

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Independent Auditor's Report, Basic Financial  
Statements and Supplementary Information**

**June 30, 2013**

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California, and its discretely presented component units as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We did not audit the financial statements of the aggregate discretely presented component units of the Authority. The discretely presented component unit financial statements 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, is based solely on the reports of the other auditors.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the County of Santa Clara and its aggregate discretely presented component units as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority. The combining discretely presented component unit financial statements, program financial schedules and public housing combining schedules are presented for purposes of additional analysis and are not a required part

of the basic 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 the other auditors, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013 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 grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Sacramento, California  
November 27, 2013

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Management's Discussion and Analysis (Unaudited)**

**Year ended June 30, 2013**

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, 2013. Please read it in conjunction with the Authority's financial statements, which follows this section.

**Financial Highlights**

- Total net position decreased from \$130.7 million to \$125.6 million as of June 30, 2013. The decrease of \$5 million, is attributed to the following:
  - During the year, the operating activity resulted in a decrease in net position of \$3.4 million, net. The programs that contributed to the deficits for the year were Move to Work, Special Purpose Vouchers, Real Estate Services and Facilities Consolidation.
  - Also, as required by GASB 61, the component units (general partner entities) which are included as blended component units, had \$1.7 million loss in equity for the year.
- As of June 30, 2013, the Authority had 9.2 million long-term outstanding debt compared to \$9.3 million at June 30, 2012. During the year, the Authority retired \$152 thousand 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 Position and the Statement of Revenues, Expenses and Changes in Net Position.
- 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

**Housing Authority of the County of Santa Clara  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**Year ended June 30, 2013**

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 Position 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 Position regardless of when cash is received or paid.

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.

**Individual Program Financial Schedules**

The combining program financial schedules provide more detailed information about the Authority's programs. The net position of these programs represents accumulated earnings since their inception, which are usually unrestricted for financial statements purposes. However, some of these earnings may be restricted by external funding sources for specific program purposes.

**Financial Analysis of the Authority**

**Net Position** - The Authority's net position decreased by \$5 million during the current fiscal year. This represents a decrease of 4% of net position when compared to the prior fiscal year. For the details explaining this decrease in the net position, refer to the Financial Highlights section noted above.

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Management's Discussion and Analysis (Unaudited) - Continued**

**Year ended June 30, 2013**

The following table indicates the net position as of June 30, 2013 and 2012 (in thousands):

	June 30,		Increase (Decrease)	
	2013	2012	Amount	%
<b>Assets:</b>				
Current and other assets	\$ 113,239	\$ 118,135	\$ (4,896)	-4%
Capital assets	28,664	29,329	(665)	-2%
Total assets	<u>\$ 141,903</u>	<u>\$ 147,464</u>	<u>\$ (5,561)</u>	
<b>Liabilities:</b>				
Current liabilities	\$ 2,112	\$ 2,793	\$ (681)	-24%
Noncurrent liabilities	14,143	13,954	189	1%
Total liabilities	<u>\$ 16,255</u>	<u>\$ 16,747</u>	<u>\$ (492)</u>	
<b>Net position:</b>				
Net investment in capital assets	\$ 19,395	\$ 19,735	\$ (340)	-2%
Restricted	1,401	7,291	(5,890)	-81%
Unrestricted	104,853	103,691	1,162	1%
Total net position	<u>\$ 125,648</u>	<u>\$ 130,717</u>	<u>\$ (5,068)</u>	-4%

The net decrease in current and other assets of \$5 million was due primarily to the factor as summarized below:

- Net decrease of \$4.6 million to fund the 6/30/2013 fiscal year deficit from the operational activity and to provide for capital and related activities. About \$0.7 million decrease was used to reduce the current liabilities.

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

- Overall Net decrease in Capital Assets of \$0.7 million is due to \$0.7 million increase in depreciation.

The decrease in current and non-current liabilities is mainly due to the following factors:

- Total current liabilities decreased by \$0.7 million mainly due to net reduction in other various current liabilities of \$0.7 million.
- Total non-current liabilities increased by \$0.2 million due to general overall net change. \$0.7 million increase mainly due to increase in unearned revenues and \$0.5 million decrease in accrued vacation and sick leave.



**Housing Authority of the County of Santa Clara  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**Year ended June 30, 2013**

**Statement of Revenues, Expenses and Changes in Net Position** - The statement shows the sources of the Authority's changes in net position as they arise through its various programs and functions. A summary of the activities for the fiscal years ended June 30, 2013 and 2012 is shown in the following table (in thousands):

	Year ended June 30,		Increase (Decrease)	
	2013	2012	Amount	%
<b>Revenues:</b>				
Operating revenues				
Rental income	\$ 954	\$ 1,147	\$ (193)	-17%
Service fees	642	432	210	49%
HAP	252,502	247,381	5,121	2%
HUD and other admin fees	15,837	22,170	(6,333)	-29%
Capital and operating grants	818	706	112	16%
Land lease income	162	161	1	1%
Other revenues	4,837	124	4,713	3801%
Nonoperating revenues:				
Investment income	<u>2,308</u>	<u>2,946</u>	<u>(638)</u>	-22%
Total revenues	<u>278,060</u>	<u>275,067</u>	<u>2,993</u>	
<b>Expenses:</b>				
Operating expenses:				
Administrative	18,767	20,295	(1,528)	-8%
Tenant services	12	67	(55)	-82%
Utilities	173	220	(47)	-21%
Maintenance	257	378	(121)	-32%
General	610	1,132	(522)	-46%
Depreciation	724	953	(229)	-24%
HAP	257,961	253,501	4,460	2%
Other	2,075	2,856	(781)	-27%
Nonoperating expenses:				
Interest expense	552	612	(60)	
Other nonoperating expenses	<u>1,998</u>	<u>-</u>	<u>1,998</u>	
Total expenses	<u>283,129</u>	<u>280,014</u>	<u>3,115</u>	
Change in net position	(5,069)	(4,947)	(122)	2%
Net position, beginning of year	<u>130,717</u>	<u>135,664</u>	<u>(4,947)</u>	-4%
Net position, end of year	<u>\$ 125,648</u>	<u>\$ 130,717</u>	<u>\$ (5,069)</u>	

**Revenues:** As compared to 2012, revenues for 2013 increased by \$3.0 million primarily due to the following:

- \$5.1 million increase in the Housing Assistance Payments earned that is represented mainly by increases in \$2.4 million for Special Purpose vouchers, \$1.7 million for Port-In vouchers, and \$0.74 million for MTW Section 8 HCV.

**Housing Authority of the County of Santa Clara  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**Year ended June 30, 2013**

- \$6.3 million decrease in Administrative fees earned, which is principally due to decreases of \$1.87 million in MTW Section 8 HCV HUD fees, \$1.77 million of Rincon and Phase 2 Activities fees, and \$2.7 million of other fees.
- \$3.6 million increase, net, in additional development services fees and various other service fees and revenues earned in the year.

**Expenses:** As compared to 2012, expenses for 2013 increased by \$3.1 million, net, mainly due to the following:

- \$4.5 million increase in Housing Assistance payments that relates mainly to Section 8 HCV, Special Purpose vouchers and Shelter Plus Care program.
- \$1.5 million decrease in administrative expenses that are principally due to reduction in employment related costs throughout the agency.

**Financial Analysis of the Authority's Programs**

At the end of the fiscal year, the unrestricted net position for the Moving to Work (MTW) program was \$0.4 million. As discussed in Note 15, "Moving to Work Program", the eligible uses of MTW funds are defined in the MTW agreements and states 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. The unrestricted net position of the separately designated programs, HUD approved MTW activities, Acquisition Development and Facilities Consolidation programs were \$15 million and \$5 million, respectively, at the end of the fiscal year.

In addition, at the end of the fiscal year, the unrestricted net position for the Conventional Housing, the Section 8 Rental Voucher, the Real Estate Services and the Development Services programs were \$0.02 million, \$20 million, (\$0.009 million) and \$2.7 million, respectively.

**Capital Acquisitions and Construction Activities**

During the fiscal year ended June 30, 2013, the Authority's activities related to construction and rehabilitation of the various projects were not significant as most of the public housing projects were disposed of during the previous years. The remaining public housing 20 units are being negotiated with HUD for its eventual disposition. 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.

**Housing Authority of the County of Santa Clara  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**Year ended June 30, 2013**

**Long-Term Debt Activity (in thousands)**

	<u>Year ended June 30,</u>		<u>Increase (Decrease)</u>	
	<u>2013</u>	<u>2012</u>	<u>Amount</u>	<u>%</u>
Notes payable:				
Section 8 Rental Voucher	\$ 1,398	\$ 1,400	\$ (2)	0%
Lease revenue bonds:				
Housing Development Corporation	<u>7,790</u>	<u>7,940</u>	<u>(150)</u>	-2%
Total long-term debt	<u>\$ 9,188</u>	<u>\$ 9,340</u>	<u>\$ (152)</u>	

During fiscal year ended June 30, 2013, the Authority's long-term debt decreased by \$152,500 due to scheduled principal retirements. Additional information on the Authority's Long-Term Debt Activity can be found in Note 8, Long Term Obligations, to the basic financial statements.

**Impact of Federal Budget Sequestration Funding Cuts**

As detailed in Note 15, Moving to Work program, due to sequestration imposed federal funding cuts, the authority is experiencing Section 8, HCV Program, funding cuts of \$16.4 million for the calendar year 2013. It also expects similar funding cuts impact again in calendar year 2014. The authority instituted significant program changes as a counter measure, and also effectively made changes to its operational and administrative structure to provide adequate cost savings that would align with these expected funding cuts for the foreseeable future.

**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 and impact of congressional sequestration federal funding cut backs in 2014 and beyond
- Local and national property rental markets that determine Housing Assistance Payments.
- Local labor supply and demand, which can affect salary and wage rates.

**Housing Authority of the County of Santa Clara  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**Year ended June 30, 2013**

- Local inflationary, economic and employment trends that can affect residents' 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.

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Statement of Net Position**

**June 30, 2013**

	Primary Government	Component Units
<u>Assets</u>		
Current assets		
Cash and cash equivalents (Note 3)	\$ 9,864,908	\$ 11,913,028
Short-term investments (Note 3)	19,679,301	-
Accounts receivable, net		
Tenants	11,614	78,120
HUD	814,133	24,006
Others	264,986	112,634
Interest receivable	8,003	-
Due from component units and related parties	957,960	428,221
Prepaid expenses	587,423	523,388
Restricted cash and cash equivalents (Note 3)	3,083,307	25,848,321
	<u>35,271,635</u>	<u>38,927,718</u>
Total current assets		
Noncurrent assets		
Long-term Investments (Note 3)	475,874	-
Self-help loans receivable (Note 4)	167,740	-
Interest receivable	1,022,316	-
Due from component units and related parties (Note 10)	5,708,289	-
Notes and leases receivable from component units and related parties (Note 10)	42,896,441	-
Note receivable from non-related party	941,604	-
Net pension asset (Note 13)	16,593,604	-
Investments in affiliated limited partnerships (Note 10)	10,161,486	-
Other assets	-	5,363,394
Capital assets (Note 6)		
Nondepreciable	17,550,343	38,938,517
Depreciable	11,113,957	326,222,427
	<u>28,664,300</u>	<u>365,160,944</u>
Total capital assets		
	<u>106,631,654</u>	<u>370,524,338</u>
Total noncurrent assets		
	<u>\$ 141,903,289</u>	<u>\$ 409,452,056</u>
Total assets		
Deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>

(continued)

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Statement of Net Position - Continued**

**June 30, 2013**

	Primary Government	Component Units
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 638,252	\$ 1,027,247
Accrued interest payable	121,174	2,941,826
Intergovernmental payable	57,770	-
Payable to component units and related parties	553,666	1,594,462
Due to primary government	-	6,762,766
Other accrued liabilities	-	872,898
Tenant security deposits	2,352	1,011,315
Unearned revenue	57	205,512
Line of credit payable (Note 7)	223,923	-
Current portion of accrued vacation and sick leave (Note 8)	334,722	-
Current portion of long-term obligations (Note 8)	180,153	3,528,907
	<u>2,112,069</u>	<u>17,944,933</u>
Total current liabilities		
Noncurrent liabilities		
Land lease credit from related parties (Note 10)	1,396,161	-
Unearned revenue	1,587,364	10,979
FSS escrow (Note 2)	862,677	-
Accrued vacation and sick leave, net of current portion (Note 8)	513,109	-
Long-term interest payable (Note 8)	578,135	24,903,839
Long-term obligations, net of current portion (Note 8)	9,205,467	277,973,689
Advance from primary government	-	34,237
	<u>14,142,913</u>	<u>302,922,744</u>
Total noncurrent liabilities		
	<u>\$ 16,254,982</u>	<u>\$ 320,867,677</u>
Total liabilities		
Deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>
<u>Net Position</u>		
Net investment in capital assets	\$ 19,394,891	\$ 62,283,416
Restricted	1,400,701	24,836,218
Unrestricted	104,852,715	1,464,745
	<u>\$ 125,648,307</u>	<u>\$ 88,584,379</u>
Total net position		

See 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 Position**

**Year ended June 30, 2013**

	Primary Government	Component Units
Operating revenues		
Rental income	\$ 953,748	\$ 35,083,562
Service fees	642,348	72,481
Housing assistance payments earned	250,771,663	-
HUD administrative fees	15,782,631	-
Port Ins housing assistance earned	1,729,523	-
Port Ins administrative fees	54,865	-
FSS coordinator fees	310,500	-
Capital fund grant	456,385	-
Operating subsidy	51,602	-
Land lease income	162,139	-
Other revenue	4,836,536	574,655
	<u>275,751,940</u>	<u>35,730,698</u>
Total operating revenues		
Operating expenses		
Salaries and benefits	17,200,143	-
Administrative	1,566,611	4,696,293
Tenant services	11,567	-
Utilities	172,877	3,138,783
Maintenance and operations	256,704	5,545,689
General	610,397	1,554,217
Depreciation and amortization	723,696	11,975,742
Housing assistance payments	256,232,431	-
Port Ins housing assistance payments	1,729,523	-
Other	2,074,782	-
	<u>280,578,731</u>	<u>26,910,724</u>
Total operating expenses		
Operating income (loss)	<u>(4,826,791)</u>	<u>8,819,974</u>
Nonoperating revenues (expenses)		
Interest income on investments and loans receivable	2,308,253	245,070
Interest expense	(552,458)	(13,406,648)
Other nonoperating expenses, net	(1,856,799)	(3,182,761)
	<u>(101,004)</u>	<u>(16,344,339)</u>
Total nonoperating revenues (expenses)		
Loss before capital contributions (distributions)	<u>(4,927,795)</u>	<u>(7,524,365)</u>
Capital contributions	<u>-</u>	<u>29,619,734</u>
Change in net position	<u>(4,927,795)</u>	<u>22,095,369</u>
Net position at beginning of year	130,717,433	66,508,205
Change in reporting entity	(141,331)	(19,195)
Net position at end of year	<u>\$ 125,648,307</u>	<u>\$ 88,584,379</u>

See 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**

**Year ended June 30, 2013**

	<u>Primary Government</u>
Cash Flows from operating activities	
Receipts from tenants	\$ 1,134,773
Receipts from customers and others	5,992,978
Receipts from housing assistance programs	268,637,151
Operating subsidy (non-operating activity)	51,602
Receipt of land lease income	162,139
Payments to suppliers for goods and services	(6,095,165)
Housing assistance payments on behalf of tenants	(256,012,981)
Payments to employees for services	(16,243,642)
	<u>(2,373,145)</u>
Cash flows from capital and related financing activities	
Proceeds from sale of capital assets to related parties and others	845,288
Acquisition of capital assets	(904,202)
Repayment of line of credit	(801,077)
Repayments of short-term and long-term liabilities	(208,509)
Interest paid	(527,684)
	<u>(1,596,184)</u>
Cash flows from investing activities	
Interest received	4,898,283
Loans made to non-related parties	(941,604)
Loans and advances to related parties and component units	(5,230,391)
Net purchase of investments	(11,178,616)
	<u>(12,452,328)</u>
Net cash used in investing activities	<u>(12,452,328)</u>
Net decrease in cash and cash equivalents	(16,421,657)
Cash and cash equivalents at beginning of year	<u>29,369,872</u>
Cash and cash equivalents at end of year	<u>\$ 12,948,215</u>
Cash and cash equivalents:	
Cash and cash equivalents	\$ 9,864,908
Restricted cash and cash equivalents	<u>3,083,307</u>
Total cash and cash equivalents	<u>\$ 12,948,215</u>

(continued)



**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Statement of Cash Flows - Continued**

**Year ended June 30, 2013**

	<u>Primary Government</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (4,826,791)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	723,696
Decrease (increase) in	
Receivables	(21,762)
Prepaid expenses	591,326
Net pension asset	1,190,422
Increase (decrease) in	
Accounts payable	311,393
Intergovernmental payable	57,709
Tenant security deposits and FSS escrow	672,986
Unearned revenue	(482,230)
Accrued vacation and sick leave	(486,476)
Other liabilities	(103,418)
Net cash used in operating activities	<u>\$ (2,373,145)</u>

See notes to financial statements

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Notes to Financial Statements**

**June 30, 2013**

**Note 1 - The Financial Reporting Entity**

**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 improve the lives of low-income families, persons with disabilities and seniors in the County by providing affordable, high-quality housing. 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 (the Board), 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.

**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 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 units are legally separate entities, and should be, in substance, part of the Authority's operations, and so data from these units are 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.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

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.

**Blended Component Units**

- **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.
- **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.
- **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.'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.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

- **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.
- **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).
- **Pinmore HDC, Inc.** - A California non-profit corporation established in September 1993 to serve as a general partner in four limited partnerships (Helzer Associates, Willows/HACSC Associates, Fairground Luxury Family Apartments and Fairgrounds Senior Housing). Pinmore HDC, Inc. 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.
- **Rotary Plaza/HACSC HDC, Inc.** - A California non-profit corporation established in May 1991 to serve as the managing general partner of Huff Avenue Associates, which was established to develop, construct, manage and provide living facilities for economically and otherwise disadvantaged persons. In April 2013, Rotary Plaza/HACSC HDC, Inc. acquired Morrone Gardens, a 102-unit apartment complex located in San Jose, California from Morrone Gardens Associates, a California limited partnership, of which Rotary Plaza/HACSC HDC, Inc. was the general partner. 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.
- **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-

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

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.

- **Program Responsible in Daring Excellence (PRIDE)** - PRIDE was established as 501(c)(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 and two board members of the Authority. In prior years, PRIDE was presented as a discretely presented component unit. Effective with fiscal year 2013, it was determined that for fiscal year ending June 30, 2013, PRIDE should be presented as a blended component unit of the Authority (see the Combining Statement of Revenues, Expenses and Changes in Net Position Discrete Component Units and the Combining Schedule of Revenues, Expenses and Changes in Net Position by Program supplementary information hereto).

For all the partnerships of which the above entities are general partners, refer to Note 16 for detailed information.

**Discretely Presented Component Units**

The discretely presented component units include nonprofit corporations and low income housing tax credit limited partnerships whose limited partners have limited rights regarding the operations of the partnerships and the Authority as general partner (directly or indirectly through a nonprofit corporation under the control of the Authority) controls the day- to-day operations of the partnerships.

The following discretely presented component units have a December 31, 2012 year end:

- **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

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

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 four controlled limited partnerships.

- **Villa Garcia, Inc. (VGI)** - A non-profit corporation established in December 1970 to manage Villa Garcia Apartments, 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 VGI. VGI is the managing general partner of Clarendon Street, L.P. (Clarendon), a California limited partnership, which was formed on June 28, 2012 to acquire, rehabilitate, and operate the Villa Garcia Apartments. In November 2012, Clarendon acquired the apartments from VGI.
- **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 March 30, 1992, in the State of California to provide services related to the management of housing units owned and controlled by the Authority and its related parties. PMI is presented as a discrete component unit because the Authority owns 100% of PMI stock. Beginning in 2012, PMI began the process of discontinuing its management services for the housing units. As of June 2013, PMI ceased providing the management services to most of the housing units. Currently, the majority of housing unit services are contracted out to third party management companies.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

For all the partnerships of which the above entities are general partners, refer to Note 16 for detailed information.

**Change in Reporting Entity**

Following the adoption of GASB 61, the Authority classified the following entities as blended component units: Avenida Espana HDC, Inc, Bracher HDC, Inc., DeRose HDC, Inc., Opportunity Center HDC, Inc., Pinmore HDC, Inc., Rotary Plaza/HACSC HDC, Inc., and Poco Way HDC, Inc. The cumulative negative net position of the entities as of July 1, 2012 in the amount of \$141,331 are included in the statement of revenues, expenses and changes in net position as change in reporting entity.

**Note 2 - Summary of Significant Accounting Policies**

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows) report information of the primary government and its component units. 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 and included in the supplementary section of this report.

**Basic Financial Statements**

The basic financial statements (i.e. the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows) report information on all of the business-type activities of the Authority and its component units. These basic financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) standards.

**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 the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Authority

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**June 30, 2013**

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.

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 U.S. Housing and Urban Development (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 position.

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.

**Summary of Significant Programs**

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD and other governmental entities. A summary of each significant program 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, 2013, this program has 20 occupied units under management in the following HUD contracts: Deborah Drive (CA059016) and Eklund Gardens I and II (CA059014).
- **Section 8 Rental Voucher Program** is used to account for the operations of the low income housing program which is funded by HUD under the annual



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**June 30, 2013**

contributions contract numbers CA-056VO and CA-059VO for approximately 16,600 units.

- **Moving to Work (MTW) Program** includes the Authority's demonstration program operations to 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.
- **Real Estate Services Program** is used to account for 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 2,600 residential housing units that are owned by the Authority and its affiliate entities. Revenues for the Real Estate Services program is mostly derived from the fees earned for these services. Beginning in 2012, the Real Estate Services Program has outsourced most of the property management, maintenance and compliance monitoring services to third party management companies.
- **Development Services Program** is used to account for 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 accounts for the major rehabilitation of existing low income housing units/projects. It earns development fees and certain specialized revenues.

**Cash and Cash Equivalents**

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).

**Restricted Cash, Cash Equivalents and Investments**

Restricted cash, cash equivalents and investments represents deposits that are used as collateral for loans made by a bank, used for replacement reserve and impound accounts, insurance reserve, security deposit and residual receipt accounts.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

All investments are stated at fair value. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**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.

**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 - 40 years
Dwelling and non-dwelling equipment	3 - 5 years
Vehicles	5 years
Computer hardware and software	3 - 5 years

**Intangible Assets**

Intangible assets consist of loan costs and are recorded at cost at the date of acquisition. Amortization is charged to the Statement of Revenues, Expenses and Changes in Net Position over the term of the related debt using the effective yield method from the date they are available for use.

**Investments in Partnerships**

Certain blended component units have investments in limited partnerships and account for their investments under the equity method of accounting. All investee partnerships are included as discrete component units.

**Impairment of Capital Assets**

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2013, there has been no impairment of the capital assets.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

**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.

**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.

**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, 2013, offsetting amounts of \$28,155,438 were eliminated.

**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, \$6,874,793 of internal charges for services has been eliminated for the year ended June 30, 2013.

**Net Position**

Net Position includes the various net earnings from operating income, nonoperating revenues and expenses, and special items. Net Position is classified in the following three components:

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

**Net investment in Capital Assets** - This component of net position 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 position component as the unspent proceeds.

**Restricted** - This component of net position 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 position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management of the Authority to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncements**

During the fiscal year ending June 30, 2013, the Authority has implemented the following new accounting standards issued by the GASB:

Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34." GASB Statement No. 61 results in the financial reporting entity's financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The adoption of this Statement resulted in a change in reporting entity with the presentation of certain component units as blended component units for the year ended June 30, 2013.

Statement No. 62, "Codification of Accounting and Financial Reporting: Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." GASB Statement No. 62 improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The adoption of this

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**Notes to Financial Statements - Continued**

**June 30, 2013**

Statement had no effect on the Authority's financial statements for the year ended June 30, 2013.

Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." GASB Statement No.63 improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The adoption of this Statement resulted in presentation changes through the basic financial statements and notes to the basic financial statements. The Statement of Net Assets has now been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

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

Statement No. 65, "Items Previously Reported as Assets and Liabilities". GASB Statement No. 65 improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2014. The adoption of GASB 65 in the next fiscal year will have a significant impact on the presentation of the financial statements as follows:

The following items classified as assets in the Statement of Net Position as of June 30, 2013 will be classified as deferred outflows of resources:

Deferred interest self-help loans	\$ 1,022,316
Net pension assets	16,593,604
Financing costs and deferred charges	<u>250,675</u>
Total	<u>\$ 17,866,595</u>

The following items classified as liabilities in the Statement of Net Position as of June 30, 2013 will be classified as deferred inflows of resources:

Deferred interest Self-help loans	\$ 1,022,316
Deferred land lease credit	<u>1,396,161</u>
Total Deferred Inflows of Resources	<u>\$ 2,418,477</u>

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**Notes to Financial Statements - Continued**

**June 30, 2013**

Statement No. 66, "Technical Corrections 2012: an Amendment of GASB Statements No. 10 and No. 62". GASB Statement No. 66 improves financial reporting by resolving conflicting guidance that resulted from the issuance of the two previous pronouncements, and amending the provisions of GASB Statement No. 62 related to accounting for (1) operating lease payments, (2) purchased loan or group of loans, and (3) servicing fees related to mortgage loans. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2014.

Statement No. 67, "Financial Reporting for Pension Plans: an Amendment of GASB Statement No. 25". GASB Statement No. 67 improves financial reporting by state and local governments for pension plans. Among other improvements, net pension liabilities will be reported on the Statement of Net Position, providing citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees for past services rendered. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2015.

Statement No. 68, "Accounting and Financial Reporting for Pensions: an Amendment of GASB Statement No. 27". GASB Statement No. 68 improves financial reporting by state and local governments for pensions and the information they provide about financial support for pensions. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through disclosures and required supplementary information. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2016.

Statement No. 69, "Government Combinations and Disposals of Governmental Operations". GASB Statement No. 69 provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold and requires disclosures about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2015.

Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". GASB Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Among other requirements, this Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee, and requires a

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**Notes to Financial Statements - Continued**

**June 30, 2013**

government to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2015.

**Note 3 - Cash, Cash Equivalents and Investments**

**Cash, Cash Equivalents and Investments**

Cash, cash equivalents and investments are presented on the accompanying statements of net position as of June 30, 2013 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
Cash and cash equivalents	\$ 9,864,908	\$ 11,913,028	\$ 21,777,936
Short-term investments	19,679,301	-	19,679,301
Restricted cash investments	3,083,307	25,848,321	28,931,628
Long-term investments	475,874	-	475,874
Total cash, cash equivalents and investments	<u>\$ 33,103,390</u>	<u>\$ 37,761,349</u>	<u>\$ 70,864,739</u>

**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 Authority entered into collateralization agreements with the custodian of its deposits pursuant to the California Government Code which 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.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

**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% collateralized 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% collateralized 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% collateralized 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% 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% 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% or 20% 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.



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**Notes to Financial Statements - Continued**

**June 30, 2013**

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% of surplus funds can be invested in Bankers' Acceptances and no more than 30% 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% of total surplus funds, provided that if the average maturity of all Commercial Paper does not exceed 31 days, up to 30% 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% 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 two years) of U.S. Corporations rated "A" or better by Moody's and S&P. Not more than 30% 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% 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. Collateralized bank deposits with a perfected security interest in accordance

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**Notes to Financial Statements - Continued**

**June 30, 2013**

with the Uniform Commercial Code (UCC) or applicable federal security regulations.

- N. Any mortgage pass-through security, collateralized 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.

**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. In general, 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. The Local Agency Investment Fund (LAIF) does not have a rating provided by a nationally recognized statistical rating organization.

The Authority is a participant in the LAIF that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (the 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. More information on LAIF investment pool can be found at <http://www.treasurer.ca.gov/pmia-laif/>.

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A summary of the Authority's Cash, Cash Equivalents and Investments at June 30, 2013 is shown below:

	S&P/Moody's Credit Rating	Fair Value	Maturities (in years)		
			Less than 1	1 - 3	3 - 5
<b>Conventional Housing Program/Rincon</b>					
Cash and Cash Equivalents	Not rated	\$ 617,899	\$ 617,899	\$ -	\$ -
State Local Agency Investment Fund	Not rated	214,094	214,094	-	-
Subtotal Conventional Housing Program/Rincon Activity		<u>831,993</u>	<u>831,993</u>	<u>-</u>	<u>-</u>
<b>Moving to Work Program</b>					
Cash and Cash Equivalents	Not rated	37,688	37,688	-	-
GE Cap Bank CD 1/25/18 1.10%	Not rated	77,922	-	-	77,922
UBOC MTW Reserve Money Market Account	Not rated	454,510	454,510	-	-
Wunderlich - Cash and sweep accounts	Not rated	22,933	22,933	-	-
State Local Agency Investment Fund	Not rated	4,644	4,644	-	-
Prime Money Market Mutual Fund	Not rated	4,790	4,790	-	-
Subtotal Moving to Work Program		<u>602,487</u>	<u>524,565</u>	<u>-</u>	<u>77,922</u>
<b>Acquisition Development/Facilities Consolidation</b>					
Cash and Cash Equivalents	Not rated	4,487,262	4,487,262	-	-
Compass Bank Birmingham Ala CD 12/23/13 0.55%	Not rated	143,003	143,003	-	-
Firstbank P R Santurce CD 11/21/17 1.25%	Not rated	199,830	-	-	199,830
State Bank India CD 1/25/18 1.20%	Not rated	198,122	-	-	198,122
Federal Home Loan Banks 8/16/13 0.27%	Moody Aaa	1,000,160	1,000,160	-	-
Comerica pledge account - MTW Reserve Acct	Not rated	5,035,643	5,035,643	-	-
Prime Money Market Mutual Fund	Not rated	165,905	165,905	-	-
State Local Agency Investment Fund	Not rated	5,151,151	5,151,151	-	-
Subtotal Acquisition Development/Facilities Consolidation		<u>16,381,076</u>	<u>15,983,124</u>	<u>-</u>	<u>397,952</u>
<b>Other Programs</b>					
Cash and Cash Equivalents	Not rated	7,420,584	7,420,584	-	-
UBOC MTW Reserve Money Market Account	Not rated	55,129	55,129	-	-
State Local Agency Investment Fund	Not rated	7,808,474	7,808,474	-	-
Prime Money Market Mutual Fund	Aaa	3,647	3,647	-	-
Subtotal Other Programs		<u>15,287,834</u>	<u>15,287,834</u>	<u>-</u>	<u>-</u>
<b>Total</b>		<u>\$ 33,103,390</u>	<u>\$ 32,627,516</u>	<u>\$ -</u>	<u>\$ 475,874</u>

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**June 30, 2013**

**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 in, Federal Home Loan Banks (5%) and State Local Agency Investment Funds (64%).

**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, 2013, none of the Authority's investments are 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 located in Morgan Hills, California. As of June 30, 2013, the Authority held seven individual loans totaling \$167,740, net of allowance, secured by the Deed of Trust. The interest rates on these loans are at the rate of 10% compounded annually. As long as the borrower owns the property and is not in violation of any provisions of the Note or the Resale agreement, both the Principal and the Interest are not payable but are deferred. The Authority, at the end of the 30 years of the date of the execution of the Note, shall forgive part of the Interest payable. Under certain circumstances the Authority shall relieve the borrower of all the obligations, including Principal, under this Note. Due to uncertainty of the payment, the annual interest receivable is not recognized as an income and is deferred, and amounts to \$1,022,316 as of June 30, 2013.

**Note 5 - Disposition of Public Housing Properties**

The Authority's Conventional Housing Program 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) and 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.

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During the fiscal year 2009, the Authority completed the disposition of Rincon Gardens by selling the 200-unit building and improvements to Rincon Gardens Associates LP and entered into a Ground Lease with Rincon Gardens Associates LP to lease the land the rental is located on.

During the fiscal year 2011, the Authority completed the disposition of six other properties by selling the 335-unit related buildings and improvements to Julian Street Partners, L.P and entered into a Ground Lease with Julian Street Partners, L.P to lease the land the properties were located on. The six real properties sold were Cypress Gardens, Lenzen Gardens, Sunset Gardens, Lucretia Gardens, Julian Gardens, and Miramar Way.

As of June 30, 2013, the Authority has three remaining public housing projects with a total of 20 rental units managed under HUD's Public Housing rules and regulations; Deborah Drive, Eklund Gardens #1 and Eklund Gardens #2. The Authority is waiting for the final confirmation from HUD in order to dispose of these remaining public housing units.

**Note 6 - Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance, June 30, 2012	Additions	Reductions/ Transfers	Balance, June 30, 2013
Capital assets, not being depreciated				
Land	\$ 17,229,032	\$ -	\$ -	\$ 17,229,032
Construction in progress	655,789	742,537	(1,077,015)	321,311
Total capital assets, not being depreciated	<u>17,884,821</u>	<u>742,537</u>	<u>(1,077,015)</u>	<u>17,550,343</u>
Capital assets, being depreciated				
Structures	16,608,671	-	231,727	16,840,398
Furniture and equipment	3,478,818	161,665	(104,417)	3,536,066
Total capital assets, being depreciated	<u>20,087,489</u>	<u>161,665</u>	<u>127,310</u>	<u>20,376,464</u>
Less accumulated depreciation				
Structures	(5,563,894)	(545,036)	-	(6,108,930)
Furniture and equipment	(3,079,334)	(178,660)	104,417	(3,153,577)
Less accumulated depreciation	<u>(8,643,228)</u>	<u>(723,696)</u>	<u>104,417</u>	<u>(9,262,507)</u>
Total capital assets, being depreciated, net	<u>11,444,261</u>	<u>(562,031)</u>	<u>231,727</u>	<u>11,113,957</u>
Total capital assets, net	<u>\$ 29,329,082</u>	<u>\$ 180,506</u>	<u>\$ (845,288)</u>	<u>\$ 28,664,300</u>

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**Note 7 - Short-Term Borrowings**

The Authority maintains a \$5,000,000 line of credit, which provides the Authority with a ready means or 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 was 3.25% at June 30, 2013, which is payable monthly. During the year ended June 30, 2013, the Authority had the following short-term borrowing activity:

	Conventional Housing Program	Real Estate Services Program	Development Services Program	Total
Balance, June 30, 2012	\$ -	\$ 1,025,000	\$ -	\$ 1,025,000
Additions	-	-	-	-
Reductions	-	(801,077)	-	(801,077)
Balance, June 30, 2013	<u>\$ -</u>	<u>\$ 223,923</u>	<u>\$ -</u>	<u>\$ 223,923</u>

In August 2013, the balance of \$223,923 has been paid in full.

**Note 8 - Long-Term Obligations**

Outstanding long-term debt consisted of the following at June 30, 2013:

Type of indebtedness (purpose)	Maturity	Interest Rate	Principal Installments	Original Issue Amount	Balance June 30, 2013
Notes payable					
Section 8 Choice Voucher Program					
Morgan Hill	6/15/2021	1%	\$ 425,000	\$ 425,000	\$ 425,000
City of San Jose (Morrone Gardens)	9/23/2024	4%	972,500	972,500	972,500
Total Section 8 Choice Voucher Program					<u>1,397,500</u>
Lease Revenue Bonds					
Internal Service Program					
2004 Series (Julian Office)	9/1/2029	1%	85,000 - 255,000	3,550,000	2,925,000
2006 (Julian Office Renovation)	9/1/2038	5%	50,000 - 510,000	5,125,000	4,865,000
Total Internal Service Program					<u>7,790,000</u>
Total Primary Government					<u>\$ 9,187,500</u>

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**Notes to Financial Statements - Continued**

**June 30, 2013**

Changes to the Primary Government long-term obligations are as follows:

Primary Government	June 30, 2012	Addition	Reductions	June 30, 2013	Due within one year
Lease Revenue Bonds	\$ 7,940,000	\$ -	\$ (150,000)	\$ 7,790,000	\$ 155,000
Notes payable					
City of Morgan Hill	425,000	-	-	425,000	-
County of Santa Clara	2,500	-	(2,500)	-	-
City of San Jose	972,500	-	-	972,500	20,000
Total Notes Payable	<u>1,400,000</u>	<u>-</u>	<u>(2,500)</u>	<u>1,397,500</u>	<u>20,000</u>
Premium on Lease Revenue Bonds					
Premium on bonds	202,079	-	-	202,079	
Premium - contra	<u>(36,744)</u>	<u>-</u>	<u>(6,124)</u>	<u>(42,868)</u>	
Total Net Premium	165,335	-	(6,124)	159,211	
Payment in Lieu of Taxes	88,794	-	(49,885)	38,909	5,153
Accrued vacation and sick leave	1,081,752	847,831	(1,081,752)	847,831	334,722
Long-term interest payable	<u>554,985</u>	<u>23,150</u>	<u>-</u>	<u>578,135</u>	<u>-</u>
Total Primary Government	<u>\$ 11,230,866</u>	<u>\$ 870,981</u>	<u>\$ (1,290,261)</u>	<u>\$ 10,811,586</u>	<u>\$ 514,875</u>

**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 seven-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. As of June 30, 2013, the letter of credit was set to expire on September 1, 2015. 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, 2015. 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, 2013 paid annual commitment fee in the amount of \$45,260. In February 2012, the Authority entered into an interest rate cap agreement with SMBC Capital Markets, Inc. which will limit the maximum interest incurred on the bonds to 6%. The interest rate cap agreement is effective for the period beginning September 1, 2015 through August 31, 2020.

On October 19, 2006, the Financing Authority issued \$5,125,000 of 2006 Lease Revenue Bonds (2006 Bonds) bearing an interest rate fixed at 5% per annum. The bond proceeds were used to provide additional financing for the renovation of the

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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 building 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 \$12,864,791 payable through September 1, 2038. For the current year, the total lease (debt service) payments made by the Authority totaled \$398,416 of which \$150,000 was applied to principal and \$248,416 to interest.

Annual debt service requirements of the Primary Government to maturity are as follows:

Year ending June 30,	Notes Payable		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest (1)
2014	\$ 20,000	\$ 43,150	\$ 155,000	\$ 286,838
2015	-	43,150	165,000	282,464
2016	-	43,150	170,000	277,886
2017	-	43,150	180,000	286,766
2018	-	43,150	190,000	936,300
2019 - 2023	425,000	215,750	1,100,000	1,211,562
2024 - 2028	952,500	40,125	1,375,000	1,047,594
2029 - 2033	-	-	1,735,000	633,632
2034 - 2038	-	-	2,210,000	111,750
2039	-	-	510,000	-
Total	<u>\$ 1,397,500</u>	<u>\$ 471,625</u>	<u>\$ 7,790,000</u>	<u>\$ 5,074,791</u>

(1) The Lease Revenue Bonds initially bear variable interest which is set weekly by the remarketing agent based upon prevailing interest rates for seven-day variable rate demand bonds of similar credit quality trading in the municipal market place during the week. On June 30, 2013, the interest rate for the 2004 Series A Bonds was 1.59% and the interest rate for the 2006 Bonds is 5%.

**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). As of the year ended June 30, 2013, the Authority has accrued \$38,909 for PILOT fees for the remaining three public housing units, Deborah Drive,



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**June 30, 2013**

Eklund Gardens #1 and Eklund Gardens #2 for periods through June 30, 2013. Of the total due, \$5,153 is expected to be paid to the County of Santa Clara by June 30, 2014.

**Note 9 - Deficit Program Net Position**

There are no programs with a significant deficit net position balance at June 30, 2013.

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**Notes to Financial Statements - Continued**

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**Note 10 - Related Parties**

**Receivables from Related Parties**

The Authority has the following receivables from related parties and other component units as of June 30, 2013:

Discrete Component Units	Receivable due from			Notes and leases Receivable			Interest Receivable			Total
	Development and Other Advances	Development Services/ Real Estate Group	Management Payroll and Overhead Charges	Notes Receivables	Lease Mortgage Receivables	Seller Take-Back Note	Interest on Notes Receivable	Interest on Lease Mortgage Receivables	Interest on Seller Take-Back Note	
AE Associates	\$ -	\$ -	\$ -	\$ 34,237	\$ 18,304	\$ -	\$ -	\$ -	\$ -	\$ 52,541
Helzer Associates		461,329								461,329
Julian Street Partners L.P,		806,704				22,802,850			2,749,346	26,358,900
Morrone Gardens Associates	51,995				119,640			297,843		469,478
Rincon Gardens Associates						15,670,000			902,497	16,572,497
San Pedro Gardens Associates			3,658	20,000	177,151					200,809
Willows/HAC SC Associates	116,710	4,292								121,002
Avenida Espana HDC, Inc.		32,782								32,782
Bracher HDC, Inc.		30,000								30,000
Pinmore HDC, Inc.		12,843		267,323						280,166
S.P.G. Housing Inc.					1,387,919					1,387,919
Vila Garcia, Inc. (Clarendon)				899,017			14,367			913,384
Property Management, Inc.	223,923									223,923
Vila San Pedro HDC, Inc.				1,500,000						1,500,000
<b>Total</b>	<b>\$ 392,628</b>	<b>\$ 1,347,950</b>	<b>\$ 3,658</b>	<b>\$ 2,720,577</b>	<b>\$ 1,703,014</b>	<b>\$ 38,472,850</b>	<b>\$ 14,367</b>	<b>\$ 297,843</b>	<b>\$ 3,651,843</b>	<b>\$ 48,604,730</b>

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**Development and Other Advances** - The Authority advanced funds to the affiliated entities for development costs and/or to finance the repurchase and acquisition of properties. These advances are non-interest bearing and are due in future years from available cash flow. The advance receivable from Avenida Espana HDC, Inc. in the amount of \$12,330,000 has been eliminated against the payable as the entity is reported as a blended component unit within the primary government financial statements.

**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, 2013, the Authority recorded an allowance for bad debts based on estimated collectability of the receivables as follows:

Partnership	Property	Amount recorded	Accrued Interest	Payments	Allowance for Bad Debts	Receivable, Net of Allowance
<b>Developer Fees - Allowance for Bad Debt</b>						
Bascon HACSC Associates	El Parador	\$ 4,307	\$ 718	\$ (5,025)	\$ -	\$ -
HASCSC/Choices Senior Associates	John C. Burns Gardens	235,753	-	(162,774)	(72,979)	-
HASCSC/Choices Family Associates	River Town	235,062	-	(182,182)	(52,880)	-
Helzer Associates	Helzer Court Apartments	437,279	24,050	-	-	461,329
Willows/HACSC Associates	The Willows	196,390	9,699	(201,797)	-	4,292
Julian Street Partners LP	Cypress, Julian, Lenzen, Lucretia, Miramar, Sunset	3,184,783	-	(2,378,079)	-	806,704
	Sub - Total	4,293,574	34,467	(2,929,857)	(125,859)	1,272,325
<b>Partnership Management Fees</b>						
Avenida Espana HDC, Inc.						\$ 32,782
Bracher HDC, Inc.						30,000
Pinmore HDC, Inc.						12,843
	Sub - Total	-	-	-	-	75,625
	Total	\$ 4,293,574	\$ 34,467	\$ (2,929,857)	\$ (125,859)	\$ 1,347,950

**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.
- **Pinmore HDC, Inc.** - The Authority advanced the organization \$267,323. The advance does not bear interest.

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**June 30, 2013**

- **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's affiliated partnership, Clarendon Street, L.P. (Clarendon), an original amount of \$1,275,397. This loan bears interest at 2.40% and matures on December 31, 2068.
- **Villa San Pedro HDC, Inc.** - The Authority has loaned the corporation \$1,500,000. The loan does not bear interest and is expected to be paid from net cash flow commencing July 1, 2015. The loan is due in full upon the earlier of the sale or transfer of the property or July 2068.

**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.
- **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.
- **S.P.G. Housing, Inc.** - 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 and annual payment of \$66,000 to the Authority which is payable from distributable cash. 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.

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**Seller Take-back Notes Receivable:**

- **Rincon Garden Associates** - On September 16, 2008, the Authority (Lessor) and the partnership (Lessee) have entered into a seller take-back 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 interest at 5.35% compounding annually, 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 take-back note in the amount of \$22,802,850 for the premises on which six 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 July 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.

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**June 30, 2013**

**Investments in Affiliated Limited Partnerships**

Investments in affiliated limited partnerships as of June 30, 2013 include the following:

Blended Component Units	Investee Partnerships	Amount
Avenida Espana HDC, Inc.	Julian Street Partners, L.P., Rincon Gardens Associates, L.P., and AE Associates, LTD.	\$ 10,406,660
Bracher HDC, Inc.	HACSC/Choices Senior Associates and HACSC/Choices Family Associates	(2,051)
DeRose HDC, Inc.	Blossom River Associates, Thunderbird Associates, and Bascom HACSC Associates	(1,402,533)
Opportunity Center HDC, Inc.	Opportunity Center Associates, L.P.	1,896,750
Pinmore HDC, Inc.	Helzer Associates, Willows HACSC Associates, Fairground Luxury Family Apartments L.P., and Fairgrounds Senior Housing, L.P.	(1,474,080)
Rotary Plaza/HACSC HDC, Inc.	Huff Avenue Associates and Morrone Gardens Associates	85,025
Poco Way HDC, Inc.	Poco Way Associates	651,715
Total		<u>\$ 10,161,486</u>

**Land Lease 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, 2013, the Authority has a deferred credit balance in the amount of \$1,396,161 related to this ground lease.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

**Guarantees, Commitments and Contingencies**

**Loan Commitments**

The Authority has committed funds for loans to various entities as of June 30, 2013. The amount of loans the Authority has committed to fund but has not funded as of June 30, 2013 is as follows:

Name of Project	Loan commitments	Funded Amount	Unfunded Amount
Eden Housing Inc.	\$ 6,500,000	\$ 941,604	\$ 5,558,396
Park Ave - Pinmore HDC	3,200,000	267,323	2,932,677
Villa San Pedro - Bendorf Drive L.P	2,300,000	1,500,000	800,000
	<u>\$ 12,000,000</u>	<u>\$ 2,708,927</u>	<u>\$ 9,291,073</u>

**Guarantees**

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, 2013, the Authority's significant guarantees and commitments are summarized as follows:

Partnership	Operating Deficit Guarantees	General Partner Demand Notes	Tax Indemnification Guarantees	Loan Repayment Guarantee
AE Associates	\$ -	\$ 150,000	\$ -	\$ -
Bascom HACSC Associates (El Parador)	-	-	863,256	-
Blossom River Associates	-	250,000	301,727	-
Bracher Associates	-	190,000	-	-
Clarendon Street, LP	-	-	-	13,000,000
DeRose Housing Associates	-	175,000	-	-
Helzer Associates	1,300,000	-	803,992	-
HACSC/Choices Family Associates	840,000	-	617,293	-
HACSC/Choices Senior Associates	630,000	-	92,243	-
Huff Avenue Associates	-	277,000	-	-
Julian Street Associates	1,900,000	-	24,707,899	-
Klamath Associates	-	71,000	-	-
Morrone Gardens Associates	-	194,000	-	-
Pinmore Associates	-	186,000	-	-
Poco Way Associates	-	460,000	111,682	-
Rincon Gardens Associates	1,400,000	-	-	-
San Pedro Gardens Associates	-	80,000	-	-
Thunderbird Associates (Villa Hermosa)	-	-	106,088	-
Willows/HACSC Associates	643,000	-	1,232	-
Total	<u>\$ 6,713,000</u>	<u>\$ 2,033,000</u>	<u>\$ 27,605,412</u>	<u>\$ 13,000,000</u>

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**Notes to Financial Statements - Continued**

**June 30, 2013**

**Note 11 - Conduit Debt**

From time-to-time, the Authority has issued multifamily housing revenue bonds to provide funds to developers of multifamily 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 1998A 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, 2013, the principal amount payable for this issue was \$11,965,000.
- **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, 2013, the principal amounts payable for this issue was \$8,010,000.
- **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



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**June 30, 2013**

- reserves, with the balance available for operating expenses. At June 30, 2013, the principal amount payable for this issue was \$6,070,000.
- **Julian Street Partners** - The Authority issued Multifamily Housing Revenue Bonds, 2010 Series A-1 loan in an amount of \$18,035,000, 2010 Series A-2 in an amount of \$26,115,000 to provide financing to Julian Street Partners LP. (Borrower), for the acquisition and rehabilitation of six affordable housing complexes. At June 30, 2013, the principal amount payable for these issues was \$16,810,000.
  - **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, 2013, the principal amount payable for these issues was \$12,851,629.
  - **Villa Garcia/Clarendon LP** - In November 2012, the Authority participated in the issuance of Multifamily Housing Revenue Bonds in the amount of \$13 million dollars. These bonds were issued to provide a portion of the financing for the acquisition and renovative construction by Clarendon St, LP. of an 80-unit multifamily rental housing development to be known as Clarendon Street Apartments (formerly Villa Garcia Apartments). As of June 30, 2013, the principal amount payable for this issue was \$13,000,000. The tax-exempt bond was purchased by Bank of the West and proceeds were distributed through three separate loan notes as follows:
    - Multifamily Housing Revenue Construction Note - \$6,143,000
    - Multifamily Housing Construction/Permanent Tranche A - \$4,725,000
    - Multifamily Housing Construction/Permanent Tranche B - \$2,132,000
  - **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, 2013, the principal amount payable on the refunding bond issues was \$4,077,000.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

***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, 2013, the Authority has the following outstanding conduit debt with non-Authority related entities:

Partnership	Project	Number of Units	Original Issue	Balance, June 30, 2013
Cedar Glen Associates	Cedar Glen	260	\$ 16,550,000	\$ 9,440,000
MP Timberwood Associates	Timberwood	286	18,415,000	11,145,000
Monte Vista Associates, LP	Monte Vista Terrace	150	13,000,000	8,980,000
MP Latham Associates	Latham Park	74	4,500,000	1,567,231
	Total			<u>\$ 31,132,231</u>

**Note 12 - 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 and 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.

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**June 30, 2013**

The Authority's deductibles and maximum coverage at June 30, 2013 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 and public officials	75,000	2,000,000	N/A
Workers' compensation	-	500,000	Statutory

Changes in the Authority's claims liability during the fiscal years ended June 30, 2013 and 2012 were as follows:

	Claims Liability July 1	Claims and Changes in Estimates	Year Claims Payments	Claims Liability June 30
2012	\$ -	\$ 20,000	\$ 20,000	\$ -
2013	-	-	-	-

**Note 13 - Retirement Plans and Other Post Employment Benefits**

**Pension Plan**

Since January 12, 2009, the Authority has entered into a contract with the California Public Employees' Retirement System (CalPERS), an agent single-employer public defined benefit pension plan, (2% at age 55 Supplemental Formula with 100% Prior Service). The CalPERS acts as a common investment and administrative agents for all participating public entities within the State of California. Copies of the CalPERS annual financial reports may be obtained from its executive office at 400 "Q" Street, Sacramento, California 95811.

**Plan Description** - All eligible Authority employees participate in CalPERS. CalPERS provide 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 five years of CalPERS-credited service. These provisions and all other requirements are established by State statute and Authority resolutions, that includes Authority's contracts with employee bargaining groups.

**Funding Policy** - The contribution requirements of plan members and the Authority are established and may be amended by CalPERS. Active plan members have an

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**Notes to Financial Statements - Continued**

**June 30, 2013**

obligation to contribute a percentage of their annual covered salary to CalPERS. For classic employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the CALPERS system), the Authority contributes the 7% employee portion on behalf of its employees since January 1, 2010. For new members (employees hired after January 1, 2013 and are new entrants to the CALPERS system), employees pay the 6.25% which is 50% of the total normal cost rate for the new benefit formula. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the 2% at age 55 retirement plan benefits for its classic members and 2% at age 62 retirement plan benefits for its new members under the California Employees' Pension Reform Act (PEPRA) provisions. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Based on the CalPERS valuation report as of June 30, 2010, the required employer contribution rate for the classic members for the year ended June 30, 2013 was 7.332%. The required employer contribution rate for the new members for the year ended June 30, 2013 was 7.332%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

**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 remaining amortization period as of June 30, 2013 is eight years.

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**June 30, 2013**

The Authority's changes in net pension asset for the year ended June 30, 2013, were as follows:

Annual required contribution	\$ 708,244
Interest on net pension asset	(1,378,262)
Amortization of net pension asset	<u>2,568,684</u>
Annual pension cost	1,898,666
Contributions made	<u>708,244</u>
Change in net pension asset	1,190,422
Net pension asset, beginning of year	<u>(17,784,026)</u>
Net pension asset, end of year	<u><u>\$ (16,593,604)</u></u>

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)
6/30/2013	\$ 1,898,666	37%	\$ (16,593,604)
6/30/2012	893,609	311%	(17,784,026)
6/30/2011	1,550,273	195%	(15,896,065)

**Funded Status and Funding Progress**

CalPERS' Board of Administration adopted updated actuarial assumption to be used beginning with the June 30, 2011 valuation. The actuarial cost method, amortization method and investment, inflation and payroll growth assumptions are the same as prior actuarial valuations. However, nearly all of the demographic assumptions have changed including (a) per year inflation adjustment of 2.75%, (b) overall payroll growth assumptions of 3%, and (c) 7.5% of investment return. 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, 2013 is eight years.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

Summary of funding progress is as follows:

Actuarial valuation date	6/30/2011
Actuarial asset value	\$ 37,177,779
Actuarial accrued liability - entry age	<u>38,572,922</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,395,143</u>
Funded ratio	96.4%
Covered payroll	\$ 11,739,875
UAAL as percentage of covered payroll	11.9%

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.

**Other Post-Employment Benefits**

**Plan Description** - The Authority provides eligible employees with post-retirement medical healthcare benefits. Upon retirement, qualified employees and spouses/domestic partners are eligible for continued medical coverage up to the Employer Coverage Cap in effect on the date of the employee's retirement. Medical provider at the time of retirement will be the same medical provider during the final year of employment unless the employee moves from the plan service area. In the event the employee moves out of the plan service area, a supplemental medical plan will be made available at that time. Participation in Part A and Part B of the Medicare plan available at the time of retirement is a requirement of the plan. The surviving spouse or domestic partner may continue to purchase medical coverage after the death of the retiree at the surviving spouse/partner's expense.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

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

In addition to its contributions of up to the \$1,600 Cap, toward the cost of retiree medical coverage, the Authority pays 100% of the cost of dental and vision insurance for those retirees that opted for the "early retirement option plans" offered by the Authority in the past as an incentive for early retirement.

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, 2013, the Authority's annual other postemployment benefits (OPEB) cost equals to its Annual Required Contributions (ARC), all amount actuarially determined in accordance with the parameters of GASB Statement 45, and based on the Authority's most recent OPEB actuarial valuation that was performed as of July 1, 2011.

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**Notes to Financial Statements - Continued**

**June 30, 2013**

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 OPEB Contributed	Net OPEB Obligation
6/30/2013	\$ 185,669	100.0%	\$ -
6/30/2012	192,089	100.0%	-
6/30/2011	283,856	100.0%	-

**Funding Status and Funding Progress** - the table below indicates the funded status of the Retiree Health Plan as of July 1, 2011 (the most recent actuarial study):

Actuarial accrued liability (AAL)	\$ 7,188,527
Actuarial value of plan assets	<u>6,975,535</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 212,992</u>
Funded ratio (actuarial value of plan assets)/AAL	97.0%
Annual covered payroll (active plan members)	\$ 11,844,890
UAAL as percentage of covered payroll	1.8%

In April 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



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**June 30, 2013**

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, 2011 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 6.39% investment rate of return and an annual healthcare cost trend rate of 9.0% for 2012, reduced by decrements to an ultimate rate of 4.5% in year 2019 and beyond. The actuarial assumptions also include a 3.25% salary increase. 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 14 - Commitments and Contingent Liabilities**

**Lawsuit and Claims**

The Authority is subject to lawsuits and claims which arise out of the normal course of its activities. In the opinion of the management of the Authority and based upon the opinions of legal counsel, the disposition of any and all such actions, of which it is aware, will not have a material effect on the financial position of the Authority.

**Operating Lease**

In October 2011, the Authority entered into a two-year office lease for office space in downtown San Jose commencing November 1, 2011. The average monthly rent is \$15,000 for the term of the lease.

**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, 2013, approximately 97% of operating revenues and 77% of accounts receivables reflected in the financial statements are from HUD. The

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Authority operates in a highly 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 15 - 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, MTW Authority) entered into Moving-to-Work Demonstration (MTW) agreements on February 26, 2008. These agreements are effective from January 2, 2008 until the MTW Authority's fiscal year 2018. Under MTW, the MTW 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 Fund to separately account for the Excess HAP while the remaining balances are maintained in the Section 8 Rental Voucher Fund. The Conventional Housing Program (Public Housing) and the Public Housing Capital (Capital) Reserves are also considered MTW Reserves and are reported as unrestricted net position in its separate programs.

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 position balance in accordance with GAAP. Unrestricted net position also include, but are not limited to, interest and investment income on HAP investments. The eligible uses of MTW funds are defined in the MTW agreements and states that the eligibility would be as under Sections 9(d)(1), 9(e)(1) and 8(o) of the 1937 Act. Thus the MTW 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

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may be subject to recapture by HUD based on future Congressional Appropriations Bills and HUD Rules and Regulations.

The Authority's current fiscal year 2013 HUD funding, being discretionary federal funds, was affected by the 2013 Federal Budget cuts, called Sequestration Cuts. The Sequestration is series of automatic, across the board, federal budget funding cuts. These cuts directly impacted funding for the Section 8 Housing Choice Voucher program and Public Housing program effective January 1, 2013.

Since Section 8 Housing Choice Voucher program, a MTW Program, is a significant financial activity program of the Authority, the sequestration cuts resulted in loss of HUD Section 8 HCV housing assistance revenues of approximately \$14 million, and administrative fees funding of approximately \$2.4 million for the calendar year 2013. This equates to 5.6% and 14.8% respectively of the funding prior to sequestration. Thus, in total about \$16.4 million for the calendar year 2013, half of which was in the six month period ended June 2013. These cuts were on top of annual federal budget cuts, due to continuing resolution passed by Congress for the Federal fiscal year 2013, of \$4.7 million, of which \$1 million in HAP funding and \$3.7 in administrative fees for Section 8 HCV Program.

Despite the uncertainty posed by the congressional impasse, the Authority expects the Sequestration Cuts to continue in the calendar year 2014 and possibly beyond, and thus anticipate steep drop in revenues for the Section 8 HCV program in the foreseeable future.

To address these funding cuts the Authority has made a significant shift in the operational and administrative structure of the program, and thus reduced overall program administrative costs. Secondly, the Authority, effective September 2013, has made, with HUD's approval, significant program changes to proportionately reduce the Housing assistance payments it makes on behalf of the program participants. These program changes are:

- Increase in the tenant contribution of the rent from 30% to 35%;
- Implemented revised subsidy standards;
- Freeze issuance of new vouchers;
- Limit additions to households, etc.

The Authority expects that the savings from these program changes will be adequate to provide for the 2013 and expected 2014 HUD sequestration budget funding cuts.

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**June 30, 2013**

During the year ended June 30, 2013, the Section 8 Rental Voucher Program and the Moving to Work Unrestricted Net Position activities are as follows:

	Section 8 Rental Voucher Program			Moving to Work Program		
	Excess Administrative Fee Reserves	Tenant Protection	Total Section 8 Rental Voucher Program	MTW Reserves	** Park Avenue	Total Moving To Work Program
Balance, June 30, 2012	\$ 19,292,529	\$ 223,311	\$ 19,515,840	\$ 11,156,772	\$ -	\$ 11,156,772
Year ended June 30, 2013 activity						
Add: Transfer in-Beginning reserve of Park Avenue **					(19,345)	(19,345)
HAP Earned	-	-	-	239,876,730		239,876,730
HAP Earned Portability				1,729,523		1,729,523
Admin Fee Earned	-	-	-	14,833,268		14,833,268
Admin Fee Portability				54,865		54,865
FSS Coordinator Fees	-	-	-	310,500		310,500
Investment and Interest Income Earned	11,492		11,492	2,164		2,164
Others income: Land Lease and Ground Leases	429,298		429,298			-
Others Misc. Income	15,624		15,624			-
50% of Fraud Recovery	19,332		19,332	19,332		19,332
FSS Escrow Forfeits			-	7,131		7,131
HAP Expenses	(244,237,839)	(235,927)	(244,473,766)			-
HAP Expenses Portables	(1,729,523)		(1,729,523)			-
Administrative and Operational Expenses	(17,394,262)	(16,861)	(17,411,123)		(14,067)	(14,067)
Net Increase/(Decrease) in Long Term Obligations	(2,500)		(2,500)			-
Net (Increase)/Decrease in Capital Assets	104,761		104,761		(5,830,193)	(5,830,193)
Transfer in:						-
Trf from 2011's Capital Grant Reserves to Cover for HAP Deficit				425,371		425,371
Trf fr. Facilities Consolidation Funds to Cover for HAP Deficit				1,895,000		1,895,000
Transfer out:						-
To Eklund 1, Eklund II and Deborah to Cover for Operating Costs				(25,000)		(25,000)
To RESD for Reimb. of Expenses for MTW Eligible Activities				(222,467)		(222,467)
Interfund Transfers between MTW and MTW Related Prg.	263,564,368	244,680	263,809,048	(263,809,049)		(263,809,049)
Subtotal year ended June 30, 2013 activity	780,751	(8,108)	772,643	(4,902,632)	(5,863,605)	(10,766,237)
Balance, June 30, 2013	\$ 20,073,280	\$ 215,203	\$ 20,288,483	\$ 6,254,140	\$ (5,863,605)	\$ 390,535

\*\*The Park Avenue project acquired the land using MTW funds and this is being transferred to the MTW program from the HARA program.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

**Note 16 - Discretely Presented Component Units**

The following partnerships are considered discrete component units of the Authority and are presented in accordance with GASB No. 61. 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. 61, 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.

All the partnerships and the underlying projects operate under the low-income housing tax credits program of Section 42 of the Internal Revenue Code (Section 42) which regulates the use of the Project as to occupant eligibility and unit gross rent among other requirements. Each Partnership entered into a regulatory with the tax credit agency which subject the Project to Section 42 for a period up to 55 years from the date of completion of the Project.

**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).

**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:

Note payable to State of California, Department of Housing and Community Development Housing Construction Program (RHCP): the note is secured by the Project, bears simple interest at 3%, matures in December 2048, and is payable in annual payments of principal and interest from excess/distributable cash.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

Note payable to City of San Jose: the note bears no interest, is due in full in October 2022, and payable in annual payments of 25,000 with additional payments from excess/distributable cash.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
RHCP note	\$ 1,945,331	\$ 3,285,000	\$ 5,230,331	\$ -
City of San Jose	-	1,368,231	1,368,231	25,000
Total	\$ 1,945,331	\$ 4,653,231	\$ 6,598,562	\$ 25,000

**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.

**Ground Lease** - The Partnership leases 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:

Housing Authority of the County of Santa Clara Multifamily Housing Revenue Bonds 2008 Series A-1 and A-2 loans, 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.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

	December 31, 2012			Amounts due within one year
	Interest payable	Principal	Total	
2008 Series A-1 and A-2 bonds.	\$ -	\$ 16,108,757	\$ 16,108,757	\$ 427,540

**Julian Street Partners, L.P.:**

Julian Street Partners, L.P. (Partnership) operate six 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) (together the Projects).

**Ground Lease** - The projects were built on land owned by and leased from the Authority, on a 75-year term, which expires in 2085. Under the terms of the lease, the Partnership pays a rent of \$1 per each site per year or \$6 in the aggregate, and title to the improvements reverts to the lessor at the end of the lease.

**Seller Take-Back Note** - On November 19, 2010, the Authority sold 335 public housing units of the Projects to the Partnership to the Partnership and provided a seller take-back note in the amount of \$22,802,850 (Authority Loan). The Authority Loan is secured by a subordinate deed of trust recorded against the Projects properties, bears interest at 4.35% and matures on December 31, 2055.

**Long-Term Debt** is summarized as follows:

Housing Authority of the County of Santa Clara Multifamily Housing Revenue Bonds 2010 Series A-1 loan, in the maximum amount of \$18,035,000, bears interest at 4.21%. Interest-only payments were due monthly until the loan was converted in June 2012 to a 15-year bond amortizing loan, with the entire principal and interest due in full in November 2027.

	December 31, 2012			Amounts due within one year
	Interest payable	Principal	Total	
Revenue Bonds 2010 Series A-1 loan	\$ 126,660	\$ 18,035,000	\$ 18,161,660	\$ 815,000

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Notes to Financial Statements - Continued**

**June 30, 2013**

**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).

**Long-Term Debt** is summarized as follows:

Note payable to City of Santa Clara (Successor agency to the Redevelopment Agency of the City of Santa Clara), bears simple interest at 2%, due in full in April 2042, and payable annually in principal and interest from excess/distributable cash.

Series 2001A Multifamily Housing Revenue Bonds issued by the Authority: the bonds bear interest at rates ranging from 3.95% to 6% and mature in August 2041. Monthly principal and interest payments of \$34,419 are made to a trustee, and semi-annual payments to bondholders are made in August and February.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
City of Santa Clara	\$ 1,195,851	\$ 5,317,000	\$ 6,512,851	\$ -
Series 2001A Bonds	149,945	6,110,000	6,259,945	229,945
Total	\$ 1,345,796	\$ 11,427,000	\$ 12,772,796	\$ 229,945

**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.

**Long-Term Debt** is summarized as follows:

Note payable to City of Santa Clara (Successor agency to the Redevelopment Agency of the City of Santa Clara), bears simple interest at 2%, due in full in April 2042, and payable annually in principal and interest from excess/distributable cash.

Series 2001A Multifamily Housing Revenue Bonds issued by the Authority: the bonds bear interest at rates ranging from 3.95% to 6% and mature in August 2041. Monthly principal and interest payments of \$45,385 are made to a trustee, and semi-annual payments to bondholders are made in August and February.



**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

Note payable to 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, to be repaid in full by October 2058.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
City of Santa Clara	\$ 917,325	\$ 3,892,000	\$ 4,809,325	\$ -
Series 2001A Bonds	199,756	8,060,000	8,259,756	304,756
California HCD	830,397	4,050,500	4,880,897	-
Total	\$ 1,947,478	\$ 16,002,500	\$ 17,949,978	\$ 304,756

**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 2000-1, LLC is the 99.9% Limited Partner (LP). The Partnership operates Blossom River Apartments which consists of one residential building containing 144 units.

**Long-Term Debt** is summarized as follows:

Tax-exempt Bonds Series A issued the City of San Jose: the bonds are 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 guaranty 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.

Note payable to City of San Jose: the note is secured by a deed of trust, 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.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
1998 Series A Bonds	\$ 260,975	\$ 12,045,000	\$ 12,305,975	\$ 822,445
City of San Jose Note	4,847,626	4,134,900	8,982,526	-
Total	<u>\$ 5,108,601</u>	<u>\$ 16,179,900</u>	<u>\$ 21,288,501</u>	<u>\$ 822,445</u>

**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 Partnership operates Villa Hermosa Apartments which consists of 100 units.

**Long-Term Debt** is summarized as follows:

Note payable to Citibank: the note is secured by the Project, bears interest at a variable rate, payable in monthly payments of principal and interest of \$15,447, maturing October 1, 2029.

Note payable to City of San Jose: the note is secured by a deed of trust, bears interest at 5% per annum compounded annually, payable annually up to 100% of Net Cash Flow, maturing August 1, 2029.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
Citibank Note	\$ 9,497	\$ 2,006,242	\$ 2,015,739	\$ 261,255
City of San Jose Note	15,985	670,581	686,566	15,985
Total	<u>\$ 25,482</u>	<u>\$ 2,676,823</u>	<u>\$ 2,702,305</u>	<u>\$ 277,240</u>

**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 Partnership operates El Parador Apartments which consists of one residential building containing 125 units.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

**Long-Term Debt** is summarized as follows:

Tax-exempt Bonds Series A and B issued by the City of San Jose: the Series A and Series B bonds, dated December 7, 2000, in the amount of \$6,130,000 and \$900,000, respectively, are multifamily housing revenue bonds 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 six 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 six months, amortized over a 13-year, 2-month term.

Note payable to City of San Jose, 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.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
Tax-exempt Bonds Series A and Series B	\$ 181,907	\$ 5,930,002	\$ 6,111,909	\$ 331,907
City of San Jose Note	1,494,178	6,979,530	8,473,708	-
Total	\$ 1,676,085	\$ 12,909,532	\$ 14,585,617	\$ 331,907

**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 housings complex located in Palo Alto, California, which is currently operating under the name of Opportunity Center of the Mid-Peninsula (the Project).

**Long-Term Debt** is summarized as follows:

Note payable to the Department of Housing and Community Development Multifamily Housing (HCD), consisting of a loan for assisted units of \$7,000,000 and a loan for nonresidential space for supportive services of \$500,000, bears 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, maturing in April 2062.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

Note payable to City of Palo Alto, bears contingent interest up to 3% depending on the Project's available excess/distributable cash, due in full in April 2062.

Note payable to County of San Mateo, bears contingent interest up to 3% depending on the Project's available excess/distributable cash, due in full in April 2062.

Note payable to Lenders for Community Development, bears no interest, due in full in April 2062.

Note payable to County of Santa Clara Affordable Housing Funds Loan, bears contingent interest up to 3% depending on the Project's available excess/distributable cash, due in full in April 2062.

Note payable to 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.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
HCD	\$ 1,112,921	\$ 7,500,000	\$ 8,612,921	\$ -
City of Palo Alto	-	750,000	750,000	-
County of San Mateo	-	450,000	450,000	-
Lenders for Community Development	-	500,000	500,000	-
County of Santa Clara Affordable Housing Funds Loan	-	1,000,000	1,000,000	-
County of Santa Clara HOME Program Loan	-	500,000	500,000	-
Total	\$ 1,112,921	\$ 10,700,000	\$ 11,812,921	\$ -

**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 2001-1, L.P. are the 99.9% limited Partners (LPs). The Partnership operates Helzer Apartments (the Project) which consists of 155 units.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

**Long-Term Debt** is summarized as follows:

Tax-exempt multi-family revenue bonds Series A issued by the City of San Jose, dated May 1, 1999, in the amount of \$16,948,000. The bonds mature 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.

Note payable to City of San Jose, 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.

Note payable to California Housing Finance Agency (CalHFA), 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.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
1999 Series A bonds	\$ 82,582	\$ 15,528,000	\$ 15,610,582	\$ 262,582
City of San Jose Note	1,894,491	5,916,366	7,810,857	-
CalHFA note.	-	333,547	333,547	-
Total	\$ 1,977,073	\$ 21,777,913	\$ 23,754,986	\$ 262,582

**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 2000-1, LLC is the 99.9% Limited Partner (LP). The Partnership operates the Willows which consists of 47 units. The Project operates under Section 42 which regulates the use of the Project as to occupant eligibility and unit gross rent among other requirements through 2058.

**Long-Term Debt** is summarized as follows:

Series 2005 tax exempt bonds issued by the Authority in the amount of \$4,284,000: the bonds are secured by the Project and an irrevocable direct pay

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

Letter of Credit issued by Union Bank of California, N.A. maturing April 1, 2040. The bonds bear interest at a variable rate determined weekly, not to exceed the Maximum Interest Rate, as defined in the loan agreement. Payments of principal and interest are due every six months on June 1 and December 1.

LCD Note in the amount of \$427,000: the note is secured by the Project, bears a simple interest rate at 2% per annum, matures January 1, 2045, and payable annually from residual receipts up to 50% of the Surplus Cash:

	December 31, 2012			Amounts due within one year
	Interest payable	Principal	Total	
Series 2005 Bonds outstanding	\$ 608	\$ 4,131,000	\$ 4,131,608	\$ 56,608
LCD Note	11,216	280,401	291,617	-
Total	\$ 11,824	\$ 4,411,401	\$ 4,423,225	\$ 56,608

**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. The managing general partner of the Partnership is Pinmore HDC, Inc., the co-general partner is ROEM Fairgrounds Family, LLC, the special limited partner is Hudson SLP, LLC, and the investor limited partner is Hudson Fairgrounds ROEM, LLC.

**Long-Term Debt** is summarized as follows:

Permanent loan payable to California Housing Finance Authority (CalHFA): the loan is secured by a deed of trust, bears interest at a fixed rate of 5.7% per annum, payable in monthly installments of principal and interest of \$128,312, and matures February 1, 2048.

Permanent loan payable to the City of San Jose: the loan is secured by a deed of trust, bears interest at a fixed rate of 4% per annum, payable out of available cash flow, as defined in the loan agreement, and matures March 1, 2046.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
CalHFA	\$ 110,942	\$ 23,356,249	\$ 23,467,191	\$ 324,907
City of San Jose	2,009,520	17,245,082	19,254,602	
Total	\$ 2,120,462	\$ 40,601,331	\$ 42,721,793	\$ 324,907

**Fairgrounds Senior Housing, 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 general partners of the Partnership are Pinmore HDC, Inc. (0.005% interest) and ROEM FG Senior, LLC (0.005% interest). The limited partners are Alliant Tax Credit Fund 52, Ltd. (99.98% interest) and Alliant ALP 52, (0.01% interest).

**Long-Term Debt** is summarized as follows:

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. provided notes 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 six months of the interim phase and a 5.5% fixed interest rate during the permanent phase. The bonds mature July 12, 2040.

Loan payable to the City of San Jose: the loan is secured by a deed of trust, in the amount of up to \$12,300,000. 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 loan matures July 12, 2040.

Note payable to the County of Santa Clara: the loan, in the amount of \$1,475,000, is secured by a deed of trust, bears interest at 4% per annum until the Project has obtained a notice of completion, and at 3% per annum thereafter until maturity (55 years from the date of completion). Annual payments of principal and interest are contingent on available residual receipts, as defined in the note.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
City of San Jose Revenue Bonds	\$ 58,947	\$ 13,150,000	\$ 13,208,947	\$ 393,947
City of San Jose loan	489,579	8,036,582	8,526,161	-
County of Santa Clara note	34,168	1,447,396	1,481,564	-
Total	<u>\$ 582,694</u>	<u>\$ 22,633,978</u>	<u>\$ 23,216,672</u>	<u>\$ 393,947</u>

**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 (GM and MH1FED 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. The Partnership operates Morrone Gardens Apartments which consists of 102 units.

**Long-Term Debt** is summarized as follows:

Note payable to California Community Reinvestment Corporation Note (CCRC Note): the note dated September 23, 1994, in the original amount of \$2,982,000, is secured by the Project, bears interest at 6.5% per annum, and is payable in monthly payment of principal and interest of \$19,688 until maturity on October 1, 2024.

Note payable to the City of San Jose: the note dated April 1, 2010, in the amount of \$1,802,332, is secured by the Project, bears simple interest at 4% per annum, is payable in principal and interest annually up to 100% of Net Cash Flow as defined in the note, and matures in September 2024.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
CCRC Note	\$ -	\$ 1,937,706	\$ 1,937,706	\$ 113,647
City of San Jose Note	1,211,409	1,802,333	3,013,742	-
Total	<u>\$ 1,211,409</u>	<u>\$ 3,740,039</u>	<u>\$ 4,951,448</u>	<u>\$ 113,647</u>



**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

**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% General Partner and Edison Capital Housing Partners VII, L.P. is the 99% Limited Partner. 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. 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 HUD. The contract obligates HUD to provide rent subsidies through December 31, 2016.

**Long-Term Debt** is summarized as follows:

Note payable to the City of San Jose, 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 Net Cash Flow which shall be applied first to reduce accrued interest, and then to reduce the outstanding principal amount. The remaining unpaid principal and accrued interest are due March 11, 2027.

Note payable to ARCS Commercial Mortgage Co., L.P. (ARCS 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 are due until maturity on August 1, 2036.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
City of San Jose Note	\$ 406,314	\$ 949,621	\$ 1,355,935	\$ 391,837
ARCS Note	-	3,637,354	3,637,354	65,691
Total	\$ 406,314	\$ 4,586,975	\$ 4,993,289	\$ 457,528

**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

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

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:

- 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.
- 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.
- 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.
- 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.

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.

**Long-Term Debt** is summarized as follows:

***Bracher Associates***

Note payable to Citibank: the note bears interest at 6.5% per annum, is payable in monthly installments \$12,736 until maturity in January 2026. The interest rate and monthly payment may be adjusted in February 2016.

Citibank Affordable Housing Program loan: the loan bears no interest and is due in January 2026.

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

Note payable to City of Santa Clara (Successor agency to the Redevelopment Agency of the City of Santa Clara): the note bears interest at 6%, is payable from excess/distributable cash and is due in August 2024.

***San Pedro Gardens Associates***

Note payable to Citibank: the note bears adjustable interest (currently 3.750%) per annum and payable in monthly installments of \$1,665 until maturity.

Note payable to State of California. Department of Housing and Community Development Rental Housing Construction Program (RHCP): the note bears simple interest at 3% and due in full in January 2047. Annual payments of principal and interest are payable from excess/distributable cash.

***Klamath Associates***

Note payable to Citibank: the note bears adjustable interest rate (currently at 6.75%), is payable in monthly installments of \$5,045 until maturity in May 2027. An adjustment will occur in June 2017 when the interest rate shall be adjusted to 2% over the average monthly 10-year treasury constant maturity yield, not to exceed 12.42% per annum or to fall below 6.42%.

Note payable to City of Santa Clara (Successor agency to the Redevelopment Agency of the City of Santa Clara): the note bears simple interest at 6% and is due in full in February 2025. Annual payments of principal and Interest are payable from excess/distributable cash.

***Pinmore Associates***

Note payable to Citibank: the note bears adjustable interest (currently 7.6% per annum), is payable in monthly installments of \$12,342 until maturity in January 2026. Another adjustment will occur in February. 2021.

Note payable to the City of San Jose: the note in the original amount of \$1,490,000, bears simple interest at 4% until maturity in January 2025. Annual payments of principal and interest are payable from excess/distributable cash.

***S.P.G. Housing, Inc. - DeRose***

Note payable to Citibank: the note in the original amount of \$1,015,000, bears adjustable interest rate (currently 6.96% per annum), is payable in monthly installments of \$6,989, and is due in full in October 2026. Another adjustment will occur in 2016.

Note payable to the City of San Jose: the note 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

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

terms of the loan were amended in 2007 from which date the loan shall not accrue interest and the accumulated interest on the loan was forgiven as part of the amendment.

	December 31, 2012			Amounts due within one year
	Interest payable	Principal	Total	
<b><i>Bracher Associates</i></b>				
Citibank loan	\$ -	\$ 1,338,713	\$ 1,338,713	\$ 67,807
Citibank AHP loan	-	126,000	126,000	-
City of Santa Clara	612,086	1,550,000	2,162,086	-
Total Bracher Associates	612,086	3,014,713	3,626,799	67,807
<b><i>San Pedro Gardens Associates</i></b>				
Citibank	-	166,408	166,408	13,981
RHCP loan	890,427	1,489,500	2,379,927	-
Total San Pedro Gardens Associates	890,427	1,655,908	2,546,335	13,981
<b><i>Klamath Associates</i></b>				
Citibank loan	-	555,113	555,113	23,664
City of Santa Clara note	685,252	681,176	1,366,428	-
Total Klamath Associates	685,252	1,236,289	1,921,541	23,664
<b><i>Pinmore Associates</i></b>				
Citibank loan	6,466	1,373,346	1,379,812	79,170
City of San Jose loan	1,003,349	1,488,125	2,491,474	-
Total Pinmore Associates	1,009,815	2,861,471	3,871,286	79,170
<b><i>S.P.G. Housing, Inc. - DeRose</i></b>				
Citibank loan	-	740,939	740,939	33,348
City of San Jose loan	-	1,400,000	1,400,000	-
Total DeRose	-	2,140,939	2,140,939	33,348
Total	<u>\$ 3,197,580</u>	<u>\$ 10,909,320</u>	<u>\$ 14,106,900</u>	<u>\$ 217,970</u>

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

**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 and MHIFED 96 Limited Partnerships is the 99% Limited Partner. 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. The Partnership operates the Poco Way Apartments which consists of 130 units of family rental housing.

**Long-Term Debt** is summarized as follows:

Note payable to Citibank: the note dated February 2, 2005, in the amount of \$4,669,000, is secured by the Project and 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.

Note payable to the City of San Jose: the note dated May 30, 1997 in the amount of \$5,786,958, is secured by a deed of trust, bears 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 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.

	May 31, 2013			
	Interest payable	Principal	Total	Amounts due within one year
Citibank Note	\$ -	\$ 3,764,684	\$ 3,764,684	\$ 519,060
City of San Jose Notes	-	6,297,774	6,297,774	-
Total	\$ -	\$ 10,062,458	\$ 10,062,458	\$ 519,060

**Housing Authority of the County of Santa Clara  
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**Notes to Financial Statements - Continued**

**June 30, 2013**

**Villa Garcia, Inc.**

VGI receives Section 8 housing assistance payments from HUD under a contract that expires on June 30, 2024.

**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.

**Long-Term Debt** is summarized as follows:

Note payable to CHRP: the 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.

Note payable to the City of San Jose, 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.

	December 31, 2012			
	Interest payable	Principal	Total	Amounts due within one year
CHRP note	\$ 980,637	\$ 4,156,798	\$ 5,137,435	\$ 19,489
City of San Jose note	105,215	691,875	797,090	105,215
Total	\$ 1,085,852	\$ 4,848,673	\$ 5,934,525	\$ 124,704

**Property Management, Inc.**

A for-profit corporation founded March 30, 1992, in the State of California to provide services related to the management of housing units owned and controlled by the Authority and its related parties. PMI is presented as a discrete component unit because the Authority owns 100% of PMI stock. Beginning in 2012, PMI began the process of discontinuing its management services for the housing units. As of June 2013, PMI ceased providing the management services to most of the housing units. Currently, the majority of housing unit services are contracted out to third party management companies.

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Notes to Financial Statements - Continued**

**June 30, 2013**

**Note 17 - Subsequent Events**

Management evaluated all activity of the Authority through November 27, 2013 and concluded that no subsequent event has occurred that would require recognition in the financial statements or disclosure in the notes to financial statements except as disclosed in Note 15.

**Required Supplementary Information**



**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Required Supplementary Information (Unaudited)**

**June 30, 2013**

**Schedule of Funding Progress - Pension Benefits**

The 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 June 30, 2012.

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
6/30/2009	\$ 13,317,064	\$ 29,304,934	\$ 15,987,870	45.4%	\$ 12,874,796	124.2%
6/30/2010	31,452,488	35,087,140	3,634,652	89.6%	13,362,748	27.2%
6/30/2011	37,177,779	38,572,922	1,395,143	96.4%	11,739,875	11.9%

**Schedule of Funding Progress - Postemployment Healthcare Benefits**

The 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, 2012.

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
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%
7/1/2011	6,975,535	7,188,527	212,992	97.0%	11,844,890	1.8%

Housing Authority of the County of Santa Clara  
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Combining Statement of Net Position  
Discrete Component Units

Year ended June 30, 2013

Component Unit Audit Year End	AE Associates LTD * 12/31/2012	Rincon Gardens Associates, L.P.* 12/31/2012	Julian Street Partners, L.P. * 12/31/2012	HACSC Choices Senior Associates * 12/31/2012	HACSC Choices Family Associates * 12/31/2012	Blossom River Associates * 12/31/2012	Thunderbird Associates * 12/31/2012	Bascom HACSC Associates * 12/31/2012	Opportunity Center Associates, L.P. * 12/31/2012	Helzer Associates * 12/31/2012	Willows HACSC Associates * 12/31/2012	Fairground Luxury Family Apartments * 12/31/2012
<b>Assets</b>												
<b>Current Assets:</b>												
Cash:												
Unrestricted	\$ 137,860	\$ 793,561	\$ 2,248,508	\$ 237,824	\$ 406,772	\$ 443,701	\$ 357,547	\$ 352,727	\$ 119,571	\$ 232,396	\$ 116,450	\$ 1,198,688
Tenant security deposits	19,650	49,400	106,650	25,324	31,282	48,800	37,150	35,248	31,975	82,346	13,156	205,929
Total cash	157,510	842,961	2,355,158	263,148	438,054	492,501	394,697	387,975	151,546	314,742	129,606	1,404,617
Accounts receivable:												
Tenants	1,063	3,524	27,687	1,330	4,470	3,563	898	101	4,190	5,043	701	5,551
HUD	-	-	10,085	3,195	-	-	-	-	-	-	-	-
Related Parties	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	6,847	6,971	-	8,152	126	-	6,147	2,516	1,015	-	-
Total accounts receivable, net	1,063	10,371	44,743	4,525	12,622	3,689	898	6,248	6,706	6,058	701	5,551
Other current assets:												
Prepaid expenses	29,204	51,779	79,513	8,088	9,248	18,790	13,951	20,523	20,003	39,847	8,995	31,458
Restricted cash and investments	115,313	1,830,482	2,676,146	1,437,449	1,636,928	2,191,395	329,751	1,249,345	463,938	1,716,662	379,346	1,526,691
Total current assets	303,090	2,735,593	5,155,560	1,713,210	2,096,852	2,706,375	739,297	1,664,091	642,193	2,077,309	518,648	2,968,317
Noncurrent assets:												
Prepaid costs, net	6,675	336,840	941,489	250,301	289,876	215,826	-	-	46,648	538,586	1,627,396	240,871
Other assets	27,079	-	-	-	-	-	20,531	-	-	-	-	-
Capital assets:												
Nondepreciable	-	-	-	2,612,715	3,836,829	5,870,629	1,524,051	4,049,218	1,953,111	2,690,280	-	40,077
Depreciable	4,628,299	38,787,449	71,985,210	9,505,991	13,189,649	8,654,463	4,332,995	10,483,881	13,795,179	17,668,492	2,067,377	62,108,728
Total capital assets	4,628,299	38,787,449	71,985,210	12,118,706	17,026,478	14,525,092	5,857,046	14,533,099	15,748,290	20,358,772	2,067,377	62,148,805
Total noncurrent assets	4,662,053	39,124,289	72,926,699	12,369,007	17,316,354	14,740,918	5,877,577	14,533,099	15,794,938	20,897,358	3,694,773	62,389,676
Total assets	4,965,143	41,859,882	78,082,259	14,082,217	19,413,206	17,447,293	6,616,874	16,197,190	16,437,131	22,974,667	4,213,421	65,357,993
<b>Liabilities:</b>												
Current liabilities:												
Accounts payable	42,819	67,887	212,265	37,455	59,338	37,056	33,657	18,619	47,151	29,008	7,277	31,121
Payable to related parties	124,915	82,766	-	20,000	20,000	21,400	15,000	129,205	25,106	231,809	6,003	185,070
Due to primary government	60,381	-	3,242,527	248,834	253,650	-	-	5,025	353,717	-	142,888	-
Other accrued liabilities	-	-	-	-	-	22,447	21,062	24,871	-	9,250	-	514,648
Tenant security deposits	19,650	49,400	107,350	24,500	31,282	48,800	37,150	35,248	30,800	82,251	13,155	206,447
Prepaid revenue	935	10,358	18,331	-	4,447	882	24	360	128,172	2,599	5,559	1,985
Interest payable	-	553,077	126,660	149,945	199,756	662,445	205,740	268,117	-	82,582	608	110,942
Current portion of long-term obligations	25,000	427,540	815,000	80,000	105,000	160,000	71,500	150,000	-	180,000	56,000	213,965
Total current liabilities	273,700	1,191,028	4,522,133	560,734	673,473	953,030	384,133	631,445	584,946	617,499	246,257	1,264,178
Prepaid revenues												
Long-term interest payable	-	-	-	-	-	-	-	-	-	-	-	-
Long-term obligations, net of current portion	1,945,331	456,563	2,214,822	1,195,851	1,747,722	4,446,156	-	1,407,968	1,112,921	2,075,736	11,216	2,009,520
Advance from primary government	4,628,231	31,351,217	41,185,819	11,347,000	15,897,500	16,019,900	2,425,065	12,759,532	10,700,000	21,939,597	4,620,010	40,387,366
	34,237	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	6,881,499	32,998,808	47,922,774	13,103,585	18,318,695	21,419,086	2,809,198	14,798,945	12,397,867	24,632,832	4,877,483	43,661,064
<b>Net Position:</b>												
Net investment in capital assets	(1,945,263)	6,979,669	28,584,569	(424,145)	(618,744)	(5,940,964)	3,431,981	365,599	3,935,369	(3,656,561)	(2,563,849)	19,751,919
Restricted	115,313	1,830,482	2,676,146	1,437,449	1,636,928	2,191,395	329,751	1,249,345	463,938	1,716,662	379,346	1,526,691
Unrestricted (deficits)	(86,406)	50,923	(1,101,230)	(34,672)	76,327	(222,224)	45,944	(216,699)	(360,043)	281,734	1,520,441	418,319
Total net position	\$ (1,916,356)	\$ 8,861,074	\$ 30,159,485	\$ 978,632	\$ 1,094,511	\$ (3,971,793)	\$ 3,807,676	\$ 1,398,245	\$ 4,039,264	\$ (1,658,165)	\$ (664,062)	\$ 21,696,929

\*Component unit audited by other auditors

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Combining Statement of Net Position - Continued  
Discrete Component Units

Year ended June 30, 2013

Component Unit Audit Year End	Fairground Senior Housing *	Morrone Garden Associates *	Huff Avenue Associates *	SPG Housing, Inc. *	Poco Way Associates *	Villa Garcia, Inc. *	Villa San Pedro HDC, Inc. *	Property Management, Inc. *	Total
	12/31/2012	12/31/2012	12/31/2012	12/31/2012	5/31/2013	12/31/2012	12/31/2012	12/31/2012	
<b>Assets</b>									
<b>Current Assets:</b>									
Cash:									
Unrestricted	\$ 867,104	\$ 116,452	\$ 632,892	\$ 694,861	\$ 511,373	\$ 1,600,462	\$ 659,380	\$ 184,899	\$ 11,913,028
Tenant security deposits	101,179	29,939	43,852	60,889	33,018	23,986	30,596	1,734	1,012,103
Total cash	968,283	146,391	676,744	755,750	544,391	1,624,448	689,976	186,633	12,925,131
Accounts receivable:									
Tenants	4,370	1,924	1,202	1,933	4,914	3,760	1,896	-	78,120
HUD	-	-	-	-	-	152	10,574	-	24,006
Related Parties	-	-	-	-	-	22,365	-	405,856	428,221
Others	-	1,464	3,768	8,316	-	1,822	9,766	55,724	112,634
Total accounts receivable, net	4,370	3,388	4,970	10,249	4,914	28,099	22,236	461,580	642,981
Other current assets:									
Prepaid expenses	20,908	26,268	6,642	57,079	38,111	7,176	30,717	5,088	523,388
Restricted cash and investments	1,747,969	177,755	609,813	901,244	314,331	5,008,843	522,817	-	24,836,218
Total current assets	2,741,530	353,802	1,298,169	1,724,322	901,747	6,668,566	1,265,746	653,301	38,927,718
Noncurrent assets:									
Prepaid costs, net	526,983	139,559	42,619	92,739	19,376	-	-	-	5,315,784
Other assets	-	-	-	-	-	-	-	-	47,610
Capital assets:									
Nondepreciable	-	-	2,768,902	4,272,840	5,147,661	2,272,204	1,900,000	-	38,938,517
Depreciable	32,866,255	5,193,645	4,416,505	13,471,266	9,727,960	1,107,868	2,231,215	-	326,222,427
Total capital assets	32,866,255	5,193,645	7,185,407	17,744,106	14,875,621	3,380,072	4,131,215	-	365,160,944
Total noncurrent assets	33,393,238	5,333,204	7,228,026	17,836,845	14,894,997	3,380,072	4,131,215	-	370,524,338
Total assets	36,134,768	5,687,006	8,526,195	19,561,167	15,796,744	10,048,638	5,396,961	653,301	409,452,056
Liabilities:									
Current liabilities:									
Accounts payable	51,100	134,454	7,455	119,022	7,877	38,399	42,448	2,839	1,027,247
Payable to related parties	247,327	1,200	199,894	167,709	117,058	-	-	-	1,594,462
Due to primary government	-	88,242	-	1,632,032	-	-	-	735,470	6,762,766
Other accrued liabilities	197,848	24,523	17,639	-	25,843	-	-	-	872,898
Tenant security deposits	100,936	29,938	43,727	60,687	32,665	23,986	30,596	2,747	1,011,315
Prepaid revenue	3,586	740	3,092	8,124	8	38	12,888	3,384	205,512
Interest payable	58,947	-	391,837	6,466	-	-	124,704	-	2,941,826
Current portion of long-term obligations	335,000	113,647	65,691	211,504	519,060	-	-	-	3,528,907
Total current liabilities	994,744	392,744	729,335	2,205,544	702,511	62,423	210,636	744,440	17,944,933
Prepaid revenues	-	-	-	-	10,979	-	-	-	10,979
Long-term interest payable	523,747	1,547,312	14,477	3,191,114	-	42,235	961,148	-	24,903,839
Long-term obligations, net of current portion	22,298,978	3,831,032	4,521,284	10,717,816	9,562,272	8,132,397	5,648,673	-	277,973,689
Advance from primary government	-	-	-	-	-	-	-	-	34,237
Total liabilities	23,817,469	5,771,088	5,265,096	16,114,474	10,275,762	8,237,055	6,820,457	744,440	320,867,677
Net Position:									
Net investment in capital assets	10,043,530	(184,699)	2,649,646	3,835,176	5,313,349	(4,794,560)	(2,478,606)	-	62,283,416
Restricted	1,747,969	177,755	609,813	901,244	314,331	5,008,843	522,817	-	24,836,218
Unrestricted (deficits)	525,800	(77,138)	1,640	(1,289,727)	(106,698)	1,597,300	532,293	(91,139)	1,464,745
Total net position	\$ 12,317,299	\$ (84,082)	\$ 3,261,099	\$ 3,446,693	\$ 5,520,982	\$ 1,811,583	\$ (1,423,496)	\$ (91,139)	\$ 88,584,379

\*Component unit audited by other auditors

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 Position  
Discrete Component Units  
Year ended June 30, 2013

For the Year Ended	AE Associates LTD * 12/31/2012	Rincon Gardens Associates, L.P.* 12/31/2012	Julian Street Partners, L.P. * 12/31/2012	HACSC Choices Senior Associates * 12/31/2012	HACSC Choices Family Associates * 12/31/2012	Blossom River Associates * 12/31/2012	Thunderbird Associates * 12/31/2012	Bascom HACSC Associates * 12/31/2012	Opportunity Center Associates, L.P. * 12/31/2012	Helzer Associates * 12/31/2012	Willows HACSC Associates * 12/31/2012	Fairground Luxury Family Apartments * 12/31/2012
<b>Operating revenues:</b>												
Rental income	\$ 623,021	\$ 3,057,286	\$ 4,697,354	\$ 1,134,169	\$ 1,371,964	\$ 2,132,940	\$ 912,786	\$ 1,368,409	\$ 739,614	\$ 2,322,311	\$ 666,335	\$ 4,350,938
Tenant revenue - other	-	-	-	-	-	39,939	3,555	3,839	-	7,520	5,135	-
Management fees from related parties	-	-	-	-	-	-	-	-	-	-	-	-
Donation and other	7,110	17,317	93,236	13,441	28,276	-	5,563	8,476	55,974	-	7,727	31,187
<b>Total operating revenues</b>	<b>630,131</b>	<b>3,074,603</b>	<b>4,790,590</b>	<b>1,147,610</b>	<b>1,400,240</b>	<b>2,172,879</b>	<b>921,904</b>	<b>1,380,724</b>	<b>795,588</b>	<b>2,329,831</b>	<b>679,197</b>	<b>4,382,125</b>
<b>Operating expenses:</b>												
Administrative	154,391	368,095	852,950	178,213	177,741	186,387	125,919	153,776	274,979	174,042	82,916	256,052
Utilities	102,358	224,893	397,608	89,829	75,426	173,294	112,077	123,456	96,185	234,299	76,294	372,952
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance and operations	182,409	251,549	622,902	202,643	170,551	359,127	257,695	267,469	307,427	390,260	190,280	453,531
Marketing and leasing	-	-	4,640	-	-	-	-	-	-	-	-	-
Insurance and taxes	70,275	93,682	172,821	52,385	86,291	79,680	37,194	46,454	51,156	119,167	30,810	126,894
Other general expenses	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	218,400	1,142,541	2,078,480	398,071	563,018	626,350	335,992	392,382	474,614	871,687	191,648	2,021,695
<b>Total operating expenses</b>	<b>727,833</b>	<b>2,080,760</b>	<b>4,129,401</b>	<b>921,141</b>	<b>1,073,027</b>	<b>1,424,838</b>	<b>868,877</b>	<b>983,537</b>	<b>1,204,361</b>	<b>1,789,455</b>	<b>571,948</b>	<b>3,231,124</b>
<b>Operating income (loss)</b>	<b>(97,702)</b>	<b>993,843</b>	<b>661,189</b>	<b>226,469</b>	<b>327,213</b>	<b>748,041</b>	<b>53,027</b>	<b>397,187</b>	<b>(408,773)</b>	<b>540,376</b>	<b>107,249</b>	<b>1,151,001</b>
<b>Nonoperating revenues (expenses):</b>												
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	64	2,313	8,118	46,017	53,807	84,857	634	34,043	502	134	348	7,872
Interest expense	(98,550)	(1,717,266)	(2,115,884)	(468,440)	(676,953)	(1,258,653)	(152,718)	(597,830)	(225,000)	(1,212,718)	(25,071)	(2,026,445)
Partnership and asset management fees	(15,000)	(32,782)	(50,250)	(20,000)	(20,000)	(21,400)	(15,000)	(22,500)	(23,753)	(19,000)	(5,065)	(55,190)
Ground lease	(20,000)	-	-	-	-	-	-	-	-	-	-	(866,401)
Incentive, issuer and investor service fees	-	(49,984)	(16,750)	(13,081)	(18,588)	-	-	-	-	-	-	(126,398)
Bond and loan fees	-	-	(587,080)	(6,430)	(6,950)	(6,754)	-	(35,834)	(3,000)	(30,023)	(60,506)	-
Other nonoperating expense	-	-	-	-	-	(800)	(800)	(800)	-	(800)	(6,743)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(133,486)</b>	<b>(1,797,719)</b>	<b>(2,761,846)</b>	<b>(461,934)</b>	<b>(668,684)</b>	<b>(1,202,750)</b>	<b>(167,884)</b>	<b>(622,921)</b>	<b>(251,251)</b>	<b>(1,262,407)</b>	<b>(97,037)</b>	<b>(3,066,562)</b>
<b>Income (loss) before capital contributions</b>	<b>(231,188)</b>	<b>(803,876)</b>	<b>(2,100,657)</b>	<b>(235,465)</b>	<b>(341,471)</b>	<b>(454,709)</b>	<b>(114,857)</b>	<b>(225,734)</b>	<b>(660,024)</b>	<b>(722,031)</b>	<b>10,212</b>	<b>(1,915,561)</b>
<b>Capital Contributions (distributions)</b>	<b>-</b>	<b>(94,011)</b>	<b>28,271,709</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,443,485</b>	<b>-</b>	<b>-</b>	<b>(11,014)</b>
<b>Change in net assets</b>	<b>(231,188)</b>	<b>(897,887)</b>	<b>26,171,052</b>	<b>(235,465)</b>	<b>(341,471)</b>	<b>(454,709)</b>	<b>(114,857)</b>	<b>(225,734)</b>	<b>783,461</b>	<b>(722,031)</b>	<b>10,212</b>	<b>(1,926,575)</b>
<b>Net position beginning of year</b>	<b>(1,685,168)</b>	<b>9,758,961</b>	<b>3,988,433</b>	<b>1,214,097</b>	<b>1,435,982</b>	<b>(3,517,084)</b>	<b>3,922,533</b>	<b>1,623,979</b>	<b>3,255,803</b>	<b>(936,134)</b>	<b>(674,274)</b>	<b>23,623,504</b>
<b>Change in reporting entity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position, beginning of year</b>	<b>(1,685,168)</b>	<b>9,758,961</b>	<b>3,988,433</b>	<b>1,214,097</b>	<b>1,435,982</b>	<b>(3,517,084)</b>	<b>3,922,533</b>	<b>1,623,979</b>	<b>3,255,803</b>	<b>(936,134)</b>	<b>(674,274)</b>	<b>23,623,504</b>
<b>Net position, end of year</b>	<b>\$ (1,916,356)</b>	<b>\$ 8,861,074</b>	<b>\$ 30,159,485</b>	<b>\$ 978,632</b>	<b>\$ 1,094,511</b>	<b>\$ (3,971,793)</b>	<b>\$ 3,807,676</b>	<b>\$ 1,398,245</b>	<b>\$ 4,039,264</b>	<b>\$ (1,658,165)</b>	<b>\$ (664,062)</b>	<b>\$ 21,696,929</b>

\*Component unit audited by other auditors

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 Position - Continued  
Discrete Component Units  
Year ended June 30, 2013

For the Year Ended	Fairground Senior Housing *	Morrone Garden Associates *	Huff Avenue Associates *	SPG Housing, Inc. *	Poco Way Associates *	Villa Garcia, Inc. *	Villa San Pedro HDC, Inc. *	Property Management, Inc. *	PRIDE 6/30/2013	Total
	12/31/2012	12/31/2012	12/31/2012	12/31/2012	5/31/2013	12/31/2012	12/31/2012	12/31/2012	6/30/2013	
<b>Operating revenues:</b>										
Rental income	\$ 2,909,016	\$ 931,399	\$ 1,363,847	\$ 2,556,154	\$ 1,620,559	\$ 1,247,738	\$ 1,077,722	\$ -	\$ -	\$ 35,083,562
Tenant revenue - other	-	1,972	3,421	-	7,100	-	-	-	-	72,481
Management fees from related parties	-	-	-	-	-	-	-	144,554	-	144,554
Donation and other	10,728	3,138	8,818	28,474	38,046	44,567	28,023	-	-	430,101
<b>Total operating revenues</b>	<b>2,919,744</b>	<b>936,509</b>	<b>1,376,086</b>	<b>2,584,628</b>	<b>1,665,705</b>	<b>1,292,305</b>	<b>1,105,745</b>	<b>144,554</b>	<b>-</b>	<b>35,730,698</b>
<b>Operating expenses:</b>										
Administrative	172,469	118,290	129,025	643,317	124,500	169,991	208,686	144,554	-	4,696,293
Utilities	169,843	137,174	91,444	218,803	177,651	127,729	137,468	-	-	3,138,783
Bad debt	-	-	-	-	-	-	-	-	-	-
Maintenance and operations	261,444	230,059	157,462	533,662	355,883	130,403	220,933	-	-	5,545,689
Marketing and leasing	-	-	-	-	-	-	-	-	-	4,640
Insurance and taxes	47,712	43,855	40,745	213,239	71,251	71,087	94,879	-	-	1,549,577
Other general expenses	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	1,041,116	266,307	203,870	571,667	430,623	43,581	103,700	-	-	11,975,742
<b>Total operating expenses</b>	<b>1,692,584</b>	<b>795,685</b>	<b>622,546</b>	<b>2,180,688</b>	<b>1,159,908</b>	<b>542,791</b>	<b>765,666</b>	<b>144,554</b>	<b>-</b>	<b>26,910,724</b>
<b>Operating income (loss)</b>	<b>1,227,160</b>	<b>140,824</b>	<b>753,540</b>	<b>403,940</b>	<b>505,797</b>	<b>749,514</b>	<b>340,079</b>	<b>-</b>	<b>-</b>	<b>8,819,974</b>
<b>Nonoperating revenues (expenses):</b>										
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Investment income	1,850	286	601	1,299	514	533	1,278	-	-	245,070
Interest expense	(1,093,109)	(488,942)	(277,839)	(518,797)	(249,293)	(57,639)	(145,501)	-	-	(13,406,648)
Partnership and asset management fees	(26,274)	(1,200)	(15,000)	-	(15,000)	-	-	-	-	(357,414)
Ground lease	(440,848)	(20,000)	-	(206,273)	-	-	-	-	-	(1,553,522)
Incentive, issuer and investor service fees	(114,455)	-	-	-	-	-	-	-	-	(339,256)
Bond and loan fees	(35,500)	-	-	-	-	-	-	-	-	(772,077)
Other nonoperating expense	(118,905)	(800)	(800)	(11,644)	(800)	(17,600)	-	-	-	(160,492)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,827,241)</b>	<b>(510,656)</b>	<b>(293,038)</b>	<b>(735,415)</b>	<b>(264,579)</b>	<b>(74,706)</b>	<b>(144,223)</b>	<b>-</b>	<b>-</b>	<b>(16,344,339)</b>
<b>Income (loss) before capital contributions</b>	<b>(600,081)</b>	<b>(369,832)</b>	<b>460,502</b>	<b>(331,475)</b>	<b>241,218</b>	<b>674,808</b>	<b>195,856</b>	<b>-</b>	<b>-</b>	<b>(7,524,365)</b>
<b>Capital Contributions (distributions)</b>	<b>(15,951)</b>	<b>-</b>	<b>(124,484)</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,619,734</b>
<b>Change in net assets</b>	<b>(616,032)</b>	<b>(369,832)</b>	<b>336,018</b>	<b>(331,475)</b>	<b>241,218</b>	<b>824,808</b>	<b>195,856</b>	<b>-</b>	<b>-</b>	<b>22,095,369</b>
<b>Net position beginning of year</b>	<b>12,933,331</b>	<b>285,750</b>	<b>2,925,081</b>	<b>3,778,168</b>	<b>5,279,764</b>	<b>986,775</b>	<b>(1,619,352)</b>	<b>(91,139)</b>	<b>19,195</b>	<b>66,508,205</b>
<b>Change in reporting entity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,195)</b>	<b>(19,195)</b>
<b>Net position, beginning of year</b>	<b>12,933,331</b>	<b>285,750</b>	<b>2,925,081</b>	<b>3,778,168</b>	<b>5,279,764</b>	<b>986,775</b>	<b>(1,619,352)</b>	<b>(91,139)</b>	<b>-</b>	<b>66,489,010</b>
<b>Net position, end of year</b>	<b>\$ 12,317,299</b>	<b>\$ (84,082)</b>	<b>\$ 3,261,099</b>	<b>\$ 3,446,693</b>	<b>\$ 5,520,982</b>	<b>\$ 1,811,583</b>	<b>\$ (1,423,496)</b>	<b>\$ (91,139)</b>	<b>\$ -</b>	<b>\$ 88,584,379</b>

\*Component unit audited by other auditors

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)  
Combining Schedule of Net Position by Program/Fund  
Year ended June 30, 2013

	Conventional Housing Program	Public Housing Capital	Section 8 Rental Voucher	Special Purpose Vouchers	Move To Work	Section 8 Moderate Rehabilitation	Shelter Plus Care	Housing Development Corporation	Real Estate Services	Development Services
<b>Assets:</b>										
<b>Current assets:</b>										
Cash and cash equivalents	\$ 9,785	\$ 15,915	\$ 471,317	\$ 5,589	\$ 37,688	\$ 26,783	\$ 15,320	\$ 477	\$ 454,107	\$ 2,724,977
Short term investments	-	-	55,129	-	486,877	64,485	-	-	-	-
Accounts receivable, net:										
Tenants	11,614	-	-	-	-	-	-	-	-	-
HUD	-	-	-	-	-	45,717	768,416	-	-	-
Others	1,127	-	659	-	152,234	-	-	-	13,373	5,025
Interest receivable	-	-	-	234	3	37	-	-	-	-
Due from component units and related parties	-	-	5,798,608	3,568	5,743,724	562	1,120	-	781,846	399,522
Prepaid expenses	16,762	-	94,955	-	229	166	345	250,675	7,084	1,238
Restricted cash and cash equivalents	1,752	-	862,677	1,431,017	-	-	-	765,883	-	-
<b>Total current assets</b>	<b>41,040</b>	<b>15,915</b>	<b>7,283,345</b>	<b>1,440,408</b>	<b>6,420,755</b>	<b>137,750</b>	<b>785,201</b>	<b>1,017,035</b>	<b>1,256,410</b>	<b>3,130,762</b>
<b>Noncurrent assets:</b>										
Long term investments	-	-	-	-	77,922	-	-	-	-	-
Self-help loans receivable	-	-	167,740	-	-	-	-	-	-	-
Interest receivable	-	-	1,022,316	-	-	-	-	-	-	-
Due from component units and related parties	-	-	414,553	-	-	-	-	-	303,206	806,704
units										
and related parties	-	-	1,757,251	-	-	-	-	-	-	-
Note receivable from non-related party	-	-	-	-	-	-	-	-	-	-
Net pension asset	-	-	13,740,607	-	-	-	-	-	2,897,128	(44,131)
Investments in affiliated limited partnerships	-	-	-	-	-	-	-	-	-	-
<b>Capital assets:</b>										
Nondepreciable	1,006,446	209,706	3,959,739	-	5,830,193	-	-	-	-	-
Depreciable	2,859,925	-	695,838	-	-	-	-	-	-	-
<b>Total capital assets</b>	<b>3,866,371</b>	<b>209,706</b>	<b>4,655,577</b>	<b>-</b>	<b>5,830,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>3,866,371</b>	<b>209,706</b>	<b>21,758,044</b>	<b>-</b>	<b>5,908,115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,200,334</b>	<b>762,573</b>
<b>Total assets</b>	<b>3,907,411</b>	<b>225,621</b>	<b>29,041,389</b>	<b>1,440,408</b>	<b>12,328,870</b>	<b>137,750</b>	<b>785,201</b>	<b>1,017,035</b>	<b>4,456,744</b>	<b>3,893,335</b>
Deferred outflows of resources	-	-	-	-	-	-	-	-	-	-

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Combining Schedule of Net Position by Program/Fund - Continued

Year ended June 30, 2013

	Conventional Housing Program	Public Housing Capital	Section 8 Rental Voucher	Special Purpose Vouchers	Move To Work	Section 8 Moderate Rehabilitation	Shelter Plus Care	Housing Development Corporation	Real Estate Services	Development Services
<b>Liabilities:</b>										
<b>Current liabilities:</b>										
Accounts payable	16,040	5,846	307,421	5,622	21,840	3,310	2,794	11,421	41,171	31,874
Accrued interest payable	-	-	32,487	-	-	-	-	81,083	7,604	-
Intergovernmental payable	-	-	-	35,108	-	22,545	-	-	-	-
Payable to component units and related parties	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	332,135	9,794	6,086,302	47,402	680,664	173,276	4,124,814	1,147,944
Due to other programs	-	-	-	104,175	-	-	-	-	-	-
Tenant security deposits	1,552	-	-	-	-	-	-	-	-	-
Unearned revenue	59	-	-	-	-	-	-	603,394	-	-
Line of credit payable	-	-	-	-	-	-	-	-	223,923	-
Current portion of accrued vacation and sick leave	-	-	156,214	5,582	-	1,381	4,187	-	26,719	16,903
Current portion of long-term obligations	5,153	-	20,000	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>22,804</b>	<b>5,846</b>	<b>848,257</b>	<b>160,281</b>	<b>6,108,142</b>	<b>74,638</b>	<b>687,645</b>	<b>869,174</b>	<b>4,424,231</b>	<b>1,196,721</b>
<b>Noncurrent liabilities:</b>										
Land lease credit from related parties	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	1,587,364	-	-	-	-	-	-	-
FSS escrow	-	-	862,677	-	-	-	-	-	-	-
Accrued vacation and sick leave, net of current portion	-	-	240,895	8,580	-	2,116	6,391	-	41,037	25,019
Long-term interest payable	-	-	578,135	-	-	-	-	-	-	-
Long-term obligations, net of current portion	76,756	-	1,377,500	-	-	-	-	116,211	-	-
<b>Total noncurrent liabilities</b>	<b>76,756</b>	<b>-</b>	<b>4,646,571</b>	<b>8,580</b>	<b>-</b>	<b>2,116</b>	<b>6,391</b>	<b>116,211</b>	<b>41,037</b>	<b>25,019</b>
<b>Total liabilities</b>	<b>99,560</b>	<b>5,846</b>	<b>5,494,828</b>	<b>168,861</b>	<b>6,108,142</b>	<b>76,754</b>	<b>694,036</b>	<b>985,385</b>	<b>4,465,268</b>	<b>1,221,740</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>										
Net investment in capital assets	3,784,462	209,706	3,258,077	-	5,830,193	-	-	-	-	-
Restricted	-	-	-	1,400,701	-	-	-	-	-	-
Unrestricted	23,389	10,069	20,288,484	(129,154)	390,535	60,996	91,165	31,650	(8,524)	2,671,595
<b>Total net position</b>	<b>\$ 3,807,851</b>	<b>\$ 219,775</b>	<b>\$ 23,546,561</b>	<b>\$ 1,271,547</b>	<b>\$ 6,220,728</b>	<b>\$ 60,996</b>	<b>\$ 91,165</b>	<b>\$ 31,650</b>	<b>\$ (8,524)</b>	<b>\$ 2,671,595</b>

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Combining Schedule of Net Position by Program/Fund - Continued

Year ended June 30, 2013

	Rincon PH Proceeds Activity	Phase II (JSP) PH Proceeds Activity	Acquisition Development	Facilities Consolidation	Grants	Winter Shelter	HARA	PRIDE	Internal Service Programs
<b>Assets:</b>									
<b>Current assets:</b>									
Cash and cash equivalents	\$ 606,362	\$ 3,253	\$ 770,126	\$ 3,717,136	\$ 4,883	\$ 5,097	\$ 506,278	\$ 27,041	\$ 407,449
Short term investments	214,094	-	10,353,763	1,142,099	-	-	7,362,854	-	-
Accounts receivable, net:									
Tenants	-	-	-	-	-	-	-	-	-
HUD	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	50,166	-	39,645	-	2,757
Interest receivable	130	-	3,045	83	-	-	4,471	-	-
Due from component units and related parties	-	-	-	-	-	-	1,192,465	-	1,300,629
Prepaid expenses	-	-	-	-	-	-	604,229	2,151	212,983
Restricted cash and cash equivalents	-	-	-	-	-	-	100	-	21,878
<b>Total current assets</b>	<b>820,586</b>	<b>3,253</b>	<b>11,126,934</b>	<b>4,859,318</b>	<b>55,049</b>	<b>5,097</b>	<b>9,710,042</b>	<b>29,192</b>	<b>1,945,696</b>
<b>Noncurrent assets:</b>									
Long term investments	-	-	198,122	199,830	-	-	-	-	-
Self-help loans receivable	-	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-
Due from component units and related parties	902,497	15,079,346	66,362	-	-	-	465,621	-	-
units									
and related parties	15,670,000	22,802,850	2,666,340	-	-	-	-	-	-
Note receivable from non-related party	-	-	941,604	-	-	-	-	-	-
Net pension asset	-	-	-	-	-	-	-	-	-
Investments in affiliated limited partnerships	-	-	-	-	-	-	-	-	-
<b>Capital assets:</b>									
Nondepreciable	730,758	3,987,765	-	-	-	-	1,825,736	-	-
Depreciable	-	-	-	-	-	-	7,155,983	-	402,211
<b>Total capital assets</b>	<b>730,758</b>	<b>3,987,765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,981,719</b>	<b>-</b>	<b>402,211</b>
<b>Total noncurrent assets</b>	<b>17,303,255</b>	<b>41,869,961</b>	<b>3,872,428</b>	<b>199,830</b>	<b>-</b>	<b>-</b>	<b>9,447,340</b>	<b>-</b>	<b>402,211</b>
<b>Total assets</b>	<b>18,123,841</b>	<b>41,873,214</b>	<b>14,999,362</b>	<b>5,059,148</b>	<b>55,049</b>	<b>5,097</b>	<b>19,157,382</b>	<b>29,192</b>	<b>2,347,907</b>
Deferred outflows of resources	-	-	-	-	-	-	-	-	-



Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Combining Schedule of Net Position by Program/Fund - Continued

Year ended June 30, 2013

	Rincon PH Proceeds Activity	Phase II (JSP) PH Proceeds Activity	Acquisition Development	Facilities Consolidation	Grants	Winter Shelter	HARA	PRIDE	Internal Service Programs
<b>Liabilities:</b>									
<b>Current liabilities:</b>									
Accounts payable	-	-	-	-	62	5,097	27,635	-	158,119
Accrued interest payable	-	-	-	-	-	-	-	-	-
Intergovernmental payable	-	-	-	-	-	-	-	-	117
Payable to component units and related parties									
Due to other funds	696,018	-	-	-	35,038	-	1,452	-	1,783,030
Due to other programs	-	-	-	-	-	-	-	-	-
Tenant security deposits	-	-	-	-	-	-	800	-	-
Unearned revenue	-	-	-	-	-	-	-	-	(2)
Line of credit payable	-	-	-	-	-	-	-	-	-
Current portion of accrued vacation and sick leave	-	-	-	-	120	-	-	-	123,616
Current portion of long-term obligations	-	-	-	-	-	-	155,000	-	-
<b>Total current liabilities</b>	<b>696,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,220</b>	<b>5,097</b>	<b>184,887</b>	<b>-</b>	<b>2,064,880</b>
<b>Noncurrent liabilities:</b>									
Land lease credit from related parties	-	-	-	-	-	-	1,396,161	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-
FSS escrow	-	-	-	-	-	-	-	-	-
Accrued vacation and sick leave, net of current portion	-	-	-	-	181	-	-	-	188,890
Long-term interest payable	-	-	-	-	-	-	-	-	-
Long-term obligations, net of current portion	-	-	-	-	-	-	7,635,000	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>9,031,161</b>	<b>-</b>	<b>188,890</b>
<b>Total liabilities</b>	<b>696,018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,401</b>	<b>5,097</b>	<b>9,216,048</b>	<b>-</b>	<b>2,253,770</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>									
Net investment in capital assets	730,758	3,987,765	-	-	-	-	1,191,719	-	402,211
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	16,697,065	37,885,449	14,999,362	5,059,148	19,648	-	8,749,615	29,192	(308,074)
<b>Total net position</b>	<b>\$ 17,427,823</b>	<b>\$ 41,873,214</b>	<b>\$ 14,999,362</b>	<b>\$ 5,059,148</b>	<b>\$ 19,648</b>	<b>\$ -</b>	<b>\$ 9,941,334</b>	<b>\$ 29,192</b>	<b>\$ 94,137</b>

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Combining Schedule of Net Position by Program/Fund - Continued

Year ended June 30, 2013

	General Partner Entities	Eliminations	Total
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 55,325	\$ -	\$ 9,864,908
Short term investments	-	-	19,679,301
Accounts receivable, net:			
Tenants	-	-	11,614
HUD	-	-	814,133
Others	-	-	264,986
Interest receivable	-	-	8,003
Due from component units and related parties	957,960	(15,222,044)	957,960
Prepaid expenses	-	(603,394)	587,423
Restricted cash and cash equivalents	-	-	3,083,307
<b>Total current assets</b>	<b>1,013,285</b>	<b>(15,825,438)</b>	<b>35,271,635</b>
<b>Noncurrent assets:</b>			
Long term investments	-	-	475,874
Self-help loans receivable	-	-	167,740
Interest receivable	-	-	1,022,316
Due from component units and related parties	-	(12,330,000)	5,708,289
units			
and related parties	-	-	42,896,441
Note receivable from non-related party	-	-	941,604
Net pension asset	-	-	16,593,604
Investments in affiliated limited partnerships	10,161,486	-	10,161,486
<b>Capital assets:</b>			
Nondepreciable	-	-	17,550,343
Depreciable	-	-	11,113,957
<b>Total capital assets</b>	<b>-</b>	<b>-</b>	<b>28,664,300</b>
<b>Total noncurrent assets</b>	<b>10,161,486</b>	<b>(12,330,000)</b>	<b>106,631,654</b>
<b>Total assets</b>	<b>11,174,771</b>	<b>(28,155,438)</b>	<b>141,903,289</b>
Deferred outflows of resources	-	-	-

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Combining Schedule of Net Position by Program/Fund - Continued

Year ended June 30, 2013

	General Partner Entities	Eliminations	Total
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	-	-	638,252
Accrued interest payable	-	-	121,174
Intergovernmental payable	-	-	57,770
Payable to component units and related parties	12,883,666	(12,330,000)	553,666
Due to other funds	-	(15,117,869)	-
Due to other programs	-	(104,175)	-
Tenant security deposits	-	-	2,352
Unearned revenue	-	(603,394)	57
Line of credit payable	-	-	223,923
Current portion of accrued vacation and sick leave	-	-	334,722
Current portion of long-term obligations	-	-	180,153
<b>Total current liabilities</b>	<b>12,883,666</b>	<b>(28,155,438)</b>	<b>2,112,069</b>
<b>Noncurrent liabilities:</b>			
Land lease credit from related parties	-	-	1,396,161
Unearned revenue	-	-	1,587,364
FSS escrow	-	-	862,677
Accrued vacation and sick leave, net of current portion	-	-	513,109
Long-term interest payable	-	-	578,135
Long-term obligations, net of current portion	-	-	9,205,467
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>14,142,913</b>
<b>Total liabilities</b>	<b>12,883,666</b>	<b>(28,155,438)</b>	<b>16,254,982</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>			
Net investment in capital assets	-	-	19,394,891
Restricted	-	-	1,400,701
Unrestricted	(1,708,895)	-	104,852,715
<b>Total net position</b>	<b>\$ (1,708,895)</b>	<b>\$ -</b>	<b>\$ 125,648,307</b>

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 Position by Program/Fund

Year ended June 30, 2013

	Conventional Housing Program	Public Housing Capital	Section 8 Rental Voucher	Special Purpose Vouchers	Move To Work	Section 8 Moderate Rehabilitation	Shelter Plus Care	Housing Development Corporation	Real Estate Services	Development Services
Operating revenues:										
Rental income	\$ 80,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service fees	-	-	-	-	-	-	-	-	596,271	-
Housing assistance payments earned	-	-	-	6,728,762	239,883,861	965,275	3,030,178	-	-	-
HUD administrative fees	-	-	-	574,388	14,833,268	104,606	259,225	-	-	-
Port Ins housing assistance earned	-	-	-	-	1,729,523	-	-	-	-	-
Port Ins administrative fees	-	-	-	-	54,865	-	-	-	-	-
FSS coordinator fees	-	-	-	-	310,500	-	-	-	-	-
Capital fund grant	-	-	-	-	456,385	-	-	-	-	-
Operating subsidy	-	-	-	-	51,602	-	-	-	-	-
Land lease income	-	-	131,454	-	-	-	-	-	-	-
Other revenue	10,022	-	332,799	-	19,332	25	-	9,624	-	3,958,200
<b>Total operating revenues</b>	<b>91,012</b>	<b>-</b>	<b>464,253</b>	<b>7,303,150</b>	<b>257,339,336</b>	<b>1,069,906</b>	<b>3,289,403</b>	<b>9,624</b>	<b>596,271</b>	<b>3,958,200</b>
Operating expenses:										
Salaries and benefits	12,280	-	10,035,849	421,008	-	65,246	144,283	-	1,173,602	806,285
Administrative	18,441	12,725	671,621	1,000	-	4,285	4,335	270	135,994	64,337
Tenant services	10,167	-	-	-	-	-	-	-	-	-
Utilities	24,696	-	-	-	2,292	-	-	-	8,305	-
Maintenance and operations	70,550	-	1,513	-	11,525	7	15	-	6,673	-
General	24,537	-	184,677	78,533	250	1,588	2,890	71,661	33,503	17,657
Indirect allocation	-	-	5,847,006	186,460	-	29,278	60,646	-	457,774	293,629
Depreciation and amortization	130,237	(686)	104,761	-	-	-	-	-	-	-
Housing assistance payments	-	-	244,473,766	7,594,141	-	970,756	3,030,181	-	-	-
Port Ins housing assistance payments	-	-	1,729,523	-	-	-	-	-	-	-
Other	15,781	-	522,544	2	-	992	1,433	-	60,017	4,414
<b>Total operating expenses</b>	<b>306,689</b>	<b>12,039</b>	<b>263,571,260</b>	<b>8,281,144</b>	<b>14,067</b>	<b>1,072,152</b>	<b>3,243,783</b>	<b>71,931</b>	<b>1,875,868</b>	<b>1,186,322</b>
<b>Operating income (loss)</b>	<b>(215,677)</b>	<b>(12,039)</b>	<b>(263,107,007)</b>	<b>(977,994)</b>	<b>257,325,269</b>	<b>(2,246)</b>	<b>45,620</b>	<b>(62,307)</b>	<b>(1,279,597)</b>	<b>2,771,878</b>
Nonoperating revenues (expenses):										
Investment income	-	-	11,492	1,095	2,165	175	-	248,353	-	262
Interest expense	-	-	(43,150)	-	-	-	-	(248,121)	(12,631)	-
Other nonoperating expenses, net	-	-	-	-	-	-	-	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>-</b>	<b>(31,658)</b>	<b>1,095</b>	<b>2,165</b>	<b>175</b>	<b>-</b>	<b>232</b>	<b>(12,631)</b>	<b>262</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(215,677)</b>	<b>(12,039)</b>	<b>(263,138,665)</b>	<b>(976,899)</b>	<b>257,327,434</b>	<b>(2,071)</b>	<b>45,620</b>	<b>(62,075)</b>	<b>(1,292,228)</b>	<b>2,772,140</b>
Transfers in	135,095	456,385	263,809,048	-	1,895,000	-	-	-	524,887	393,599
Transfers out	-	(441,863)	-	-	(264,158,478)	-	-	-	-	-
<b>Change in net position</b>	<b>(80,582)</b>	<b>2,483</b>	<b>670,383</b>	<b>(976,899)</b>	<b>(4,936,044)</b>	<b>(2,071)</b>	<b>45,620</b>	<b>(62,075)</b>	<b>(767,341)</b>	<b>3,165,739</b>
Net position, beginning of year	3,888,433	217,292	22,876,178	2,248,446	11,137,427	63,067	45,545	93,725	758,817	(494,144)
Change in reporting entity	-	-	-	-	19,345	-	-	-	-	-
<b>Net position, end of year</b>	<b>\$ 3,807,851</b>	<b>\$ 219,775</b>	<b>\$ 23,546,561</b>	<b>\$ 1,271,547</b>	<b>\$ 6,220,728</b>	<b>\$ 60,996</b>	<b>\$ 91,165</b>	<b>\$ 31,650</b>	<b>\$ (8,524)</b>	<b>\$ 2,671,595</b>

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 Position by Program/Fund - Continued

Year ended June 30, 2013

	Rincon PH Proceeds Activity	Phase II (JSP) PH Proceeds Activity	Acquisition Development	Facilities Consolidation	Grants	HARA	PRIDE	Internal Service Programs	General Partner Entities	Eliminations	Total
Operating revenues:											
Rental income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 872,758	\$ -	\$ -	\$ -	\$ -	\$ 953,748
Service fees	-	-	-	-	-	-	-	6,920,870	-	(6,874,793)	642,348
Housing assistance payments earned	-	-	-	-	163,587	-	-	-	-	-	250,771,663
HUD administrative fees	-	-	-	-	11,144	-	-	-	-	-	15,782,631
Port Ins housing assistance earned	-	-	-	-	-	-	-	-	-	-	1,729,523
Port Ins administrative fees	-	-	-	-	-	-	-	-	-	-	54,865
FSS coordinator fees	-	-	-	-	-	-	-	-	-	-	310,500
Capital fund grant	-	-	-	-	-	-	-	-	-	-	456,385
Operating subsidy	-	-	-	-	-	-	-	-	-	-	51,602
Land lease income	-	-	-	-	-	30,685	-	-	-	-	162,139
Other revenue	26,155	-	-	-	-	153,317	18,865	-	308,197	-	4,836,536
<b>Total operating revenues</b>	<b>26,155</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>174,731</b>	<b>1,056,760</b>	<b>18,865</b>	<b>6,920,870</b>	<b>308,197</b>	<b>(6,874,793)</b>	<b>275,751,940</b>
Operating expenses:											
Salaries and benefits	-	-	-	-	5,289	-	-	4,536,301	-	-	17,200,143
Administrative	-	-	89	28	-	77,093	700	575,693	-	-	1,566,611
Tenant services	-	-	-	-	-	1,400	-	-	-	-	11,567
Utilities	-	-	-	-	-	2,929	-	134,655	-	-	172,877
Maintenance and operations	-	-	-	-	-	2,759	-	163,662	-	-	256,704
General	-	-	760	15,581	103	20,523	8,174	149,960	-	-	610,397
Indirect allocation	-	-	-	-	-	-	-	-	-	(6,874,793)	-
Depreciation and amortization	-	-	-	-	-	371,740	-	117,644	-	-	723,696
Housing assistance payments	-	-	-	-	163,587	-	-	-	-	-	256,232,431
Port Ins housing assistance payments	-	-	-	-	-	-	-	-	-	-	1,729,523
Other	-	-	-	-	-	230,051	-	1,239,548	-	-	2,074,782
<b>Total operating expenses</b>	<b>-</b>	<b>-</b>	<b>849</b>	<b>15,609</b>	<b>168,979</b>	<b>706,495</b>	<b>8,874</b>	<b>6,917,463</b>	<b>-</b>	<b>(6,874,793)</b>	<b>280,578,731</b>
Operating income (loss)	26,155	-	(849)	(15,609)	5,752	350,265	9,991	3,407	308,197	-	(4,826,791)
Nonoperating revenues (expenses):											
Investment income	870,426	1,065,186	47,311	8,089	-	53,388	6	72	233	-	2,308,253
Interest expense	-	-	-	-	-	(248,556)	-	-	-	-	(552,458)
Other nonoperating expenses, net	-	-	-	-	-	-	-	-	(1,856,799)	-	(1,856,799)
<b>Total nonoperating revenues (expenses)</b>	<b>870,426</b>	<b>1,065,186</b>	<b>47,311</b>	<b>8,089</b>	<b>-</b>	<b>(195,168)</b>	<b>6</b>	<b>72</b>	<b>(1,856,566)</b>	<b>-</b>	<b>(101,004)</b>
Income (loss) before capital contributions and transfers	896,581	1,065,186	46,462	(7,520)	5,752	155,097	9,997	3,479	(1,548,369)	-	(4,927,795)
Transfers in	-	-	-	-	-	19,345	-	-	-	(267,233,359)	-
Transfers out	(696,018)	(42,000)	-	(1,895,000)	-	-	-	-	-	267,233,359	-
<b>Change in net position</b>	<b>200,563</b>	<b>1,023,186</b>	<b>46,462</b>	<b>(1,902,520)</b>	<b>5,752</b>	<b>174,442</b>	<b>9,997</b>	<b>3,479</b>	<b>(1,548,369)</b>	<b>-</b>	<b>(4,927,795)</b>
Net position, beginning of year	17,227,260	40,850,028	14,952,900	6,961,668	13,896	9,786,237	-	90,658	-	-	130,717,433
Change in reporting entity	-	-	-	-	-	(19,345)	19,195	-	(160,526)	-	(141,331)
<b>Net position, end of year</b>	<b>\$ 17,427,823</b>	<b>\$ 41,873,214</b>	<b>\$ 14,999,362</b>	<b>\$ 5,059,148</b>	<b>\$ 19,648</b>	<b>\$ 9,941,334</b>	<b>\$ 29,192</b>	<b>\$ 94,137</b>	<b>\$ (1,708,895)</b>	<b>\$ -</b>	<b>\$ 125,648,307</b>

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Combining Schedule of Net Position by Program/Fund - General Partner Entities**

June 30, 2013

Component Unit Audit Year End	Avenida España HDC, Inc. 12/31/2012	Bracher HDC, Inc. 12/31/2012	DeRose HDC, Inc. 12/31/2012	Opportunity Center HDC, Inc. 12/31/2012	Pinmore HDC, Inc. 12/31/2012	Rotary Plaza/ HACSC HDC, Inc. 12/31/2012	Poco Way HDC, Inc. 12/31/2012	General Partner Entities Total
<u>Assets</u>								
Current assets:								
Cash and cash equivalents	\$ 35,795	\$ -	\$ 13,163	\$ -	\$ -	\$ 1,547	\$ 4,820	\$ 55,325
Short term investments	-	-	-	-	-	-	-	-
Accounts receivable, net:								
Tenants	-	-	-	-	-	-	-	-
HUD	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Interest receivable								
Due from component units and related parties	247,004	30,000	151,705	25,106	177,328	197,135	129,682	957,960
Prepaid expenses	-	-	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-	-	-
<b>Total current assets</b>	<b>282,799</b>	<b>30,000</b>	<b>164,868</b>	<b>25,106</b>	<b>177,328</b>	<b>198,682</b>	<b>134,502</b>	<b>1,013,285</b>
Noncurrent assets:								
Long term investments	-	-	-	-	-	-	-	-
Self-help loans receivable	-	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-	-
Due from component units and related parties	-	-	-	-	-	-	-	-
Notes receivable from component units	-	-	-	-	-	-	-	-
Notes receivable from non-related parties	-	-	-	-	-	-	-	-
Net pension asset	-	-	-	-	-	-	-	-
Investments in affiliated limited partnerships	10,406,660	(2,049)	(1,402,533)	1,896,750	(1,474,080)	85,024	651,714	10,161,486
Capital assets:								
Nondepreciable	-	-	-	-	-	-	-	-
Depreciable	-	-	-	-	-	-	-	-
<b>Total capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>10,406,660</b>	<b>(2,049)</b>	<b>(1,402,533)</b>	<b>1,896,750</b>	<b>(1,474,080)</b>	<b>85,024</b>	<b>651,714</b>	<b>10,161,486</b>
<b>Total assets</b>	<b>10,689,459</b>	<b>27,951</b>	<b>(1,237,665)</b>	<b>1,921,856</b>	<b>(1,296,752)</b>	<b>283,706</b>	<b>786,216</b>	<b>11,174,771</b>
Deferred outflows of resources	-	-	-	-	-	-	-	-
Liabilities:								
Current liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-
Payable to related parties	12,356,155	-	-	377,821	-	149,690	-	12,883,666
Line of credit payable	-	-	-	-	-	-	-	-
Current portion of accrued vacation and sick leave	-	-	-	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>12,356,155</b>	<b>-</b>	<b>-</b>	<b>377,821</b>	<b>-</b>	<b>149,690</b>	<b>-</b>	<b>12,883,666</b>
Noncurrent liabilities:								
Payable to related parties	-	-	-	-	-	-	-	-
Long-term interest payable	-	-	-	-	-	-	-	-
Long-term debt, net of current portion	-	-	-	-	-	-	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>12,356,155</b>	<b>-</b>	<b>-</b>	<b>377,821</b>	<b>-</b>	<b>149,690</b>	<b>-</b>	<b>12,883,666</b>
Deferred inflows of resources	-	-	-	-	-	-	-	-
Net Position:								
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Unrestricted (deficits)	(1,666,696)	27,951	(1,237,665)	1,544,035	(1,296,752)	134,016	786,216	(1,708,895)
<b>Total net position</b>	<b>\$ (1,666,696)</b>	<b>\$ 27,951</b>	<b>\$ (1,237,665)</b>	<b>\$ 1,544,035</b>	<b>\$ (1,296,752)</b>	<b>\$ 134,016</b>	<b>\$ 786,216</b>	<b>\$ (1,708,895)</b>

**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 Position by Program/Fund - General Partner Entities**

For the Year Ended June 30, 2013

For the Year Ended	Avenida España HDC, Inc. 12/31/2012	Bracher HDC, Inc. 12/31/2012	DeRose HDC, Inc. 12/31/2012	Opportunity Center HDC, Inc. 12/31/2012	Pinmore HDC, Inc. 12/31/2012	Rotary Plaza/ HACSC HDC, Inc. 12/31/2012	Poco Way HDC, Inc. 12/31/2012	Genreal Partner Entities Total
Operating revenues:								
Rental income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service fees	-	-	-	-	-	-	-	-
Land lease income	-	-	-	-	-	-	-	-
Other revenue	163,244	30,000	45,000	23,753	15,000	16,200	15,000	308,197
Total operating revenues	163,244	30,000	45,000	23,753	15,000	16,200	15,000	308,197
Operating expenses:								
Salaries and benefits	-	-	-	-	-	-	-	-
Administrative	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total operating expenses	-	-	-	-	-	-	-	-
Operating income (loss)	163,244	30,000	45,000	23,753	15,000	16,200	15,000	308,197
Nonoperating revenues (expenses):								
Investment income	231	-	-	-	-	2	-	233
Interest expense	-	-	-	-	-	-	-	-
Other nonoperating expenses, net	(291,900)	(45,058)	(557,441)	(23,016)	(711,874)	(193,408)	(34,102)	(1,856,799)
Total nonoperating revenues (expenses)	(291,669)	(45,058)	(557,441)	(23,016)	(711,874)	(193,406)	(34,102)	(1,856,566)
Income (loss) before capital contributions	(128,425)	(15,058)	(512,441)	737	(696,874)	(177,206)	(19,102)	(1,548,369)
Capital Contributions (distributions)	-	-	-	-	-	-	-	-
Change in net assets	(128,425)	(15,058)	(512,441)	737	(696,874)	(177,206)	(19,102)	(1,548,369)
Net position beginning of year	-	-	-	-	-	-	-	-
Change in reporting entity	(1,538,271)	43,009	(725,224)	1,543,298	(599,878)	311,222	805,318	(160,526)
Net position, end of year	<u>\$ (1,666,696)</u>	<u>\$ 27,951</u>	<u>\$ (1,237,665)</u>	<u>\$ 1,544,035</u>	<u>\$ (1,296,752)</u>	<u>\$ 134,016</u>	<u>\$ 786,216</u>	<u>\$ (1,708,895)</u>

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Public Housing Combining Schedules - Schedule of Net Position

June 30, 2013

	CA059000006	CA059000007	CA059000008	CA059000005	CA059000004	OTHER PROJ	Total
111 Cash - Unrestricted	\$25,701	\$0					\$25,701
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted							
114 Cash - Tenant Security Deposits	\$1,752						\$1,752
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$27,453	\$0	\$0	\$0	\$0	\$0	\$27,453
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous	\$1,126						\$1,126
126 Accounts Receivable - Tenants	\$11,614						\$11,614
126.1 Allowance for Doubtful Accounts - Tenants	\$0						\$0
126.2 Allowance for Doubtful Accounts - Other	\$0						\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful	\$12,740	\$0	\$0	\$0	\$0	\$0	\$12,740
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$16,762						\$16,762
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$56,955	\$0	\$0	\$0	\$0	\$0	\$56,955
161 Land	\$1,006,446						\$1,006,446
162 Buildings	\$3,992,387						\$3,992,387
163 Furniture, Equipment & Machinery - Dwellings							
164 Furniture, Equipment & Machinery - Administration							
165 Leasehold Improvements							
166 Accumulated Depreciation	-\$1,132,461						-\$1,132,461
167 Construction in Progress	\$209,707						\$209,707
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,076,079	\$0	\$0	\$0	\$0	\$0	\$4,076,079



Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Public Housing Combining Schedules - Schedule of Net Position - Continued

June 30, 2013

	CA059000006	CA059000007	CA059000008	CA059000005	CA059000004	OTHER PROJ	Total
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current -							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$4,076,079	\$0	\$0	\$0	\$0	\$0	\$4,076,079
190 Total Assets	\$4,133,034	\$0	\$0	\$0	\$0	\$0	\$4,133,034
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$16,602	\$0					\$16,602
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$121						\$121
322 Accrued Compensated Absences - Current Portion							
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government							
341 Tenant Security Deposits	\$1,552						\$1,552
342 Deferred Revenues	\$59						\$59
343 Current Portion of Long-term Debt - Capital							
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities	\$5,164						\$5,164
346 Accrued Liabilities - Other	\$5,153						\$5,153
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$28,651	\$0	\$0	\$0	\$0	\$0	\$28,651
351 Long-term Debt, Net of Current - Capital							
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other	\$76,756						\$76,756
354 Accrued Compensated Absences - Non Current							
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$76,756	\$0	\$0	\$0	\$0	\$0	\$76,756
300 Total Liabilities	\$105,407	\$0	\$0	\$0	\$0	\$0	\$105,407
508.1 Invested In Capital Assets, Net of Related Debt	\$4,076,079						\$4,076,079
511.1 Restricted Net Assets							
512.1 Unrestricted Net Assets	-\$48,452	\$0	\$0	\$0	\$0	\$0	-\$48,452
513 Total Equity/Net Assets	\$4,027,627	\$0	\$0	\$0	\$0	\$0	\$4,027,627
600 Total Liabilities and Equity/Net Assets	\$4,133,034	\$0	\$0	\$0	\$0	\$0	\$4,133,034

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Public Housing Combining Schedules - Schedule of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2013

	CA059000006	CA059000007	CA059000008	CA059000005	CA059000004	OTHER PROJ	Total
70300 Net Tenant Rental Revenue	\$80,990						\$80,990
70400 Tenant Revenue - Other		\$0					\$0
70500 Total Tenant Revenue	\$80,990	\$0	\$0	\$0	\$0	\$0	\$80,990
70600 HUD PHA Operating Grants							
70610 Capital Grants							
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue							
70800 Other Government Grants							
71100 Investment Income - Unrestricted							
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery							
71500 Other Revenue	\$10,022						\$10,022
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$91,012	\$0	\$0	\$0	\$0	\$0	\$91,012
91100 Administrative Salaries	\$8,531	\$0					\$8,531
91200 Auditing Fees							
91300 Management Fee	\$1,260						\$1,260
91310 Book-keeping Fee							
91400 Advertising and Marketing							
91500 Employee Benefit contributions - Administrative	\$3,750						\$3,750
91600 Office Expenses	\$8,850						\$8,850
91700 Legal Expense	\$13,259						\$13,259
91800 Travel	\$289						\$289
91810 Allocated Overhead							
91900 Other	\$25,597						\$25,597
91000 Total Operating - Administrative	\$61,536	\$0	\$0	\$0	\$0	\$0	\$61,536
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$10,167						\$10,167
92500 Total Tenant Services	\$10,167	\$0	\$0	\$0	\$0	\$0	\$10,167

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Public Housing Combining Schedules - Schedule of Revenues, Expenses and Changes in Net Position - Continued

Year ended June 30, 2013

	CA059000006	CA059000007	CA059000008	CA059000005	CA059000004	OTHER PROJ	Total
93100 Water	\$11,358						\$11,358
93200 Electricity	\$2,849						\$2,849
93300 Gas	\$231						\$231
93400 Fuel							
93500 Labor							
93600 Sewer	\$7,947						\$7,947
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$22,385	\$0	\$0	\$0	\$0	\$0	\$22,385
94100 Ordinary Maintenance and Operations - Labor	\$7,218						\$7,218
94200 Ordinary Maintenance and Operations - Materials and Other	\$4,539						\$4,539
94300 Ordinary Maintenance and Operations Contracts	\$58,793						\$58,793
94500 Employee Benefit Contributions - Ordinary Maintenance							
94000 Total Maintenance	\$70,550	\$0	\$0	\$0	\$0	\$0	\$70,550
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs	\$535						\$535
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$535	\$0	\$0	\$0	\$0	\$0	\$535
96110 Property Insurance							
96120 Liability Insurance	\$17,618						\$17,618
96130 Workmen's Compensation	\$1,232						\$1,232
96140 All Other Insurance							
96100 Total insurance Premiums	\$18,850	\$0	\$0	\$0	\$0	\$0	\$18,850
96200 Other General Expenses		\$0					\$0
96210 Compensated Absences							
96300 Payments in Lieu of Taxes	\$5,153						\$5,153
96400 Bad debt - Tenant Rents							
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$5,153	\$0	\$0	\$0	\$0	\$0	\$5,153

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Public Housing Combining Schedules - Schedule of Revenues, Expenses and Changes in Net Position - Continued

Year ended June 30, 2013

	CA059000006	CA059000007	CA059000008	CA059000005	CA059000004	OTHER PROJ	Total
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$189,176	\$0	\$0	\$0	\$0	\$0	\$189,176
97000 Excess of Operating Revenue over Operating Expenses	-\$98,164	\$0	\$0	\$0	\$0	\$0	-\$98,164
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments							
97350 HAP Portability-In							
97400 Depreciation Expense	\$129,550						\$129,550
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$318,726	\$0	\$0	\$0	\$0	\$0	\$318,726
10010 Operating Transfer In	\$591,479						\$591,479
10020 Operating transfer Out	-\$441,863						-\$441,863
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$149,616	\$0	\$0	\$0	\$0	\$0	\$149,616
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$78,098	\$0	\$0	\$0	\$0	\$0	-\$78,098

Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)

Public Housing Combining Schedules - Schedule of Revenues, Expenses and Changes in Net Position - Continued

Year ended June 30, 2013

	CA059000006	CA059000007	CA059000008	CA059000005	CA059000004	OTHER PROJ	Total
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$4,105,725	\$0	\$0	\$0	\$0	\$0	\$4,105,725
11040 Prior Period Adjustments, Equity Transfers and Correction of	\$0						\$0
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity							
11180 Housing Assistance Payments Equity							
11190 Unit Months Available	240	0	0	0	0		240
11210 Number of Unit Months Leased	226	0	0	0	0		226
11270 Excess Cash	-\$3,162	\$0	\$0	\$0	\$0	\$0	-\$3,162
11610 Land Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11620 Building Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11650 Leasehold Improvements Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11660 Infrastructure Purchases	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0