirees.

During the year ended June 30, 2010, the Authority entered into an agreement with CalPERS whereby the Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees. The Authority participates in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. The financial statements for CERBT may be obtained by writing the California Public Employees' Retirement System, Constituent Relations Office, CERBT (OPEB), P.O. Box 242709, Sacramento, California 94229-2709 or by calling 888-225-7377.

Funding Policy. The contribution requirements of plan members and the Authority are established and may be amended by the Board. The Authority contributes the amounts necessary to fund the annual required contribution.

Annual OPEB Cost. For the year ended June 30, 2011, the Authority's annual other postemployment benefits (OPEB) cost equals to its Annual Required Contributions (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The Authority's latest OPEB actuarial valuation was performed as of July 1, 2009.

NOTE 12 – RETIREMENT PLANS (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 686,827	9.5%	$ 1,229,845
6/30/2010	$ 4,566,706	126.9%	$ -
6/30/2011	$ 283,856	100.0%	$ -

Funded Status and Funding Progress. The table below indicates the funded status of the Retiree Health Plan as of July 1, 2009 (the most recent actuarial study).

Actuarial accrued liability (AAL)	$ 5,124,483
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 5,124,483
Funded ratio (actuarial value of plan assets)/AAL	0.0%
Annual covered payroll (active plan members)	$ 13,200,689
UAAL as a percentage of annual covered payroll	38.8%

On April 12, 2010, the Authority transferred $5,724,378 to CERBT to fund its actuarial accrued liability.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2009 actuarial valuation, the entry age normal cost method was used. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age of hire) and assumed exit (maximum retirement age). The actuarial assumptions included a 7.75 percent investment rate of return and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent in year 2017 and beyond. The actuarial assumptions also include a 3.25 salary increase and a 3.25 percent assumed increase for amortization payments. The actuarial value of assets was determined using the market value of the assets. The Authority's unfunded actuarial accrued liability is being amortized over one year on a closed basis.

NOTE 13 – COMMITMENTS AND CONTINGENT LIABILITIES

Operating Lease

In October 2010, the Authority amended its noncancelable lease agreement on its Great Oaks facility that is utilized as office space. The amendment extends the lease term to June 2011. In October 2011, the Authority entered into a new office lease as discussed in Note 16.

Grants and Contracts

The Authority participates in various federally and locally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal and other regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from a review or audit may become a liability of the Authority; however, as of the date of this report, no such liabilities are reflected in the accompanying financial statements.

Concentrations

For the year ended June 30, 2011, approximately 96% of operating revenues and 85% of accounts receivables reflected in the financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

NOTE 14 – MOVING TO WORK PROGRAM

Pursuant to the 2008 Appropriations Act, HUD and the Housing Authority of the County of Santa Clara (which includes the Housing Authority of the City of San Jose) (collectively, Authority) entered into Moving-to-Work Demonstration (MTW) agreements on February 26, 2008. These agreements are effective from January 2, 2008 until the Authority’s fiscal year 2018. Under MTW, the Authority as provided by Section 204(a) of the 1996 Appropriations Act (Section 204(a)), is able to administer its Section 8 and public housing programs with flexibility to reduce costs and achieve efficiencies; to provide incentives to families that are working, seeking work, or participating in job training; and to increase housing choices for low-income families.

According to Section 204(a), HUD may permit agencies to combine funds appropriated under Section 8 and Section 9 of the 1937 Act. Before fiscal year 2010, the Authority consolidated the Section 8 Voucher Excess Housing Assistance Payments (HAPs) and Excess Administrative Fees Reserves as MTW Reserves for reporting purposes. During fiscal year 2010, the Authority established the Moving to Work Program to separately account for the Excess HAP while the remaining balances are maintained in the Section 8 Rental Voucher Program. The Conventional Housing Program (Public Housing) and the Public Housing Capital (Capital) Reserves are also considered MTW Reserves and are reported as unrestricted net assets in its separate programs.

NOTE 14 – MOVING TO WORK PROGRAM (Continued)

The Section 8 Voucher HAPs and Administrative Fees revenues that are not utilized to pay HAPs and/or administrative/operating expenses will be part of the unrestricted net assets balance in accordance with GAAP. Unrestricted net assets also include, but are not limited to, interest and investment income on HAP investments, which is imputed at the 91 days U.S. Treasury rates on the Excess HAP Reserves monthly balances. The eligible uses of MTW funds are defined in the MTW agreements and the agreements state that the eligibility would be as under Sections 9(d)(1), 9(e)(1) and 8(o) of the 1937 Act. Thus the Authority may use MTW Reserves for activities that would be eligible for Public Housing and Voucher programs. Additionally, MTW funds can be used for activities that fall outside of Section 8 and Section 9 provided these activities are HUD approved through the annual MTW plan. Some of these Excess HAP Reserves may be subject to recapture by HUD based on future Congressional Appropriations Bills and HUD Rules and Regulations.

During the year ended June 30, 2011, the Section 8 Rental Voucher Program and the Moving to Work Unrestricted Net Assets activities are as follows:

	Section 8 Rental Voucher Program			
	Excess Administrative Fee Reserves	Other Reserves	Total Section 8 Rental Voucher Program	Moving To Work Program
Balance at July 1, 2010	$ 17,385,605	$ 208,092	$ 17,593,697	$ 40,150,150
Year ended June 30, 2011 activity:				
HAP earned	-	20,558	20,558	238,295,130
Prior year-end settlement and other revenues	18,359,901	-	18,359,901	-
Investment and interest income earned	96,263	-	96,263	48,588
50% of fraud recovery	16,874	-	16,874	-
HAP and other expenses	(253,777,309)	(15,198)	(253,792,507)	-
Grant revenue	-	-	-	1,001,360
Net increase/(decrease) in long term obligation	(2,500)	-	(2,500)	-
Net decrease/(increase) in capital assets	246,452	-	246,452	-
Transfers in (out):				
To transfer excess HAP funds at year-end	(4,577,654)	-	(4,577,654)	4,577,654
To transfer total HAP and HUD administrative fees earned	238,295,130	-	238,295,130	(238,295,130)
To transfer grant revenues earned for Conventional Housing Program	-	-	-	(428,948)
To pay for properties improvements on phase 2B properties	-	-	-	(1,572,606)
To cover shortfall on Section 8 Voucher program	1,608,043	-	1,608,043	(1,608,043)
To pay pension contributions	1,760,800	-	1,760,800	(1,760,800)
For property acquisitions	-	-	-	(15,000,000)
For office rehabilitation	-	-	-	(7,000,000)
To Real Estate Services for Section 8 project based units services	-	-	-	(442,623)
To Development Services for public housing disposition activities	-	-	-	(398,911)
To Public Housing Capital programs for grant revenues earned	-	-	-	(572,412)
Subtotal year ended June 30, 2011 activity	2,026,000	5,360	2,031,360	(23,156,741)
Balance at June 30, 2011	$ 19,411,605	$ 213,452	$ 19,625,057	$ 16,993,409

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS

The following partnerships are considered discrete component units of the Authority and are presented in accordance with GASB No. 14. Certain items may have changed for presentation purposes from the separately issued audited financial statements to conform to the Authority's presentation. The following footnotes are presented pursuant to GASB No. 14, which states that the reporting entity's financial statements should make those component unit disclosures that are essential to fair presentation of the financial reporting entity's basic financial statements. The following footnotes are those that are material to the Authority and are not meant to be a full representation of each component unit's required disclosures. A copy of each component unit's separately issued audited financial statements can be obtained from the Authority's management.

(a) AE Associates, Ltd.

AE Associates, Ltd. (the Partnership), a Delaware limited partnership, was formed as a limited partnership on August 14, 1991 to develop and operate a 84-unit affordable housing complex for the elderly located in San Jose, California, which is currently operating under the name of Avenida Espana Gardens (the Project). The Project participates in the low-income housing tax credits program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through year 2049.

Ground lease – The Partnership leases land on which the Project was built from the Authority. The lease is for 65 years and requires annual payments of $20,000 from excess/distributable cash. Any unpaid rent shall accrue without interest.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	**Principal**	**Total**	**Amounts Due Within One Year**
State of California, Department of Housing and Community Development Rental Housing Construction Program (RHCP), bears simple interest at 3%, due in full in December 2048. Annual payments of principal and interest are payable from excess/distributable cash.	$ 1,748,231	$ 3,285,000	$ 5,033,231	$ -
City of San Jose, originally amounting to $1,872,400, bears no interest, due in full in October 2022. Annual payments are $20,000 from 2002 through 2006, and $25,000 thereafter. Additional payments are payable from excess/distributable cash.	-	1,418,231	1,418,231	25,000
Total	$ 1,748,231	$ 4,703,231	$ 6,451,462	$ 25,000

Subsequent Event – On April 30, 2011, Mission Housing Investments assigned its interest as a limited partner to Edison Funding Omicron, Incorporated (Edison). Further, Edison entered into an assignment agreement with the Authority. Subject to the terms contained in this agreement, Edison agreed to assign its limited partner interest to the Authority and withdraw from the Partnership and otherwise transfer to the Authority its entire interest as a partner in the Partnership. The Authority assumed any and all obligations of limited partner under the partnership agreement.

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(b) Rincon Gardens Associates, L.P.

Rincon Gardens Associates, L.P. (the Partnership) was formed on April 1, 2008 to develop and operate a 200-unit affordable housing complex located in Campbell, California, which is currently operating under the name of Rincon Gardens Apartments (the Project). The Project was placed in service in December 2009. The Project was built on land owned by and leased from the Authority. Under the terms of the lease, title to the improvements reverts to the lessor at the end of the lease. The Project participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through 2064.

Credit Risk – The Partnership occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately $2,914,000 as of December 31, 2010. The Partnership has not experienced any losses in such accounts.

Developer fee – The Authority is scheduled to earn a developer fee of $1,400,000 according to the development services agreement between the Partnership and the Authority.

Ground lease – The Partnership leases the land from the Authority on a 75-year term, which expires in 2083. Rent for the lease is equal to $1 annually. The rent has been set at a nominal amount for the specific purpose of assisting the lessee to operate and maintain the Project as an affordable housing complex in accordance with the terms and other requirements as specified in the ground lease agreement.

Seller Take-Back Note - On September 16, 2008, the Authority sold the 200 unit multifamily rental housing development located at the Property (Rincon Gardens) with the interest to the Partnership and provided a seller take-back note in the amount of $15,670,000 (Authority Loan). The Authority loan is secured by a subordinate deed of trust recorded against the property, bears interest at 5.35% and matures on October 1, 2063.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
Housing Authority of the County of Santa Clara Multifamily Housing Revenue Bonds 2008 Series A-1 and A-2 loans, acquired by Chase Bank, in the maximum amount of $13,630,000 and $3,391,000, respectively, bears interest at 5.33% and 5.02% respectively. Interest-only payments were due monthly until the conversion date in August 2010, at which time the Series A-1 loan was converted to a 30-year amortizing loan and the Series A-2 loan was converted to a 13-year amortizing loan.	$ -	$ 16,897,312	$ 16,897,312	$ 769,812

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(c) Julian Street Partners, L.P. (Unaudited)

As discussed in Note 5, Avenida Espana HDC, Inc., an affiliate of the Authority as sole general partner, formed Julian Street Partners, L.P., a California limited partnership (Partnership) with the Authority as the original limited partner on September 22, 2009 to develop and operate 6 properties located at 355 Judro Way, San Jose (Cypress Gardens); 893 Lenzen Avenue, San Jose (Lenzen Gardens); 7750 Wren Avenue, Gilroy (Sunset Gardens); 2018-2044 Lucretia Avenue, San Jose (Lucretia Gardens); 345 E. Julian Street, San Jose (Julian Gardens); and 3761 Miramar Way, Santa Clara (Miramar Way). On November 19, 2010, PNC MultiFamily Capital Institutional Fund 45 Limited Partnership, a Delaware limited partnership, and Columbia Housing SLP Corporation, an Oregon corporation, purchased the limited partnership interest while the Authority withdrew as the limited partner and provided a guaranty of the obligations of the General Partner, Avenida Espana HDC, Inc.

The projects were built on land owned by and leased from the Authority. Under the terms of the lease, title to the improvements reverts to the lessor at the end of the lease. These projects participate in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through 2065.

Developer fee – The Authority is scheduled to earn a developer fee of $6,981,596 according to the development services agreement between the Partnership and the Authority. This fee is expected to be paid from available proceeds as defined in the agreement.

Ground lease – The Partnership leases the land from the Authority on a 75-year term, which expires in 2085. Rent for the lease equal to $1 per each of the 6 sites of the real property composing the land or $6 in aggregate annually. The rent has been set at a nominal amount for the specific purpose of assisting the lessee to operate and maintain the Project as an affordable housing complex in accordance with the terms and other requirements as specified in the ground lease agreement.

Seller Take-Back Note - On November 19, 2010, the Authority sold 335 public housing units located at the six Phase IIB properties (Cypress Gardens, Lenzen Gardens, Sunset Gardens, Lucretia Gardens, Julian Gardens and Miramar Way) with the interest to the Partnership and provided a seller take-back note in the amount of $22,802,850. The Authority loan is secured by a subordinate deed of trust recorded against the Phase IIB properties, bears interest at 4.35% and matures on December 31, 2055.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
Housing Authority of the County of Santa Clara Multifamily Housing Revenue Bonds 2010 Series A-1 loans, in the amount of $18,035,000, bears interest at 4.35%. Interest-only payments were due monthly until the conversion date in August 2010, at which time the Series A-1 loan was converted to a 30-year amortizing loan.	$ 97,646	$ 18,035,000	$ 18,132,646	$ -

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(d) HACSC/Choices Senior Associates

HACSC/Choices Senior Associates (the Partnership), a California limited partnership, was formed on February 22, 2000 to develop and operate a 100-unit affordable housing complex for the elderly in Santa Clara, California, which is currently operating under the name of John Burns Gardens (the Project). The Project participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through the year 2058.

Credit Risk – The Partnership occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The uninsured cash balance, including restricted accounts, was approximately $752,000 as of December 31, 2010. The Partnership has not experienced any losses in such accounts.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	**Principal**	**Total**	**Amounts Due Within One Year**
Redevelopment Agency of the City of Santa Clara, bears simple interest at 2%, due in full in April 2042. Annual payments of principal and interest are payable from excess/distributable cash.	$ 983,171	$ 5,317,000	$ 6,300,171	$ -
Housing Authority of the County of Santa Clara, as issuer of the Variable Rate Multifamily Housing Revenue Bonds Series 2001A, originally amounting to $6,715,000, bears interest rates ranging from 3.95% to 6%, to be repaid in full by August 2041. Monthly principal and interest payments of $34,419 are made to a trustee commencing February 2003, and semi-annual payments to bondholders are made in August and February.	153,101	6,255,000	6,408,101	223,101
Total	$ 1,136,272	$ 11,572,000	$ 12,708,272	$ 223,101

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(e) HACSC/Choices Family Associates

HACSC/Choices Family Associates (the Partnership) was formed as a limited partnership on February 22, 2000 to develop and operate a 100-unit affordable housing complex (the Project) located in Santa Clara, California. The Project is operating under the name of River Town Apartments. The Project participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through the year 2058.

Credit Risk – The Partnership occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The uninsured cash balance, including restricted accounts, was approximately $921,000 as of December 31, 2010. The Partnership has not experienced any losses in such accounts.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
Redevelopment Agency of the City of Santa Clara, originally amounting to $4,323,000, bears simple interest at 2%, due in full in April 2042. Annual payments of principal and interest are payable from excess/distributable cash.	$ 761,645	$ 3,892,000	$ 4,653,645	$ -
Housing Authority of the County of Santa Clara, as issuer of the Variable Rate Multifamily Housing Revenue Bonds Series 2001A, originally amounting to $8,865,000, bears interest rates ranging from 3.95% to 6%, to be repaid in full by August 2041. Monthly principal and interest payment of $45,385 are made to a trustee commencing February 2003, and bondholders are paid semi-annually in August and February.	202,044	8,255,000	8,457,044	297,044
California Department of Housing and Community Development Multifamily Housing Program, bears simple interest at 3%, with annual payment of 0.42% of the unpaid principal amount commencing on the last day of initial operating year, to be repaid in full by October 2058.	647,138	4,050,500	4,697,638	-
Total	$ 1,610,827	$ 16,197,500	$ 17,808,327	$ 297,044

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(f) Blossom River Associates

Blossom River Associates, a California limited partnership (the Partnership), was organized on August 16, 1996. DeRose HDC, Inc. is the 0.1% General Partner (GP), and California Affordable Housing Fund 2000-I, LLC is the 99.9% Limited Partner (LP). The purpose of the Partnership is to provide low-income housing through the acquisition, development, finance, ownership, maintenance, and operation of a family rental housing complex in San Jose, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code. The Partnership operates Blossom River Apartments which consists of one residential building containing 144 units, 143 units are made available to very low income seniors, and one unit is set aside as a manager's unit.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	**Principal**	**Total**	**Amounts Due Within One Year**
Tax-exempt Bonds Series A, dated March 1, 1998, in the amount of $13,000,000, the City of San Jose issued tax-exempt multifamily housing revenue bonds Series A, secured by the first deed of trust, a Debt Service Reserve Fund in the amount of $915,000, and an Operating Deficit Guaranty Agreement obligating the Issuer (the Authority) to guarantee to the Limited Partner to fund certain operating deficits under the Partnership Agreement. Payments of principal and interest at a rate of 6.5% are due every 6 months on the first of March and September, amortized over a 40-year term.	$ 267,258	$ 12,335,000	$ 12,602,258	$ 407,258
City of San Jose Note, dated March 1, 1998, in the original amount of $5,616,680, secured by a deed of trust on the property. The note bears interest at 5.5%, compounded annually, with a maturity date of May 1, 2040. Payments of interest and principal are due annually on May 1, equal to 100% of Adjusted Net Cash Flow as defined in the note.	3,971,564	4,134,900	8,106,464	-
Total	$ 4,238,822	$ 16,469,900	$ 20,708,722	$ 407,258

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(g) Thunderbird Associates

Thunderbird Associates, a California limited partnership (the Partnership), was organized on February 21, 1997. DeRose HDC, Inc. is the 0.1% General Partner (GP) and Fannie Mae Multi-Family Equity Investments is the 99.9% Limited Partner (LP). The purpose of the Partnership is to provide low-income housing through the acquisition, development, finance, ownership, maintenance, and operation of a senior rental housing complex in San Jose, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code. The Partnership operates Villa Hermosa Apartments which consists of 100 units. 99 units are made available to very low income seniors and one unit is set aside as a manager's unit.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
Citibank Note, dated October 1, 1999, in the original amount of $2,525,000, secured by the property, bearing variable interest rate. Monthly payments of principal and interest in the amount of $15,447 began November 1, 2009. Final payment of all outstanding principal and interest shall be made October 1 , 2029.	$ -	$ 2,135,637	$ 2,135,637	$ 51,950
City of San Jose Note, dated June 10, 1998, in the original amount of $1,343,000, secured by "City Deed of Trust". Beginning on September 1999, the date of the close of the permanent loan from Citibank, until the maturity date, the principal sum of the City Note shall accrue interest at the rate of 5% per annum compounded annually. Principal and accrued interest will be repaid annually in an amount of 100% of Net Cash Flow beginning May 1, 2000. The remaining unpaid principal and interest are due August 1, 2029.	26,102	787,236	813,338	26,102
Total	$ 26,102	$ 2,922,873	$ 2,948,975	$ 78,052

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(h) Bascom HACSC Associates

Bascom HACSC Associates, a California limited partnership (the Partnership), was organized on December 1, 2000. DeRose HDC, Inc. is the 0.01% General Partner (GP), Newport Fund 2000, L.P. is the 99.98% Investor Limited Partner (ILP), and Newport Partners Management Corporation is the 0.01% Special Limited Partner (SLP). The purpose of the Partnership is to provide low-income housing through the acquisition, development, finance, ownership, maintenance, and operation of a senior rental housing complex in San Jose, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code. The Partnership operates El Parador Apartments which consists of one residential building containing 125 units, 124 units are made available to very low income seniors, and one unit is set aside as a manager's unit.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
The City of San Jose issued Tax-exempt Bonds Series A and Series B, dated December 7, 2000, in the amount of $6,130,000 and $900,000, respectively. These tax-exempt multifamily housing revenue bonds are secured by separate direct pay letter of credits from Union Bank of California through the construction period and stabilization period. The Series A bonds bear interest at a rate of 6.1% from the year 2001 to 2030, and 6.2% from the year 2031 to 2041. Payments of principal and interest are due every 6 months, amortized over a 38-year, 3-month term. The Series B bonds bear interest at a rate of 5.7%. Payments of principal and interest are due every 6 months, amortized over a 13-year, 2-month term.	$ 190,005	$ 6,205,002	$ 6,395,007	$ 320,005
City of San Jose Note (City Note), dated December 1, 2000, in the original amount of $7,370,000, secured by a deed of trust on the property. The note bears interest at 2.75%, compounded annually, with a maturity date of December 31, 2043. Payments of interest and principal are due annually on May 1, subject to the availability of Adjusted Net Cash Flow as defined in the note.	1,044,014	6,979,530	8,023,544	-
Total	$ 1,234,019	$ 13,184,532	$ 14,418,551	$ 320,005

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(i) Opportunity Center Associates

Opportunity Center Associates, L.P. (the Partnership), a California limited partnership, was formed on October 21, 2002 to develop and operate an 89-unit affordable housing complex located in Palo Alto, California, which is currently operating under the name of Opportunity Center of the Mid-Peninsula (the Project). The Project participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through the year 2061.

Credit Risk – The Partnership occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The uninsured cash balance, including restricted accounts, was approximately $194,000 as of December 31, 2010. The Partnership has not experienced any losses in such accounts.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	**Principal**	**Total**	**Amounts Due Within One Year**
Department of Housing and Community Development Multifamily Housing loan, consisting of a loan for assisted units of $7,000,000 and a loan for nonresidential space for supportive services of $500,000, bears simple interest at 3% per annum, with annual payment of 0.42% of the unpaid Assisted Unit Portion principal amount. Additional payment is to be made from excess /distributable cash, with the entire principal and accrued interest due by April 2062.	$ 721,721	$ 7,500,000	$ 8,221,721	$ -
City of Palo Alto, bears contingent interest rate up to 3% depending on the Project's available excess/distributable cash, due in full in April 2062.	-	750,000	750,000	-
County of San Mateo, bears contingent interest rate up to 3% depending on the Project's available excess/distributable cash, due in full in April 2062.	-	450,000	450,000	-
Lenders for Community Development, bears no interest, due in full in April 2062.	-	500,000	500,000	-
County of Santa Clara Affordable Housing Funds Loan, bears contingent interest rate up to 3% depending on the Project's available excess/distributable cash, due in full in April 2062.	-	1,000,000	1,000,000	-
County of Santa Clara HOME Program Loan, bears contingent interest rate up to 3% depending on the Project's available excess/distributable cash, due in full in April 2062.	-	500,000	500,000	-
Community Working Group Inc. Loan B, in the original amount of $1,968,777, unsecured, bears no interest, to be fully repaid in 2012. The repayment is to be set aside by Community Working Group Inc. as an operating reserve restricted for the Partnership's use.	-	1,549,802	1,549,802	106,339
Total	$ 721,721	$ 12,249,802	$ 12,971,523	$ 106,339

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(j) Helzer Associates

Helzer Associates, a California limited partnership (the Partnership), was organized on March 9, 1998. Pinmore HDC, Inc. is the 0.1% General Partner (GP) and Union Bank of California, N.A. and California Affordable Housing Fund 2001-I, L.P. are the 99.9% Limited Partners (LPs). The purpose of the Partnership is to provide low-income housing through the acquisition, development, finance, ownership, maintenance, and operation of a rental housing complex in San Jose, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code. The Partnership operates Helzer Apartments (the Project) which consists of 155 units. 154 are made available to very low income families and one unit is set aside as a manager's unit.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
The City of San Jose issued Tax-exempt multi-family revenue bonds Series A, dated May 1, 1999, in the amount of $16,948,000. These bonds mature on December 1, 2041 and are amortized over a 40-year term with an interest rate of 6.34%. Payments of principal and interest are due and payable semi-annually on the first day of June and December.	$ 84,312	$ 15,863,000	$ 15,947,312	$ 244,312
City of San Jose Note, dated May 25, 1999, in the original amount of $7,211,000, secured by the property, bearing interest at 2.5% compounded annually, with a maturity date of December, 2041. Payments of principal and interest are due annually on April 1, subject to the availability of Adjusted Net Cash Flow as defined in the note.	1,515,015	5,916,366	7,431,381	-
California Housing Finance Agency Note, dated December 1, 2000, in the original amount of $333,547, bearing 0% interest. The outstanding principal amount is due 55 years following the effective date of the Regulatory Agreement.	-	333,547	333,547	-
Total	$ 1,599,327	$ 22,112,913	$ 23,712,240	$ 244,312

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(k) Willows/HACSC Associates

Willows HACSC Associates, a California limited partnership (the Partnership), was organized on December 1, 1998. Pinmore HDC, Inc. is the 0.1% General Partner (GP) and California Affordable Housing Fund 2000-I, LLC is the 99.9% Limited Partner (LP). The purpose of the Partnership is to provide low-income housing through the acquisition, development, finance, ownership, maintenance, and operation of a senior rental housing complex in San Jose, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code. The Partnership operates The Willows which consists of 47 units. 46 units are made available to low income tenants and one unit is set aside as a manager's unit.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
Series 2005 Bonds, On April 1, 2005, the Authority issued multi-family housing revenue bonds in the amount of $4,284,000 in tax-exempt Series A bonds and $100,000 in taxable Series A-T bonds, secured by a pledge of revenues under the Indenture and by an irrevocable, direct pay Letter of Credit issued by Union Bank of California, N.A.. The Series A bonds mature on April 1, 2040 and the Series A-T bonds were paid off on June 1, 2009. The bonds have a variable interest rate determined weekly by the Remarketing Agent, not to exceed the Maximum Interest Rate, as defined in the loan agreement. Payments of principal and interest on the New Bonds are due every 6 months on June 1 and December 1.	$ -	$ 4,224,000	$ 4,224,000	$ 44,000
LCD Note, dated June 22, 2005, in the amount of $427,000, secured by the Project, matures on January 1, 2045, bearing a simple interest rate at 2% per annum. Payments shall be paid annually from the residual receipts payment(s) in an amount equal to 50% of the Surplus Cash.	-	280,401	280,401	-
Total	$ -	$ 4,504,401	$ 4,504,401	$ 44,000

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(l) Fairground Luxury Family Apartments, L.P.

Fairground Luxury Family Apartments, L.P. (the Partnership) is a limited partnership that was formed on January 14, 2003 for the purpose of constructing and operating a 300-unit affordable housing project known as Corde Terra Family Apartments (the Project) located in San Jose, California. Pursuant to the limited partnership agreement dated September 1, 2005, (the Partnership Agreement), the managing general partner of the Partnership is Pinmore HDC, Inc. (the Managing General Partner) and the co-general partner is ROEM Fairgrounds Family, LLC. The special limited partner of the Partnership is Hudson SLP, LLC. The investor limited partner of the Partnership is Hudson Fairgrounds ROEM, LLC.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
On December 17, 2003, California Housing Finance Authority (CaIHFA) made a construction loan to the Partnership in the principal amount of $40,405,000 which converted to a permanent loan of $24,235,000 on February 1, 2008. The construction loan bears interest at a variable rate equal to 200 basis points plus the average one month LIBOR. The initial rate on the CalHFA loan was 7.11 %. Interest accrues on the permanent loan at a fixed rate of 5.7% per annum with monthly installments of principal and interest of $128,312 beginning March 1, 2008. The loan matures on February 1, 2048. This loan is secured by a first priority leasehold deed of trust on the Project.	$ 112,809	$ 23,749,349	$ 23,862,158	$ 303,772
On September 1, 2005, the City of San Jose made a construction loan and permanent loan to the Partnership in the amount of up to $19,235,050 during the construction period and up to $21,084,426 for the period of time after the construction loan period. On February 1, 2008, the loan was converted to a permanent loan. The loan is secured by a deed of trust. The loan bears interest at a fixed rate of 4% per annum and is payable out of available cash flow, as defined in the loan agreement. The maturity date of the loan is March 1, 2046.	1,139,843	17,245,082	18,384,925	-
Total	$ 1,252,652	$ 40,994,431	$ 42,247,083	$ 303,772

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(m) Fairground Senior Apartments, L.P.

Fairgrounds Senior Housing, L.P. (the Partnership) is a limited partnership that was formed on May 14, 2007 for the purpose of constructing and operating a 201-unit affordable housing project known as Fairgrounds Senior Housing Apartments (the Project) located in San Jose, California. The Project is rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided under Section 42 of the Internal Revenue Code (IRC).

As of December 31, 2010, the general partners of the Partnership are Pinmore HDC, Inc. (five thousandths percent (0.005%) and ROEM FG Senior, LLC (five thousandths percent (0.005%)). The limited partners are Alliant Tax Credit Fund 52, Ltd. (ninety nine and ninety eight hundredths percent (99.98%») and Alliant ALP 52, LLC (one hundredths percent (0.01%). Generally, profits and losses are allocated based on the partnership percentages shown above. Low income housing tax credits are allocated in accordance with the Partnership Agreement. Profits and losses from operations and tax credits in anyone-year shall be allocated to the extent allowable under Section 704(b) of the IRC.

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	**Principal**	**Total**	**Amounts Due Within One Year**
On May 8, 2008, the City of San Jose issued Multifamily Housing Revenue Bonds, secured by the Property, in the amount of $26,000,000, to provide financing to the Project. Citicorp Municipal Mortgage Inc. entered into a loan agreement with the Partnership for the principal amount of $26,000,000, which was converted to a permanent loan of $13,900,000 on July 13, 2010. These notes are collateralized by the bond issue. The notes bear interest at a variable rate equal to SIFMA plus 150 basis points during the first 24 months of the interim phase, a 5.5% fixed interest rate for the remaining 6 months of the interim phase and a 5.5% fixed interest rate during the permanent phase. The maturity date of the loan is July 12, 2040.	$ 63,181	$ 13,760,000	$ 13,823,181	$ 358,181
On May 1, 2008, the City of San Jose made a construction loan and permanent loan, secured by a leasehold deed of trust, to the Partnership in the amount of up to $12,300,000 during the construction period and after conversion. The loan converted on July 13, 2010. The loan bears interest at a fixed rate of 4% per annum and is payable out of available cash flow, as defined in the loan agreement. The maturity date of the loan is July 12, 2040	150,603	8,036,582	8,187,185	-
On May 1, 2008, the County of Santa Clara made a loan, secured by a deed of trust, to the Partnership in the amount of $1,475,000. The loan bears interest at 4% per annum until the Project has obtained a notice of completion, at which point the loan bears interest at 3% per annum until maturity. The maturity date is 55 years from the completion date of the Project. Annual payments of principal and interest are contingent on available residual receipts, as defined in the promissory note.	20,852	1,475,000	1,495,852	-
Total	$ 234,636	$ 23,271,582	$ 23,506,218	$ 358,181

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(n) Morrone Gardens Associates

Morrone Gardens Associates, a California limited partnership (the Partnership), was organized on June 29, 1992. Rotary Plaza/HACSC, HDC Inc. is the 1.0% General Partner (GP) and MHIFED 94, L.P. is the 99.0% Limited Partner (LP). The purpose of the Partnership is to provide low-income housing through the acquisition, development, finance, ownership, maintenance, and operation of a senior rental housing complex in San Jose, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code. The Partnership operates Morrone Gardens Apartments which consists of 102 units. 101 units are made available to very low income seniors and one unit is set aside as a manager's unit.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
California Community Reinvestment Corporation Note (CCRC Note), dated September 23, 1994, in the original amount of $2,982,000, secured by the Project. Beginning October 1, 2004, interest accrues at 6.5% per annum. Monthly payment of principal and interest is in the amount of $19,688. Final payment of all outstanding principal and interest shall be made October 1, 2024.	$ -	$ 2,144,047	$ 2,144,047	$ 99,290
City of San Jose Note (City Note), dated April 1, 2010, in the amount of $1,802,332, secured by the Project, bearing a simple interest rate at 4% per annum. Payments of principal are due and payable annually during the term of the note. Payments are equal to one hundred percent of Net Cash Flow as defined in the note. Final payment of all outstanding principal and accrued interest shall be made in September 2024.	1,067,025	1,802,333	2,869,358	-
Total	$ 1,067,025	$ 3,946,380	$ 5,013,405	$ 99,290

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(o) Huff Avenue Associates

Huff Avenue Associates, a California limited partnership (the Partnership), was organized on March 8, 1994. Rotary Plaza/HACSC, HDC Inc. is the 1.0% General Partner (GP) and Edison Capital Housing Partners VII, L.P. is the 99.0% Limited Partner (LP). The purpose of the Partnership is to provide low-income housing through the acquisition, development, finance, ownership, maintenance, and operation of a rental housing complex in San Jose, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code. The Partnership operates Huff Avenue Apartments which consists of 72 units. Rents for 36 units are being subsidized with project-based Section 8 rental subsidies by the U.S. Department of Housing and Urban Development (HUD). The contract obligates HUD to provide rent subsidies through February 2012.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
City of San Jose Note, dated March 12, 1997, in the original amount of $989,181, secured by Deed of Trust, bearing interest at 2.5% per annum compounded annually. Principal and accrued interest will be repaid annually in an amount of 75% of any Net Cash Flow which shall be applied first to reduce accrued interest, and then shall be applied to reduce the outstanding principal amount. The remaining unpaid principal and accrued interest are due March 11, 2027.	$ 341,581	$ 949,621	$ 1,291,202	$ -
ARCS Commercial Mortgage Co., L.P. Note, dated July 20, 2006, in the original amount of $3,969,000, secured by the property, bearing interest at 6.685% per annum. Monthly payments of principal and interest in the amount of $25,572 began September 1, 2006. Final payment of all outstanding principal and interest shall be made August 1, 2036.	20,951	3,760,919	3,781,870	78,123
Total	$ 362,532	$ 4,710,540	$ 5,073,072	$ 78,123

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(p) S.P.G. Housing, Inc. and Subsidiaries (Bracher Associates, San Pedro Gardens Associates, Klamath Associates and Pinmore Associates)

S.P.G. Housing, Inc. was formed as a California nonprofit public benefit corporation on March 16, 1992 to operate affordable housing and provide related services to low-and moderate-income persons. In 2005 S.P.G. Housing, Inc. acquired DeRose Senior Housing, a 76-unit affordable housing complex for the elderly located in San Jose, California from DeRose Housing Associates, a California limited partnership, of which S.P.G. Housing, Inc. was the general partner.

S.P.G. Housing, Inc. is also a general partner of various California limited partnerships (the Subsidiaries). These partnerships are included in the consolidated financial statements of S.P.G. Housing, Inc. in accordance with generally accepted accounting principles, and are:

- Klamath Associates (Klamath) was formed as a limited partnership on November 3, 1993 to develop and operate a 17-unit affordable housing complex (the Project) located in Santa Clara, California. The Project is operating under the name of Klamath Gardens.
- Bracher Associates (Bracher) was formed as a limited partnership on November 24, 1993 to develop and operate a 72-unit affordable housing complex for the elderly (the Project) located in the City of Santa Clara, California. The Project is operating under the name of Bracher Senior Housing.
- Pinmore Associates (Pinmore) was formed as a limited partnership on November 9, 1993 to develop and operate a 51-unit affordable housing complex (the Project) located in San Jose, California. The Project is operating under the name of Pinmore Gardens.
- San Pedro Gardens Associates (San Pedro) was formed as a limited partnership on August 15, 1990 to develop and operate a 20-unit affordable housing complex (the Project) located in Morgan Hill, California. The Project is operating under the name of San Pedro Gardens.

Ownership in the Subsidiaries is divided between the general and limited partners with interests of 1% and 99%, respectively. S.P.G. Housing, Inc. has a controlling interest in the Subsidiaries through its status as a general partner. The Projects participate in the low-income housing tax credit program under Section 42 of the Internal Revenue Code. Various agreements dictate the maximum income levels of new tenants and also provide rent restrictions through 2078.

Credit Risk – S.P.G. Housing, Inc. and Subsidiaries occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash, was approximately $234,000 as of December 31, 2010. S.P.G. Housing, Inc. and Subsidiaries has not experienced any losses in such accounts.

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	**Principal**	**Total**	**Amounts Due Within One Year**
Bracher Associates				
Citibank, serviced by Berkadia Commercial Mortgage, LLC, originally amounting to $1,950,000, bears interest at 7.93% per annum, payable in monthly installments of $14,213 starting January 1996, due in full in January 2026. In February 2006, the interest rate was adjusted to 6.5% with monthly installments of $12,736. Another adjustment will occur in February 2016.	$ -	$ 1,461,825	$ 1,461,825	$ 59,562
Citibank Affordable Housing Program. The loan bears no interest. Entire principal is due in full in January 2026.	-	126,000	126,000	-
The Redevelopment Agency of the City of Santa Clara, bears simple interest at 6%, due in full in August 2024. Annual payments of principal and interest are payable from excess/distributable cash.	632,186	1,550,000	2,182,186	-
Subtotal Bracher Associates	632,186	3,137,825	3,770,011	59,562
San Pedro Gardens Associates				
Citibank (serviced by Berkadia Commercial Mortgage) originally amounting to $337,400, bears interest at 3.750% per annum and payable in monthly installments of $1,665. An interest rate adjustment will occur in 2013.	-	192,848	192,848	12,973
State of California, Department of Housing and Community Development Rental Housing Construction Program (RHCP), bears simple interest at 3%, due in full in January 2047. Annual payments of principal and interest are payable from excess/distributable cash.	801,057	1,489,500	2,290,557	-
Subtotal San Pedro Gardens Associates	801,057	1,682,348	2,483,405	12,973

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Long-term debt (continued)

	December 31, 2010			
	Interest Payable	**Principal**	**Total**	**Amounts Due Within One Year**
Klamath Associates				
Citibank, originally amounting to $750,000, bears adjustable interest rate, currently at 6.75%, payable in monthly installments of $5,045, to be repaid in full by May 2027. An adjustment will occur in June 2017 when the interest rate shall be adjusted to 2% over the average monthly ten-year treasury constant maturity yield, not to exceed 12.42% per annum or to fall below 6.42%.	$ -	$ 599,830	$ 599,830	$ 20,683
The Redevelopment Agency of the City of Santa Clara, bears simple interest at 6%, due in full in February 2025. Annual payments of principal and interest are payable from excess/distributable cash.	621,048	681,176	1,302,224	-
Subtotal Klamath Associates	621,048	1,281,006	1,902,054	20,683
Pinmore Associates				
Citibank, originally amounting to $1,976,000, bears interest at 7.6% per annum, payable in monthly installments of $13,952 starting March 1996, due in full in January 2026. In February 2011, the interest rate shall be adjusted to the lower of either the Citibank's then market rate for similar transactions, or at an annual rate equal to 2.25% above the weekly average yield on U.S. Treasury Securities. Another adjustment will occur in February 2021.	9,530	1,504,740	1,514,270	64,482
The City of San Jose, originally amounting to $1,490,000, bears simple interest at 4%, due in full in January 2025. Annual payments of principal and interest are payable from excess/distributable cash.	893,542	1,488,125	2,381,667	-
Subtotal Pinmore Associates	903,072	2,992,865	3,895,937	64,482

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Long-term debt (continued)

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
Citibank, originally amounting to $1,015,000, bears adjustable interest rate, currently at 8.79%, payable in monthly installments of $8,014, due in full in October 2026. In November 2006, the interest rate was adjusted to 6.96% with monthly installments of $6,989. Another adjustment will occur in 2016.	$ -	$ 801,078	$ 801,078	$ 12,973
The City of San Jose, bore interest at 8% compounded annually and is to be repaid in full in December 2020. Any unpaid balance for the year is to be added to the maximum annual payment of the following year. The terms of the loan were amended in 2007 in which the loan shall not accrue interest and the accumulated interest on the loan was forgiven as part of the amendment.	-	1,400,000	1,400,000	-
Total	$ 2,957,363	$ 11,295,122	$ 14,252,485	$ 170,673

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(q) Poco Way Associates

Poco Way Associates, a California limited partnership (the Partnership), was organized on July 22, 1994. Poco Way HDC, Inc. is the 1% General Partner (GP) and MHIFED 96 Limited Partnerships is the 99% Limited Partner (LP). The purpose of the Partnership is to provide low-income housing through the acquisition, development, finance, ownership, maintenance, and operation of a senior rental housing complex in San Jose, California, which qualifies for low-income housing tax credits under Section 42 of the Internal Revenue Code. The Partnership operates The Poco Way Apartments which consists of 130 units family rental housing. 129 units are made available to low-income tenants and one unit is set aside as a manager's unit.

Long-term debt is summarized as follows:

	May 31, 2011			
	Interest Payable	Principal	Total	Amounts Due Within One Year
Citibank Note, dated February 2, 2005, in amount of $4,669,000, secured by the Project. The Citibank Note is separated into three tranches: Tranche A in the amount of $3,600,000, maturity date of February 1, 2015, interest rate 6.41%, monthly payment of principal and interest totaling $22,542 began March 1, 2005. Tranche B in the amount of $569,000, maturity date of October 1, 2014, interest rate 6.34%, monthly payment of principal and interest totaling $8,405 began November 1, 2007. Tranche C in the amount of $500,000, maturity date October 1, 2017, interest rate 6.34%, monthly payment of principal and interest totaling $2,953 began November 1, 2007.	$ -	$ 4,069,394	$ 4,069,394	$ 166,245
City of San Jose Note, dated May 30, 1997, in the amount of $5,786,958, secured by a deed of trust, and bearing no interest (the "First Note"). On January 26, 2005, the First Note was amended to increase the amount of the loan by $709,000 to $6,495,958 and the maturity date was extended from June 1, 2027 to June 1, 2036. Payments are equal to 75% of Net Cash Flow, as defined in the First City Note, commencing June 1, 1998 and every June 1 of each year thereafter. In addition, on May 30, 1997, the Partnership executed a second promissory note with the City of San Jose in the amount of $237,300, secured by a deed of trust on the Property and bearing no interest, with a maturity date of June 1, 2027 (the "Second Note"). The entire unpaid balance of principal on the Second Note shall be due and payable on the maturity date.	-	6,397,326	6,397,326	-
Total	$ -	$ 10,466,720	$ 10,466,720	$ 166,245

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(r) Villa Garcia, Inc.

Villa Garcia, Inc. (the Organization) receives Section 8 housing assistance payments from HUD under a contract that expires on June 30, 2024.

Credit Risk – The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash, was approximately $598,000 as of December 31, 2010.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	Principal	Total	Amounts Due Within One Year
Berkadia Commercial Mortgage (formerly Capmark) mortgage note, in the original amount of $1,253,500, bears interest at 8.5%, requires monthly payments of principal and interest of $9,189 to be repaid in full in March 2012. The Mortgage is insured by HUD under the Section 236 Program and receives interest subsidy.	$ -	$ 122,080	$ 122,080	$ 103,880
HUD flexible subsidy note under Section 201 of the National Housing Act, bears simple interest at 1%, with entire principal and interest due in March 2012.	221,088	1,415,905	1,636,993	-
City of San Jose note, bears compounded interest at 3%, with annual payments to be made from residual receipts subject to HUD approval, with entire principal and interest due in April 2022.	103,583	514,000	617,583	-
County of Santa Clara note, bears simple interest at 3%, with entire principal and interest due in June 2012. The note is guaranteed by the Authority.	40,578	100,000	140,578	-
Total	$ 365,249	$ 2,151,985	$ 2,517,234	$ 103,880

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(s) Villa San Pedro HDC, Inc.

Villa San Pedro HDC, Inc. receives Section 8 housing assistance payments from HUD under a contract that expires on May 31, 2024. The Organization is especially vulnerable to the inherent risks associated to revenue that is substantially dependent on government funding.

Credit Risk – The Organization occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash, was approximately $405,000 as of December 31, 2010.

Long-term debt is summarized as follows:

	December 31, 2010			
	Interest Payable	**Principal**	**Total**	**Amounts Due Within One Year**
HUD insured note under Section 221 of the National Housing Act, in the original amount of $1,540,800, bears interest at 3%, with monthly payments of $5,452, to be repaid in full in February 2012.	$ -	$ 69,520	$ 69,520	$ 64,057
HUD flexible subsidy notes under Section 201 of the National Housing Act, bears no interest and is due upon the assignment, refinancing, or sale of the Project.	-	799,933	799,933	-
CHRP note, in the original amount of $4,164,155 dated September 10, 1991, bears simple interest at 3%, with annual payment of interest plus deferred interest due based on determination of CHRP from the Project's annual report. The entire principal and interest will be due in September 2036.	1,105,341	4,156,798	5,262,139	-
City of San Jose note, bears simple interest at 3%, with annual payments to be made from residual receipts subject to HUD approval, with entire principal and interest due in April 2043.	115,903	691,875	807,778	-
Total	$ 1,221,244	$ 5,718,126	$ 6,939,370	$ 64,057

NOTE 15 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(t) Property Management, Inc.

Property Management, Inc. (PMI) was founded on March 30, 1992 (inception) and is incorporated in the State of California. PMI is a property management company that provides residential management and maintenance services for a fee to various non-profit corporations and limited partnerships in Santa Clara County. PMI is a wholly owned subsidiary of the Authority.

Related Party Transactions - PMI is affiliated with several partnerships, whose general partners are controlled by the Board of Directors of the Authority. Agreements between affiliated partnerships provide for fees to be paid to PMI for property and marketing management services which are shown as revenue. Predominantly all fees are related-party transactions totaling $1,086,667 in 2010. Related-party receivables include the portion of these fees not received by year-end and operating advances.

PMI entered into a service agreement with the Authority. The Authority provided services in the areas of administration and maintenance. PMI pays the Authority the actual costs of all services received for the benefit of PMI, plus a reasonable service charge. Total expenses associated with this service were $1,051,770 in 2010 and were limited to the net income available to pay for them. Unpaid fees and advances totaling $1,598,565 in 2010 are included in related-party payables.

	Receivable at December 31, 2010	2010 Management Fee Income
AE Associates	$ -	$ 43,612
Blossom River Associates	58,024	93,503
Bracher Associates	16	40,363
Bascom HACSC Associates	24	79,766
Helzer Associates	304,000	97,858
Huff Avenue Associates	160,000	39,745
HACSC/Choices Senior Associates	176	63,243
Julian Street Partners	36,973	-
Klamath Associates	16,658	10,810
Morrone Gardens Associates	31,000	53,508
Opportunity Center Associates	133,000	50,855
Pinmore Associates	198,000	6,573
Poco Way Associates	4,000	81,747
Rincon Garden Associates	-	152,000
HACSC/Choices Family Associates	-	60,271
Rose Gardens, Inc.	-	37,244
San Pedro Gardens Associates	-	10,916
Villa Garcia, Inc.	-	59,690
Thunderbird Associates	-	48,989
Villa San Pedro HDC, Inc.	-	55,974
Willows /HACSC Associates	241,486	-
Total	$ 1,183,357	$ 1,086,667

Wind Down of Operations – Due to ongoing operational losses sustained by the Authority on the property management business, the board of the Authority approved in 2010 the decision to get out of the business of providing these services. Accordingly, the board of PMI decided to gradually wind down the operation, facilitate the outsourcing the services to third party providers and get out of the business. Thus, in late 2010, properties started outsourcing PMI's property management services to third party providers. The assets shown on PMI's balance sheet as of December 31, 2010 are expected to be fully recoverable during the wind down process that will last into early 2012. The liquidation basis of accounting has not been adopted but PMI's balance sheet would not be materially different under a liquidation basis.

NOTE 16 – SUBSEQUENT EVENTS

(a) Credit Ratings Downgrade

On August 5, 2011, Standard & Poor's lowered its long-term credit rating on debt of the United States government from AAA to AA+. That action affected Standard & Poor's view of United States public finance debt instruments that are directly or indirectly backed by the United States government. These credit downgrades impact the credit risk associated with the Authority's investments in U.S. agencies securities.

(b) New Office Lease

On October 16, 2011, the Authority entered into a new office lease for a new office space in downtown San Jose for 24 months, commencing November 1, 2011 through October 31, 2013. The monthly lease amounts range from $14,783 to $15,213 and the total 24 month lease commitment totals $359,954.

(c) Execution of Interest Rate Cap Agreement

On February 28, 2012, the Board approved the execution of an interest rate cap agreement with SMBC Capital Markets, Inc. The Authority is obligated to make lease payments corresponding to the debt service payments on the 2004 Lease Revenue bonds, which was issued for the purchase of the main administrative building of the Authority. The purchase of the interest rate cap agreement is to limit the Authority's exposure to the interest rate risk. Under the agreement, the Authority paid a fixed amount of $43,000. The interest rate on the bonds is reset weekly and should approximate the Securities Industry and Financial Markets Association (SIFMA) index. The agreement has a 5-year term from September 1, 2015 to August 31, 2020.

Schedule of funding progress presented below provides a consolidated snapshot of the Authority's ability to meet current and future liabilities with the plan assets.

Schedule of Funding Progress – Pension Benefits

The latest actuarial valuation was performed as of June 30, 2010.

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) - Entry Age	(C) Unfunded AAL (UAAL) [(B) - (A)]	(D) Funded Ratio [(A) / (B)]	(E) Covered Payroll	(F) UAAL as a Percentage of Covered Payroll [(C) / (E)]
6/30/2010	$ 31,452,488	$ 35,087,140	$ 3,634,652	89.6%	$ 13,362,748	27.2%
6/30/2009	13,317,064	29,304,934	15,987,870	45.4%	12,874,796	124.2%

Schedule of Funding Progress - Postemployment Healthcare Benefits

Schedule of funding progress presented below provides a consolidated snapshot of the Authority's ability to meet current and future liabilities with the plan assets. The latest actuarial valuation was performed as of July 1, 2009.

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) - Entry Age	(C) Unfunded AAL (UAAL) [(B) - (A)]	(D) Funded Ratio [(A) / (B)]	(E) Covered Payroll	(F) UAAL as a Percentage of Covered Payroll [(C) / (E)]
6/30/2008	$ -	$ 5,441,404	$ 5,441,404	0.0%	$ 11,630,766	46.8%
7/1/2009	$ -	$ 5,124,483	$ 5,124,483	0.0%	$ 13,200,689	38.8%

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Assets
Discrete Component Units
June 30, 2011

	AE Associates, LTD. (1)(2)	Rincon Gardens Associates L.P. (1)(2)	Julian Street Partners, L.P. (2) (4)	HACSC/Choices Senior Associates (1)(2)	HACSC/Choices Family Associates (1)(2)	Blossom River Associates (1)(2)
Assets:						
Current Assets:						
Cash:						
Unrestricted	$ 40,813	$ 1,507,888	$ 109,040	$ 118,752	$ 72,653	$ 10,818
Tenant security deposits	15,450	43,502	-	11,200	26,955	36,061
Total cash	56,263	1,551,390	109,040	129,952	99,608	46,879
Accounts receivable:						
Tenants	546	6,930	262,585	225	2,112	10,849
HUD other projects	-	-	-	-	-	-
Related parties	-	6,605	278,411	-	-	-
Others	-	11,338	2,700	-	1,994	1,067
Total accounts receivable, net	546	24,873	543,696	225	4,106	11,916
Other current assets:						
Prepaid expenses	42,119	49,690	-	6,616	13,313	13,997
Restricted cash and investments	134,575	1,696,115	7,076,945	1,372,177	1,571,775	2,094,930
Total current assets	233,503	3,322,068	7,729,681	1,508,970	1,688,802	2,167,722
Noncurrent assets:						
Deferred costs, net	7,039	377,730	-	277,692	319,845	232,644
Other assets	29,220	-	-	-	-	-
Capital assets:						
Nondepreciable	-	-	6,051,718	2,612,715	3,818,724	5,922,328
Depreciable	5,027,679	41,004,482	39,072,124	10,274,741	14,285,716	9,732,227
Total capital assets	5,027,679	41,004,482	45,123,842	12,887,456	18,104,440	15,654,555
Total noncurrent assets	5,063,938	41,382,212	45,123,842	13,165,148	18,424,285	15,887,199
Total assets	5,297,441	44,704,280	52,853,523	14,674,118	20,113,087	18,054,921
Liabilities:						
Current liabilities:						
Accounts payable	18,534	47,922	5,588	27,794	26,225	14,878
HUD PHA programs payable	-	-	-	-	-	-
Payable to related parties	112,305	71,200	36,972	20,000	20,000	115,515
Due to primary government	79,689	264,711	7,454,910	365,067	287,029	10,088
Other accrued liabilities	-	-	3,039	-	-	8,257
Tenant security deposits	15,450	43,502	24,150	11,200	26,955	36,061
Deferred revenue	-	473	2,367	-	769	1,396
Interest payable	-	-	97,646	153,101	202,044	267,258
Current portion of long-term obligations	25,000	769,812	-	70,000	95,000	140,000
Total current liabilities	250,978	1,197,620	7,624,672	647,162	658,022	593,453
Long-term interest payable	1,748,231	-	-	983,171	1,408,783	3,971,564
Long-term obligations, net of current portion	4,678,231	16,127,500	18,035,000	11,502,000	16,102,500	16,329,900
Advance from primary government	34,237	17,679,597	22,963,019	-	-	-
Other noncurrent liabilities	-	-	-	-	-	-
Total liabilities	6,711,677	35,004,717	48,622,691	13,132,333	18,169,305	20,894,917
Net Assets:						
Invested in capital assets, net of related debt	324,448	8,437,170	7,872,138	1,315,456	1,906,940	(815,345)
Restricted	134,575	1,696,115	-	1,372,177	1,571,775	2,094,930
Unrestricted (deficits)	(1,873,259)	(433,722)	(3,641,306)	(1,145,848)	(1,534,933)	(4,119,581)
Total net assets (deficits)	$ (1,414,236)	$ 9,699,563	$ 4,230,832	$ 1,541,785	$ 1,943,782	$ (2,839,996)

(1) Component unit was audited by other auditors.
(2) As of December 31, 2010
(3) As of May 31, 2011
(4) Unaudited

Thunderbird Associates (1)(2)	Bascom HACSC Associates (1)(2)	Opportunity Center Associates (1)(2)	Helzer Associates (1)(2)	Willows/ HACSC Associates (1)(2)	Fairground Luxury Familiy Apartments (1)(2)
$ 164,720	$ 134,877	$ 39,078	$ 13,000	$ 138,553	$ 801,372
30,251	27,699	30,801	44,677	15,605	166,245
194,971	162,576	69,879	57,677	154,158	967,617
3,630	8,362	6,294	18,212	4,350	5,090
-	-	-	-	-	-
-	-	-	-	-	-
-	-	32,225	801	-	-
3,630	8,362	38,519	19,013	4,350	5,090
14,143	14,696	16,507	39,335	15,429	37,845
314,521	1,228,703	413,279	1,687,015	316,822	1,189,448
527,265	1,414,337	538,184	1,803,040	490,759	2,200,000
23,008	8,328	57,674	577,520	1,708,087	270,469
-	-	-	-	-	-
1,524,051	4,079,377	1,953,111	2,690,280	-	40,077
5,002,502	11,233,938	14,730,203	19,327,815	2,327,174	66,078,361
6,526,553	15,313,315	16,683,314	22,018,095	2,327,174	66,118,438
6,549,561	15,321,643	16,740,988	22,595,615	4,035,261	66,388,907
7,076,826	16,735,980	17,279,172	24,398,655	4,526,020	68,588,907
12,106	10,341	20,764	10,989	7,271	29,547
-	-	-	-	-	-
15,000	136,250	156,527	339,947	545,816	101,656
7,103	7,016	357,511	6,377	-	-
9,612	10,421	267	12,880	10,085	-
30,251	27,699	30,801	44,677	7,941	167,700
1,402	280	35,604	4,287	1,477	3,142
26,102	190,005	-	84,312	-	112,809
51,950	130,000	106,339	160,000	44,000	190,963
153,526	512,012	707,813	663,469	616,590	605,817
-	1,044,014	721,721	1,515,015	-	1,139,843
2,870,923	13,054,532	12,143,463	21,952,913	4,460,401	40,803,468
-	290,272	-	403,389	136,471	-
-	-	-	-	-	314,778
3,024,449	14,900,830	13,572,997	24,534,786	5,213,462	42,863,906
3,603,680	2,128,783	4,433,512	1,108,501	(2,137,951)	25,124,007
314,521	1,228,703	413,279	1,687,015	316,822	1,189,448
134,176	(1,522,336)	(1,140,616)	(2,931,647)	1,133,687	(588,454)
$ 4,052,377	$ 1,835,150	$ 3,706,175	$ (136,131)	$ (687,442)	$ 25,725,001

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Assets
Discrete Component Units (Continued)
June 30, 2011

	Fairground Senior Housing (1)(2)	Morrone Gardens Associates (1)(2)	Huff Avenue Associates (1)(2)	S.P.G. Housing, Inc. and Subsidiaries (1)(2)	Poco Way Associates (1)(3)	Villa Garcia, Inc. (1)(2)
Assets:						
Current Assets:						
Cash:						
Unrestricted	$ 381,719	$ 1,674	$ 40,476	$ 195,566	$ 36,865	$ 583,087
Tenant security deposits	100,551	21,301	33,240	48,691	21,690	25,623
Total cash	482,270	22,975	73,716	244,257	58,555	608,710
Accounts receivable:						
Tenants	-	1,166	6,402	1,530	2,408	2,642
HUD other projects	-	-	-	-	-	3,343
Related parties	-	-	-	-	-	-
Others	13,430	-	1,042	-	-	1,022
Total accounts receivable, net	13,430	1,166	7,444	1,530	2,408	7,007
Other current assets:						
Prepaid expenses	37,828	37,660	3,476	80,811	38,881	4,399
Restricted cash and investments	1,455,932	226,910	547,800	906,863	222,153	1,050,437
Total current assets	1,989,460	288,711	632,436	1,233,461	321,997	1,670,553
Noncurrent assets:						
Deferred costs, net	573,151	150,905	46,234	106,595	35,512	-
Other assets	-	-	-	-	-	-
Capital assets:						
Nondepreciable	-	-	2,768,902	4,298,822	5,131,161	144,000
Depreciable	34,901,736	5,453,034	4,779,552	14,443,549	10,521,469	1,679,176
Total capital assets	34,901,736	5,453,034	7,548,454	18,742,371	15,652,630	1,823,176
Total noncurrent assets	35,474,887	5,603,939	7,594,688	18,848,966	15,688,142	1,823,176
Total assets	37,464,347	5,892,650	8,227,124	20,082,427	16,010,139	3,493,729
Liabilities:						
Current liabilities:						
Accounts payable	27,069	35,450	6,686	75,978	828	43,394
HUD PHA programs payable	-	-	-	-	-	3,343
Payable to related parties	187,180	35,800	175,000	241,233	139,116	-
Due to primary government	-	1,036	2,217	-	-	-
Other accrued liabilities	-	10,993	11,245	-	8,940	-
Tenant security deposits	99,100	21,316	33,239	48,707	21,690	25,662
Deferred revenue	-	36	2,255	785	1,261	5,166
Interest payable	63,181	-	20,951	9,530	-	-
Current portion of long-term obligations	295,000	99,290	57,172	177,197	166,245	103,880
Total current liabilities	671,530	203,921	308,765	553,430	338,080	181,445
Long-term interest payable	171,455	1,067,025	341,581	2,947,833	-	365,249
Long-term obligations, net of current portion	22,976,582	3,847,090	4,653,368	11,117,925	10,300,475	2,048,105
Advance from primary government	-	414,525	-	1,445,388	-	487,746
Other noncurrent liabilities	-	-	-	-	-	-
Total liabilities	23,819,567	5,532,561	5,303,714	16,064,576	10,638,555	3,082,545
Net Assets:						
Invested in capital assets, net of related debt	11,630,154	1,506,654	2,837,914	7,447,249	5,185,910	(328,809)
Restricted	1,455,932	226,910	547,800	906,863	222,153	1,050,437
Unrestricted (deficits)	558,694	(1,373,475)	(462,304)	(4,336,261)	(36,479)	(310,444)
Total net assets (deficits)	$ 13,644,780	$ 360,089	$ 2,923,410	$ 4,017,851	$ 5,371,584	$ 411,184

(1) Component unit was audited by other auditors.
(2) As of December 31, 2010
(3) As of May 31, 2011
(4) Unaudited

Villa San Pedro HDC, Inc. (1)(2)	Property Management, Inc. (1)(2)	PRIDE (1)	Total
$ 184,921	$ 324,466	$ 129,812	$ 5,030,150
32,033	1,734	-	733,309
216,954	326,200	129,812	5,763,459
5,575		-	348,908
-	-	-	3,343
-	1,183,357	-	1,468,373
1,068	-	68,224	134,911
6,643	1,183,357	68,224	1,955,535
31,832	5,586	61,290	565,453
657,977	-	-	24,164,377
913,406	1,515,143	259,326	32,448,824
-	-	-	4,772,433
-	-	-	29,220
1,900,000	-	-	42,935,266
2,418,029			312,293,507
4,318,029	-	-	355,228,773
4,318,029	-	-	360,030,426
5,231,435	1,515,143	259,326	392,479,250
35,724	1,586	2,217	460,891
-	-	-	3,343
-	-	-	2,449,517
-	1,598,565	-	10,441,319
-	-	1,013	86,752
32,033	2,747	-	750,881
4,702	3,384	250,000	318,786
249,408	-	-	1,476,347
64,057	-	-	2,745,905
385,924	1,606,282	253,230	18,733,741
971,836	-	-	18,397,321
5,654,069	-	-	238,658,445
-	-	-	43,854,644
-	-	-	314,778
7,011,829	1,606,282	253,230	319,958,929
(1,400,097)	-	-	80,180,314
657,977	-	8,429	17,095,861
(1,038,274)	(91,139)	(2,333)	(24,755,854)
$ (1,780,394)	$ (91,139)	$ 6,096	$ 72,520,321

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Revenues, Expenses and Changes in Net Assets
Discrete Component Units
For the Year Ended June 30, 2011

	AE Associates, LTD. (1)(2)	Rincon Gardens Associates L.P.(1)(2)	Julian Street Partners, L.P. (2) (4)	HACSC/Choices Senior Associates (1)(2)	HACSC/Choices Family Associates (1)(2)	Blossom River Associates (1)(2)
Operating revenues:						
Net tenant rental revenue	$ 622,231	$ 2,814,306	$ 345,193	$ 1,005,408	$ 1,170,551	$ 1,908,583
Tenant revenue - other	4,908	33,293	-	9,709	27,323	56,725
Asset management fees from related parties	-	-	-	-	-	-
Donation and other	-	-	-	-	-	-
Total operating revenues	627,139	2,847,599	345,193	1,015,117	1,197,874	1,965,308
Operating expenses:						
Administrative	131,083	378,746	30,511	166,803	242,566	390,890
Asset/partnership management fee	-	-	-	-	-	-
Utilities	135,007	220,770	12,521	80,541	57,962	116,934
Maintenance and operations	201,542	371,533	17,060	205,530	249,080	564,135
Insurance and taxes	50,102	94,886	8,530	30,980	71,588	70,977
Other general expenses	-	-	-	-	-	-
Depreciation and amortization	248,358	1,136,326	-	403,753	570,575	619,456
Total operating expenses	766,092	2,202,261	68,622	887,607	1,191,771	1,762,392
Operating income (loss)	(138,953)	645,338	276,571	127,510	6,103	202,916
Nonoperating revenues (expenses):						
Intergovernmental	-	-	-	-	-	-
Loss on disposal of capital assets	-	-	-	-	-	-
Investment income	134	6,807	269	28,513	37,305	81,279
Other nonoperating revenue	-	-	-	-	-	-
Interest expense	(98,550)	(1,920,149)	-	(476,424)	(687,866)	(1,153,717)
Partnership and asset management fees	(15,000)	(30,900)	-	(20,000)	(20,000)	(21,400)
Ground lease	(20,000)	-	-	-	-	-
Incentive, issuer and invester services fees	-	(1,510,300)	-	(13,081)	(18,588)	-
Bond and loan fees	-	-	-	(6,470)	(6,950)	(6,854)
Other nonoperating expense	-	-	-	-	-	(800)
Total nonoperating revenues (expenses)	(133,416)	(3,454,542)	269	(487,462)	(696,099)	(1,101,492)
Income (loss) before capital contributions	(272,369)	(2,809,204)	276,840	(359,952)	(689,996)	(898,576)
Capital contributions	-	11,597,237	3,953,992	-	-	-
Change in net assets	(272,369)	8,788,033	4,230,832	(359,952)	(689,996)	(898,576)
Net assets (deficits), beginning of year, as restated	(1,141,867)	911,530	-	1,901,737	2,633,778	(1,941,420)
Net assets (deficits), end of year	$ (1,414,236)	$ 9,699,563	$ 4,230,832	$ 1,541,785	$ 1,943,782	$ (2,839,996)

(1) Component unit was audited by other auditors.
(2) For the Year Ended December 31, 2010
(3) For the year ended May 31, 2011
(4) Unaudited

Thunderbird Associates (1)(2)	Bascom HACSC Associates (1)(2)	Opportunity Center Associates (1)(2)	Helzer Associates (1)(2)	Willows/ HACSC Associates (1)(2)	Fairground Luxury Familiy Apartments (1)(2)
$ 848,019	$ 1,266,256	$ 670,932	$ 2,179,240	$ 593,768	$ 4,001,101
8,032	7,862	-	33,796	10,262	13,181
-	-	-	-	-	-
-	-	85,175	-	-	30,381
856,051	1,274,118	756,107	2,213,036	604,030	4,044,663
163,000	221,726	236,222	460,987	125,417	416,333
-	-	-	-	-	-
120,120	169,079	96,225	172,622	67,244	348,123
266,239	237,064	264,870	482,680	47,871	300,057
37,831	38,004	55,435	105,311	26,344	111,972
-	-	-	-	-	-
335,992	396,163	474,614	877,849	206,760	2,019,844
923,182	1,062,036	1,127,366	2,099,449	473,636	3,196,329
(67,131)	212,082	(371,259)	113,587	130,394	848,334
-	-	-	-	-	-
-	-	-	-	-	-
1,382	37,272	583	146	459	8,462
-	-	-	-	-	-
(173,388)	(604,876)	(225,000)	(1,217,691)	(33,857)	(2,048,277)
(15,000)	(22,500)	(22,174)	(19,000)	(10,717)	(52,326)
-	-	-	-	-	(679,428)
-	-	-	-	-	(61,000)
-	(33,113)	(4,500)	(31,893)	(59,457)	-
(800)	(800)	-	(800)	(800)	-
(187,806)	(624,017)	(251,091)	(1,269,238)	(104,372)	(2,832,569)
(254,937)	(411,935)	(622,350)	(1,155,651)	26,022	(1,984,235)
-	-	106,339	-	-	-
(254,937)	(411,935)	(516,011)	(1,155,651)	26,022	(1,984,235)
4,307,314	2,247,085	4,222,186	1,019,520	(713,464)	27,709,236
$ 4,052,377	$ 1,835,150	$ 3,706,175	$ (136,131)	$ (687,442)	$ 25,725,001

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Revenues, Expenses and Changes in Net Assets
Discrete Component Units (Continued)
For the Year Ended June 30, 2011

	Fairground Senior Housing (1)(2)	Morrone Gardens Associates (1)(2)	Huff Avenue Associates (1)(2)	S.P.G. Housing, Inc. and Subsidiaries (1)(2)	Poco Way Associates (1)(3)	Villa Garcia, Inc. (1)(2)
Operating revenues:						
Net tenant rental revenue	$ 2,724,369	$ 854,320	$ 945,079	$ 2,330,803	$ 1,448,236	$ 1,197,025
Tenant revenue - other	-	6,614	15,195	-	54,317	31,447
Asset management fees from related parties	-	-	-	-	-	-
Donation and other	112,417	-	-	22,791	-	8,618
Total operating revenues	2,836,786	860,934	960,274	2,353,594	1,502,553	1,237,090
Operating expenses:						
Administrative	417,611	162,476	197,854	458,861	336,753	209,643
Asset/partnership management fee	-	-	-	-	-	-
Utilities	168,717	139,887	67,181	203,925	174,960	128,731
Maintenance and operations	12,138	192,220	231,855	645,986	380,028	178,238
Insurance and taxes	36,308	43,704	41,953	170,810	72,325	62,882
Other general expenses	-	-	-	-	-	-
Depreciation and amortization	1,155,671	252,526	213,841	571,496	427,214	136,968
Total operating expenses	1,790,445	790,813	752,684	2,051,078	1,391,280	716,462
Operating income (loss)	1,046,341	70,121	207,590	302,516	111,273	520,628
Nonoperating revenues (expenses):						
Intergovernmental	-	-	-	-	-	-
Loss on disposal of capital assets	-	-	-	-	-	(26,339)
Investment income	37,562	553	799	1,908	796	665
Other nonoperating revenue	-	-	-	-	-	71,938
Interest expense	(962,111)	(232,686)	(309,327)	(569,992)	(268,138)	(77,228)
Partnership and asset management fees	(25,000)	(1,200)	(15,000)	(4,038)	(15,000)	-
Ground lease	(191,668)	(20,000)	-	(200,299)		-
Incentive, issuer and invester services fees	(91,020)	-	-	-		-
Bond and loan fees	(44,783)	-	-	-		-
Other nonoperating expense	-	(800)	(2,080)	(7,188)	(781)	-
Total nonoperating revenues (expenses)	(1,277,020)	(254,133)	(325,608)	(779,609)	(283,123)	(30,964)
Income (loss) before capital contributions	(230,679)	(184,012)	(118,018)	(477,093)	(171,850)	489,664
Capital contributions	10,982,538	-	-	-	-	-
Change in net assets	10,751,859	(184,012)	(118,018)	(477,093)	(171,850)	489,664
Net assets (deficits), beginning of year	2,892,921	544,101	3,041,428	4,494,944	5,543,434	(78,480)
Net assets (deficits), end of year	$ 13,644,780	$ 360,089	$ 2,923,410	$ 4,017,851	$ 5,371,584	$ 411,184

(1) Component unit was audited by other auditors.
(2) For the Year Ended December 31, 2010
(3) For the year ended May 31, 2011
(4) Unaudited

Villa San Pedro HDC, Inc. (1)(2)	Property Management, Inc. (1)(2)	PRIDE (1)	Total
$ 1,035,557	$ -	$ -	$ 27,960,977
2,298	-	-	314,962
-	1,086,667	-	1,086,667
15,266	20	21,352	296,020
1,053,121	1,086,687	21,352	29,658,626
257,868	33,265	24,215	5,062,830
-	1,051,770	-	1,051,770
137,549	-	-	2,618,098
426,243	-	-	5,274,369
70,789	-	-	1,200,731
-	1,652	592,612	594,264
102,385	-	-	10,149,791
994,834	1,086,687	616,827	25,951,853
58,287	-	(595,475)	3,706,773
-	-	579,669	579,669
(117,380)	-	-	(143,719)
1,240	-	58	246,192
-		-	71,938
(148,715)	-	-	(11,207,992)
-	-	-	(309,255)
-	-	-	(1,111,395)
-	-	-	(1,693,989)
-	-	-	(194,020)
-	-	-	(14,849)
(264,855)	-	579,727	(13,777,420)
(206,568)	-	(15,748)	(10,070,647)
-	-	-	26,640,106
(206,568)	-	(15,748)	16,569,459
(1,573,826)	(91,139)	21,844	55,950,862
$ (1,780,394)	$ (91,139)	$ 6,096	$ 72,520,321

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Schedule of Net Assets by Program
June 30, 2011

	Conventional Housing Program	Public Housing Capital	Public Housing Capital Recovery Act	Section 8 Rental Voucher
Assets:				
Current Assets:				
Cash, cash equivalents and investments	$ 1,294,969	$ -	$ -	$ -
Accounts receivable:				
Tenants	2,792	-	-	-
HUD	-	-	-	-
Others	1,754	-	-	30,157
Interest receivable	1,111	-	-	47,854
Due from other programs	75,867	-	-	6,041,405
Due from component units and related parties	42,400	-	-	132,149
Prepaid expenses	2,334	-	-	106,320
Restricted cash and investments	-	-	-	823,779
Total current assets	1,421,227	-	-	7,181,664
Noncurrent assets:				
Advance to other programs	-	-	-	493,995
Self-help loans receivable	-	-	-	167,740
Long-term receivables from component units and related parties	-	-	-	2,167,205
Net pension asset	-	-	-	13,363,723
Other assets	-	-	-	-
Capital assets:				
Nondepreciable	5,584,172	11,400	962,491	3,959,739
Depreciable	1,439,009	495,493	-	1,136,441
Total capital assets	7,023,181	506,893	962,491	5,096,180
Total noncurrent assets	7,023,181	506,893	962,491	21,288,843
Total assets	8,444,408	506,893	962,491	28,470,507
Liabilities:				
Current liabilities:				
Bank overdraft	-	1,425	-	237,499
Accounts payable	16,178	-	-	283,051
Accrued interest payable	-	-	-	39,636
Intergovernmental payable	-	-	-	-
Due to other programs	735,643	67,730	-	1,124,524
Due to component units and related parties	-	-	-	-
Other accrued liabilities	552	-	-	168,747
Tenant security deposits	7,095	-	-	-
Deferred revenue	-	-	-	2,000
Line of credit payable	295,287	-	-	-
Current portion of accrued vacation and sick leave	-	-	-	191,702
Current portion of long-term debt	1,343,636	-	-	2,500
Total current liabilities	2,398,391	69,155	-	2,049,659
Deferred credit	-	-		-
FSS escrow	-	-		823,779
Accrued vacation and sick leave, net of current portion	-	-	-	346,498
Advance from other programs	-			-
Long-term interest payable	-	-		531,834
Long-term obligations, net of current portion	-	-	-	1,400,000
Total liabilities	2,398,391	69,155	-	5,151,770
Net Assets:				
Invested in capital assets, net of related debt	7,023,181	506,893	962,491	3,693,680
Restricted	-	-	-	-
Unrestricted	(977,164)	(69,155)	-	19,625,057
Total net assets (deficit)	$ 6,046,017	$ 437,738	$ 962,491	$ 23,318,737

Special Purpose Voucher	Moving To Work	Section 8 Moderate Rehabilitation	Shelter Plus Care	Migrant Services	Real Estate Services	Development Services
$ 4,093,217	$ 6,804,720	$ 402,006	$ 6,926	$ 100	$ 48,101	$ 40,651
-	-	-	-	-	-	-
296,990	1,078,462	355,397	1,633	-	-	-
-	-	-	-	236,370	15,440	-
-	-	184	-	-	-	-
704	3,366,256	278	385	1,609	217,411	593,911
-	-	-	-	-	1,165,193	715,886
-	-	810	638	10,466	14,441	1,802
-	-	-	-	258,216	-	900,969
4,390,911	11,249,438	758,675	9,582	506,761	1,460,586	2,253,219
-	5,744,024	-	-	-	243,680	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	2,532,342	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,744,024	-	-	-	2,776,022	-
4,390,911	16,993,462	758,675	9,582	506,761	4,236,608	2,253,219
-	-	184,497	-	-	-	-
1,000	53	2,376	255	17,618	28,169	194,255
-	-	-	-	-	25,145	-
-	-	860	-	239,545	-	-
77,572	-	193,972	26,435	106,515	6,998,191	2,571,704
-	-	-	-	4,206	-	-
-	-	3,762	1,913	3,692	27,969	8,038
-	-	-	-	68,657	-	-
59,606	-	-	-	63,968	-	-
	-	-	-	-	1,025,000	338,480
-	-	1,549	1,570	2,559	46,592	9,785
-	-	-	-	-	-	-
138,178	53	387,016	30,173	506,760	8,151,066	3,122,262
	-	-	-		-	-
-	-	-	-	-	-	-
-	-	2,785	3,051	-	87,566	16,897
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
138,178	53	389,801	33,224	506,760	8,238,632	3,139,159
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,252,733	16,993,409	368,874	(23,642)	1	(4,002,024)	(885,940)
$ 4,252,733	$ 16,993,409	$ 368,874	$ (23,642)	$ 1	$ (4,002,024)	$ (885,940)

(Continued)

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Combining Schedule of Net Assets by Program (Continued)

June 30, 2011

	Rincon Activity	Phase II Activity	Acquisition Development	Facilities Consolidation
Assets:				
Current Assets:				
Cash, cash equivalents and investments	$ 1,614,347	$ -	$ 9,987,328	$ 7,000,000
Accounts receivable:				
Tenants	-	-	-	-
HUD	-	-	-	-
Others	-	-	-	-
Interest receivable	2,482,971	-	-	-
Due from other programs	-	-	-	-
Due from component units and related parties	-	1,860,000	-	-
Prepaid expenses	-	-	-	-
Restricted cash and investments	-	10,506,609	5,012,672	-
Total current assets	4,097,318	12,366,609	15,000,000	7,000,000
Noncurrent assets:				
Advance to other funds	-	-	-	-
Self-help loans receivable	-	-	-	-
Long-term receivables from component units and related parties	15,670,000	22,802,850	-	-
Net pension asset	-	-	-	-
Other assets	-	-	-	-
Capital assets:				
Nondepreciable	730,758	-	-	-
Depreciable	-	-	-	-
Total capital assets	730,758	-	-	-
Total noncurrent assets	16,400,758	22,802,850	-	-
Total assets	20,498,076	35,169,459	15,000,000	7,000,000
Liabilities:				
Current liabilities:				
Bank overdraft	-	-	-	-
Accounts payable	-	-	-	-
Accrued interest payable	-	-	-	-
Intergovernmental payable	-	-	-	-
Due to other programs	-	-	-	-
Due to component units and related parties	-	-	-	-
Other accrued liabilities	-	-	-	-
Tenant security deposits	-	-	-	-
Deferred revenue	-	-	-	-
Line of credit payable	-	-	-	-
Current portion of accrued vacation and sick leave	-	-	-	-
Current portion of long-term debt	491,995	-	-	-
Total current liabilities	491,995	-	-	-
Deferred credit				
FSS escrow				
Accrued vacation and sick leave, net of current portion	-	-	-	-
Advance from other programs				
Long-term interest payable				
Long-term obligations, net of current portion	-	-	-	-
Total liabilities	491,995	-	-	-
Net Assets:				
Invested in capital assets, net of related debt	730,758	-	-	-
Restricted	-	10,506,609	5,012,672	-
Unrestricted	19,275,323	24,662,850	9,987,328	7,000,000
Total net assets (deficit)	$ 20,006,081	$ 35,169,459	$ 15,000,000	$ 7,000,000

Rincon Meals	United Way	Winter Shelter	Internal Service Programs	Eliminations	Total
$ 413,231	$ 54,250	$ 5,097	$ 8,267,528	$ -	$ 40,032,471
-	5,250	-	-	-	8,042
-	-	-	-	-	1,732,482
-	-	-	11,587	-	295,308
-	-	-	6,634	-	2,538,754
-	-	-	2,597,105	(12,894,931)	-
-	-	-	1,158,870	-	5,074,498
-	-	-	119,871	-	256,682
-	-	-	759,621	-	18,261,866
413,231	59,500	5,097	12,921,216	(12,894,931)	68,200,103
-	-	-	16,380	(6,498,079)	-
-	-	-	-	-	167,740
-	-	-	-	-	40,640,055
-	-	-	-	-	15,896,065
-	-	-	276,040	-	276,040
				-	
-	-	-	7,657,879	-	18,906,439
-	-	-	8,045,556	-	11,116,499
-	-	-	15,703,435	-	30,022,938
-	-	-	15,995,855	(6,498,079)	87,002,838
413,231	59,500	5,097	28,917,071	(19,393,010)	155,202,941
413,231	-	-	-	-	836,652
-	-	-	120,031	-	662,986
-	-	-	82,768	-	147,549
-	-	-	-		240,405
-	-	-	992,645	(12,894,931)	-
-	-	-	-		4,206
-	-	5,097	226,021	-	445,791
-	-	-	800	-	76,552
-	43,750	-	-	-	169,324
-	-	-	-	-	1,658,767
-	-	-	98,850		352,607
-	-	-	145,000	-	1,983,131
413,231	43,750	5,097	1,666,115	(12,894,931)	6,577,970
			1,457,531		1,457,531
-	-	-	-	-	823,779
-	-	-	179,167	-	635,964
-	-	-	6,498,079	(6,498,079)	-
-	-	-	-	-	531,834
-	-	-	8,111,459		9,511,459
413,231	43,750	5,097	17,912,351	(19,393,010)	19,538,537
-	-	-	8,206,597	-	21,123,600
-	-	-	-	-	15,519,281
-	15,750	-	2,798,123	-	99,021,523
$ -	$ 15,750	$ -	$ 11,004,720	$ -	$ 135,664,404

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Schedule of Revenues, Expenses and
Changes in Net Assets by Program
For the Year Ended June 30, 2011

	Conventional Housing Program	Public Housing Capital	Public Public Housing Capital Recovery Act	Section 8 Rental Voucher
Operating revenues:				
Rental income	$ 363,266	$ -	$ -	$ -
Service fees	-	-	-	82,416
Housing assistance payments earned	-	-	-	20,558
HUD administrative fees	-	-	-	17,842,114
Donation and other	22,993	-	-	322,206
Total operating revenues	386,259	-	-	18,267,294
Operating expenses:				
Administrative	315,546	-	-	8,629,570
Tenant services	60,573	-	-	-
Utilities	171,189	-	-	-
Maintenance and operations	233,035	-	-	-
Maintenance contracts	169,269	572,412	-	1,338
General	82,898	-	-	3,999,501
Indirect allocation	25,297	-	-	6,646,005
Depreciation and amortization	288,153	18,698	-	322,896
Housing assistance payments	-	-	-	233,835,203
Other	-	-	-	314,844
Total operating expenses	1,345,960	591,110	-	253,749,357
Operating income (loss)	(959,701)	(591,110)	-	(235,482,063)
Nonoperating revenues (expenses):				
Intergovernmental	-	-	-	-
Gain on disposition of capital assets to related party	26,591,839	-	-	-
Land lease income	-			130,039
Investment income	4,464	-	-	96,263
Interest expense	-	-	-	(43,150)
Total nonoperating revenues (expenses)	26,596,303	-	-	183,152
Income (loss) before capital contributions and transfers	25,636,602	(591,110)	-	(235,298,911)
Capital contributions	-	-	-	-
Transfers in	2,059,309	572,412	-	241,663,973
Transfers out	(53,165,652)	(57,755)	-	(4,577,654)
Change in net assets	(25,469,741)	(76,453)	-	1,787,408
Net assets (deficit), beginning of year	31,515,758	514,191	962,491	21,531,329
Net assets (deficit), end of year	$ 6,046,017	$ 437,738	$ 962,491	$ 23,318,737

Special Purpose Voucher	Moving To Work	Section 8 Moderate Rehabilitation	Shelter Plus Care	Migrant Services	Real Estate Services	Development Services
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	4,458,698	2,150,569
6,092,434	238,295,130	991,710	2,203,753	-	-	-
369,394	-	119,938	-	-	-	-
-	-	-	-	-	119,113	-
6,461,828	238,295,130	1,111,648	2,203,753	-	4,577,811	2,150,569
218,748	-	67,809	94,691	87,828	559,587	107,861
-	-	-	-	-	6,011	-
-	-	-	-	92,738	2,759	-
-	-	-	-	40,755	921,074	376
-	-	-	-	100,344	58,775	1,958
150,646	-	23,927	47,361	50,403	3,474,491	492,363
-	-	69,984	60,842	-	741,220	161,079
-	-	-	-	-	-	-
4,385,983	-	991,710	2,203,753	-	-	-
-	-	357	-	-	-	-
4,755,377	-	1,153,787	2,406,647	372,068	5,763,917	763,637
1,706,451	238,295,130	(42,139)	(202,894)	(372,068)	(1,186,106)	1,386,932
-	1,001,360	-	232,101	372,069	252	-
-	-	-	-	-	-	-
	-				-	-
3,590	48,588	-	-	-	-	969
-	-	-	-	-	-	(155,478)
3,590	1,049,948	-	232,101	372,069	252	(154,509)
1,710,041	239,345,078	(42,139)	29,207	1	(1,185,854)	1,232,423
-	-	-	-	-	-	-
-	4,577,654	-	-	-	472,432	398,911
-	(267,079,473)	-	-	-	-	(2,123,076)
1,710,041	(23,156,741)	(42,139)	29,207	1	(713,422)	(491,742)
2,542,692	40,150,150	411,013	(52,849)	-	(3,288,602)	(394,198)
$ 4,252,733	$ 16,993,409	$ 368,874	$ (23,642)	$ 1	$ (4,002,024)	$ (885,940)

(Continued)

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Combining Schedule of Revenues, Expenses and

Changes in Net Assets by Program (Continued)

For the Year Ended June 30, 2011

	Rincon Activity	Phase II Activity	Acquisition Development	Facilities Consolidation
Operating revenues:				
Rental income	$ -	$ -	$ -	$ -
Service fees	-	-	-	-
Housing assistance payments earned	-	-	-	-
HUD administrative fees	-	-	-	-
Donation and other	1,500,000	-	-	-
Total operating revenues	1,500,000	-	-	-
Operating expenses:				
Administrative	-	954	-	-
Tenant services	-	-	-	-
Utilities	-	-	-	-
Maintenance and operations	8,000	-	-	-
Maintenance contracts	-	-	-	-
General	-	-	-	-
Indirect allocation	-	-	-	-
Depreciation and amortization	-	-	-	-
Housing assistance payments	-	-	-	-
Other	-	-	-	-
Total operating expenses	8,000	954	-	-
Operating income (loss)	1,492,000	(954)	-	-
Nonoperating revenues (expenses):				
Intergovernmental	-	-	-	-
Gain on disposal of capital assets	-	-	-	-
Land lease income				
Investment income	924,509	7,563	-	-
Interest expense	-	-	-	-
Total nonoperating revenues (expenses)	924,509	7,563	-	-
Income (loss) before capital contributions and transfers	2,416,509	6,609	-	-
Capital contributions	-	-	-	-
Transfers in	17,589,572	35,162,850	15,000,000	7,000,000
Transfers out	-	-	-	-
Change in net assets	20,006,081	35,169,459	15,000,000	7,000,000
Net assets (deficit), beginning of year	-	-	-	-
Net assets (deficit), end of year	$ 20,006,081	$ 35,169,459	$ 15,000,000	$ 7,000,000

Rincon Meals	United Way	Winter Shelter	Internal Service Programs	Eliminations	Total
$ -	$ -	$ -	$ 1,059,335	$ -	$ 1,422,601
-	-	-	7,707,917	(7,704,427)	6,695,173
-	-	-	-	-	247,603,585
-	15,750	-	-	-	18,347,196
3	-	-	1,375,577	-	3,339,892
3	15,750	-	10,142,829	(7,704,427)	277,408,447
-	-	-	5,902,829	-	15,985,423
-	-	-	25	-	66,609
-	-	-	175,884	-	442,570
-	-	-	167,050	-	1,370,290
-	-	-	195,260	-	1,099,356
-	-	-	1,614,547	-	9,936,137
-	-	-	-	(7,704,427)	-
-	-	-	450,032	-	1,079,779
-	-	-	-	-	241,416,649
-	-	-	58,000	-	373,201
-	-	-	8,563,627	(7,704,427)	271,770,014
3	15,750	-	1,579,202	-	5,638,433
-	-	-	-	-	1,605,782
-	-	-	-	-	26,591,839
			51,143	-	181,182
-	-	-	23,786	-	1,109,732
-	-	-	(256,364)	-	(454,992)
-	-	-	(181,435)	-	29,033,543
3	15,750		1,397,767	-	34,671,976
-	-	-	-	-	-
413,230	-	-	2,123,076	(327,033,419)	-
-	(29,809)	-	-	327,033,419	-
413,233	(14,059)	-	3,520,843	-	34,671,976
(413,233)	29,809	-	7,483,877	-	100,992,428
$ -	$ 15,750	$ -	$ 11,004,720	$ -	$ 135,664,404

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Public Housing Combining Schedule - Balance Sheet
June 30, 2011

Line Item No.	Description	CA059 000004	CA059 000005	CA059 000006 (*)
111	Cash-unrestricted	$ -	$ 92,577	$ 56,694
113	Cash-other restricted	-	-	-
100	**Total Cash**	**$ -**	**$ 92,577**	**$ 56,694**
121	Accounts receivable - PHA projects	$ -	$ -	$ 42
122	Accounts receivable - HUD other projects	-	-	-
125	Account receivable - miscellaneous	-	20,929	2,946
126	Accounts receivable - tenants	-	-	2,792
129	Accrued interest receivable	-	277	-
120	**Total receivables, net of allowance for doubtful accounts**	**$ -**	**$ 21,206**	**$ 5,780**
131	Investments - unrestricted	$ -	$ 134,676	$ 182,405
142	Prepaid expenses and other assets	-	-	2,333
144	Inter program - due from	-	7,000	37,455
150	**Total Current Assets**	**$ -**	**$ 255,459**	**$ 284,667**
161	Land	$ -	$ 482,915	$ 3,239,171
162	Buildings	-	-	2,788,425
166	Accumulated depreciation	-	-	(853,924)
160	**Total capital assets, net of accumulated depreciation**	**$ -**	**$ 482,915**	**$ 5,173,672**
180	**Total Non-current Assets**	**$ -**	**$ 482,915**	**$ 5,173,672**
190	**Total Assets**	**$ -**	**$ 738,374**	**$ 5,458,339**
311	Bank overdraft	$ -	$ -	$ 1,425
312	Accounts payable <= 90 days	-	3,863	10,407
321	Accrued wage/payroll taxes payable	-	-	552
345	Other Current Liabilities	-	608	2,336
346	Accrued liabilities - other	-	279,267	206,892
347	Inter program - due to	-	99,573	269,234
348	Loan Liability - Current	-	-	295,287
310	**Total Current Liabilities**	**$ -**	**$ 383,311**	**$ 786,133**
350	**Total Non-Current Liabilities**	**$ -**	**$ -**	**$ -**
300	**Total Liabilities**	**$ -**	**$ 383,311**	**$ 786,133**
508.1	Invested in capital assets, net of related debt	$ -	$ 482,915	$ 5,173,672
512.1	Unrestricted Net Assets	-	(127,852)	(501,466)
513	**Total Equity/Net Assets**	**$ -**	**$ 355,063**	**$ 4,672,206**
600	**Total Liabilities and Equity/Net assets**	**$ -**	**$ 738,374**	**$ 5,458,339**

(*) CA059012, CA059016, and CA059014 are combined and reported as part of the CA059006.

CA059 000007	CA059 000008	Total AMPs	COCC	Total
$ -	$ 162,137	$ 311,408	$ 216,003	$ 527,411
-	-	-	-	-
$ -	**$ 162,137**	**$ 311,408**	**$ 216,003**	**$ 527,411**
$ -	$ -	$ 42	$ 14,370	$ 14,412
-	-	-	-	-
6,716	13,563	44,154	-	44,154
-	-	2,792	-	2,792
370	462	1,109	-	1,109
$ 7,086	**$ 14,025**	**$ 48,097**	**$ 14,370**	**$ 62,467**
$ 239,164	$ 255,361	$ 811,606	$ -	$ 811,606
-	-	2,333	-	2,333
12,000	5,000	61,455	-	61,455
$ 258,250	**$ 436,523**	**$ 1,234,899**	**$ 230,373**	**$ 1,465,272**
$ 616,972	$ 1,256,514	$ 5,595,572	$ -	$ 5,595,572
-	-	2,788,425	-	2,788,425
-	-	(853,924)	-	(853,924)
$ 616,972	**$ 1,256,514**	**$ 7,530,073**	**$ -**	**$ 7,530,073**
$ 616,972	**$ 1,256,514**	**$ 7,530,073**	**$ -**	**$ 7,530,073**
$ 875,222	**$ 1,693,037**	**$ 8,764,972**	**$ 230,373**	**$ 8,995,345**
$ 44,048	$ -	$ 45,473	$ -	$ 45,473
4,588	3,596	22,454	-	22,454
-	-	552	-	552
819	3,331	7,094	-	7,094
395,741	461,736	1,343,636	-	1,343,636
120,859	167,670	657,336	139,761	797,097
-	-	295,287	-	295,287
$ 566,055	**$ 636,333**	**$ 2,371,832**	**$ 139,761**	**$ 2,511,593**
$ -	**$ -**	**$ -**	**$ -**	**$ -**
$ 566,055	**$ 636,333**	**$ 2,371,832**	**$ 139,761**	**$ 2,511,593**
$ 616,972	$ 1,256,514	$ 7,530,073	$ -	$ 7,530,073
(307,805)	(199,810)	(1,136,933)	90,612	(1,046,321)
$ 309,167	**$ 1,056,704**	**$ 6,393,140**	**$ 90,612**	**$ 6,483,752**
$ 875,222	**$ 1,693,037**	**$ 8,764,972**	**$ 230,373**	**$ 8,995,345**

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Public Housing Combining Schedule - Income Statement
For the Year Ended June 30, 2011

Line Item No.	Description	CA059 000004	CA059 000005	CA059 000006 (*)
70300	Net tenant rental revenue	$ -	$ 67,880	$ 78,198
70400	Tenant revenue - other	9,300	4,136	4,143
70500	**Total Tenant Revenue**	**$ 9,300**	**$ 72,016**	**$ 82,341**
70710	Management Fee	$ -	$ -	$ -
70730	Book-Keeping Fee	-	-	-
70750	Other Fees	-	-	-
70700	**Total Fee Revenue**	**$ -**	**$ -**	**$ -**
71100	Investment income - unrestricted	$ -	$ 1,112	$ 17
71600	Gain or Loss on Sale of Capital Assets	-	6,547,163	4,728,154
70000	**Total Revenue**	**$ 9,300**	**$ 6,620,291**	**$ 4,810,512**
91100	Administrative salaries	$ -	$ 14,362	$ 13,764
91200	Auditing fees	-	750	1,090
91300	Management Fee	-	18,220	15,721
91310	Book-Keeping Fee	-	2,815	3,340
91500	Employee benefit contributions - administrative	-	4,535	11,914
91600	Office Expenses	-	16,080	48,442
91700	Legal Expense	409	166	1,130
91800	Travel	-	284	882
91900	Other	874	8	631
91000	**Total Operating-Administrative**	**$ 1,283**	**$ 57,220**	**$ 96,914**
92400	Tenant Services - Other	-	9,375	23,776
92500	**Total Tenant Services**	**$ -**	**$ 9,375**	**$ 23,776**
93100	Water	$ -	$ 13,598	$ 11,858
93200	Electricity	-	6,462	5,196
93300	Gas	-	715	2,224
93600	Sewer	-	6,654	9,820
93800	Other Utilities Expense	-	-	2,587
93000	**Total Utilities**	**$ -**	**$ 27,429**	**$ 31,685**
94100	Ordinary maintenance and operations - labor	$ -	$ 56,027	$ 48,730
94200	Ordinary maintenance and operations - materials and other	-	1,050	1,637
94300	Ordinary Maintenance and Operations Contracts	-	149,392	172,915
94000	**Total Maintenance**	**$ -**	**$ 206,469**	**$ 223,282**
95200	Protective services - other contract costs	$ -	$ 164	$ 3,045
95300	Protective services - other	-	63	1,651
95000	**Total Protective Services**	**$ -**	**$ 227**	**$ 4,696**
96120	Liability Insurance	$ -	$ 2,114	$ 554
96130	Workmen's Compensation	-	184	177
96140	All other Insurance	-	3,065	8,498
96100	**Total insurance Premiums**	**$ -**	**$ 5,363**	**$ 9,229**
96200	Other general expenses	$ -	$ -	$ -
96300	Payments in lieu of taxes	-	6,314	7,110
96400	Bad debt - tenant rents	-	1,622	336
96800	Severance Expense	-	-	-
96000	Total Other General Expense	**$ -**	**$ 7,936**	**$ 7,446**
96900	**Total Operating Expenses**	**$ 1,283**	**$ 314,019**	**$ 397,028**
97000	**Excess of Operating Revenue Over Operating Expenses**	**$ 8,017**	**$ 6,306,272**	**$ 4,413,484**
97400	Depreciation expense	$ -	$ 33,976	$ 115,112
90000	**Total Expenses**	**$ 1,283**	**$ 347,995**	**$ 512,140**
10010	Operating Transfer In	$ 109,025	$ 279,178	$ 2,099,955
10020	Operating Transfer Out	(18,002,802)	(7,768,001)	(7,448,764)
10000	**Excess (Deficiency) of Revenue Over (Under) Expenses**	**$ (17,885,760)**	**$ (1,216,527)**	**$ (1,050,437)**
11030	**Beginning Equity**	**$ 17,885,760**	**$ 1,571,590**	**$ 5,722,644**

(*) CA059012, CA059016, and CA059014 are combined and reported as part of the CA059006.

CA059 000007	CA059 000008	Total AMPs	COCC	Elimination	Total
$ 81,047	$ 136,141	$ 363,266	$ -	$ -	$ 363,266
2,312	3,101	22,992	-	-	22,992
$ 83,359	**$ 139,242**	**$ 386,258**	**$ -**	**$ -**	**$ 386,258**
$ -	$ -	$ -	$ 91,137	$ (91,137)	$ -
-	-	-	14,370	(14,370)	-
-	-	-	3,830	(3,830)	-
$ -	**$ -**	**$ -**	**$ 109,337**	**$ (109,337)**	$ -
$ 1,481	$ 1,853	$ 4,463	**$** -	**$** -	$ 4,463
6,821,557	8,494,964	26,591,838	-	-	26,591,838
$ 6,906,397	**$ 8,636,059**	**$ 26,982,559**	**$ 109,337**	**$ (109,337)**	**$ 26,982,559**
$ 4,978	$ 10,480	$ 43,584	$ 53,971	$ -	$ 97,555
940	-	2,780	-	-	2,780
21,473	35,723	91,137	-	(91,137)	-
3,525	4,690	14,370	-	(14,370)	-
699	8,623	25,771	35,947	-	61,718
33,122	39,630	137,274	10,319	(3,830)	143,763
208	277	2,190	4,139	-	6,329
-	-	1,166	167	-	1,333
517	38	2,068	-	-	2,068
$ 65,462	**$ 99,461**	**$ 320,340**	**$ 104,543**	**$ (109,337)**	**$ 315,546**
11,797	15,625	$ 60,573	-	-	60,573
$ 11,797	**$ 15,625**	**$ 60,573**	**$ -**	**$ -**	**$ 60,573**
$ 5,643	$ 6,543	$ 37,642	$ -	$ -	$ 37,642
25,148	32,079	68,885	-	-	68,885
7,507	10,002	20,448	-	-	20,448
10,796	14,356	41,626	-	-	41,626
-	-	2,587	-	-	2,587
$ 49,094	**$ 62,980**	**$ 171,188**	**$ -**	**$ -**	**$ 171,188**
$ 28,032	$ 91,812	$ 224,601	$ -	$ -	$ 224,601
2,941	2,805	8,433	-	-	8,433
185,803	233,487	741,597	85	-	741,682
$ 216,776	**$ 328,104**	**$ 974,631**	**$ 85**	**$ -**	**$ 974,716**
$ 3,896	$ 2,024	$ 9,129	$ -	$ -	$ 9,129
680	-	2,394	-	-	2,394
$ 4,576	**$ 2,024**	**$ 11,523**	**$ -**	**$ -**	**$ 11,523**
$ 2,858	$ 3,635	$ 9,161	$ 192	$ -	$ 9,353
67	154	582	934	-	1,516
2,617	3,110	17,290	-	-	17,290
$ 5,542	**$ 6,899**	**$ 27,033**	**$ 1,126**	**$ -**	**$ 28,159**
$ 1,530	$ 1,983	$ 3,513	$ 25,297	$ -	$ 28,810
5,596	8,914	27,934	-	-	27,934
1,103	-	3,061	-	-	3,061
-	-	-	8,710	-	8,710
$ 8,229	**$ 10,897**	**$ 34,508**	**$ 34,007**	**$ -**	**$ 68,515**
$ 361,476	**$ 525,990**	**$ 1,599,796**	**$ 139,761**	**$ (109,337)**	**$ 1,630,220**
$ 6,544,921	**$ 8,110,069**	**$ 25,382,763**	**$ (30,424)**	**$ -**	**$ 25,352,339**
$ 61,661	$ 96,102	$ 306,851	$ -	$ -	$ 306,851
$ 423,137	**$ 622,092**	**$ 1,906,647**	**$ 139,761**	**$ (109,337)**	**$ 1,937,071**
$ 390,628	$ 472,287	$ 3,351,073	$ -	$ (719,352)	$ 2,631,721
(8,760,131)	(11,963,060)	(53,942,758)	-	719,352	(53,223,406)
$ (1,886,243)	**$ (3,476,806)**	**$ (25,515,773)**	**$ (30,424)**	**$ -**	**$ (25,546,197)**
$ 2,195,410	**$ 4,533,510**	**$ 31,908,914**	**$ 121,036**	**$ -**	**$ 32,029,950**

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