

**HOUSING AUTHORITY OF THE  
COUNTY OF SANTA CLARA**

**Basic Financial Statements and  
Supplementary Information**

**For the Year Ended June 30, 2017**



Certified  
Public  
Accountants



# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

## Table of Contents

June 30, 2017

### Page

#### **FINANCIAL SECTION:**

Independent Auditor's Report..... 1

Management's Discussion and Analysis (Required Supplementary Information – Unaudited)..... 5

#### Basic Financial Statements:

Statement of Net Position..... 11

Statement of Revenues, Expenses, and Changes in Net Position ..... 13

Statement of Cash Flows..... 14

Notes to the Basic Financial Statements ..... 17

#### **REQUIRED SUPPLEMENTARY INFORMATION (other than MD&A):**

Schedule of Changes in Net Pension Liability and Related Ratios..... 77

Schedule of Plan Contributions..... 78

Schedules of Funding Progress – Postemployment Healthcare Benefits..... 79

#### **OTHER SUPPLEMENTARY INFORMATION:**

Combining Statement of Net Position – Discretely Presented Component Units..... 80

Combining Statement of Revenues, Expenses, and Changes in

Net Position – Discretely Presented Component Units..... 82

Combining Statement of Net Position by Program ..... 84

Combining Statement of Revenues, Expenses, and Changes in Net Position by Program..... 86

Combining Schedule of Net Position by Program – Other Blended Component Units..... 88

Combining Schedule of Revenues, Expenses, and Changes in Net Position

by Program –Other Blended Component Units ..... 90





## 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 business-type activities (primary government) and the aggregate discretely presented component units of the Housing Authority of the County of Santa Clara, California (Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following blended component units: Property Management, Inc., AE Associates, Ltd., Avenida Espana HDC, Inc., Blossom River Associates LP, Bracher HDC Inc., DeRose HDC, Inc., Helzer Associates, LP, Klamath Associates LP, Opportunity Center HDC, Inc., Pinmore HDC, Inc., Poco Way HDC, Inc., Rotary Plaza/HACSC HDC, Inc., San Pedro Gardens Associates, Ltd., S.P.G. Housing, Inc., Villa Garcia, Inc., and Villa San Pedro HDC, Inc., which collectively represent 23.9% of assets, 4.7% of net position, and 3.0% of revenues of the business-type activities opinion unit. We also did not audit the aggregate discretely presented component units of the Authority. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the blended component units, except for: Housing Development Corporation, AE Associates, Ltd., San Pedro Gardens Associates, Ltd., and S.P.G. Housing, Inc., and the financial statements of the discretely presented component units, except for Bendorf Drive, LP, Clarendon Street LP, Fairground Luxury Family Apartments, LP, HACSC/Choices Family Associates and Opportunity Center Associates, LP, were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities (primary government) and the aggregate discretely presented component units of the Authority as of June 30, 2017, and the respective changes in financial position and, where applicable, 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, schedule of changes in the net pension liability and related ratios, schedules of pension contributions, and schedule of funding progress – postemployment healthcare benefits, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the other supplementary 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 December 11, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California  
December 11, 2017

This page left intentionally blank.



## **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017

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, 2017. Please read it in conjunction with the Authority's financial statements, which follows this section.

### **Financial Highlights**

- The assets and deferred outflows of resources of the Authority exceeded the liabilities and deferred inflows of resources by \$330.5 million (net position). \$5.0 million of the net position balance is restricted for specific purposes; \$14.6 million is related to the Authority's investment in capital assets and is not available to meet on-going obligations and \$310.8 million is unrestricted and available for meeting on-going obligations.
- The Authority's total increase in net position of \$74.7 million to \$330.5 million is primarily due to the following:
  - During the year, the operating activity resulted in an increase in net position of \$72.0 million. The program that primarily contributed to the increase for the year was the Housing Authority Reserve Account (HARA). The increase in HARA is related to the settlement of \$53.9 million received from the U.S. Department of Justice for the breach of contract claim filed by the Authority against the United States acting through Housing and Urban Development (HUD). The claim was regarding the calculation of annual subsidies under the HUD's Housing Choice Voucher program in accordance with the Authority's Moving to Work (MTW) agreement with HUD. The remaining increase is caused by the operation of Moving-To-Work program, which was offset by several other housing programs.
  - In addition to the above, \$2.7 million increase in net position was related to a special item recorded for the Park Avenue project related party transaction. On November 17, 2016, the Authority sold land to Park Avenue Seniors, LP for the development and operation of an affordable housing complex located in San Jose, California (See Note 18 to the basic financial statements for details regarding this transaction).

### **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 third statement, the Statement of Cash Flows reports how the Authority obtained and used its cash during the fiscal year. Activities are reported in this statement by its operating, noncapital financing, capital and related financing and investment activities.
- The basic financial statements also include Notes to Financial Statements section that provides further information and explanation on data that are in the Authority-wide and fund financial statements.
- The Notes to Financial Statements are followed by a Supplementary Information section, which presents the financial statements of the Authority's combining component unit financial statements, combining schedules by program/fund on its federal and local programs, and other public housing combining schedules.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Management's Discussion and Analysis (Unaudited)

June 30, 2017

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 as well as its deferred outflows and inflows of resources and net position. 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 increase in net position of \$74.7 million as shown in the table below represents an increase of \$53.9 million due to the settlement received from the U.S. Department of Justice for the breach of contract claim filed by the Authority against the United States acting through HUD. Of the remaining increase, \$16.6 million was related to current year operations and \$2.7 million was a special item recorded for the Park Avenue project related party transaction. For details explaining the changes to the net position refer to the Financial Highlights section noted above.

The following table indicates the net position as of June 30, 2017 and 2016 (in thousands):

	June 30		Increase (Decrease)	
	2017	2016	Amount	Percent (%)
Assets:				
Current assets	\$ 162,959	\$ 145,765	\$ 17,194	12%
Noncurrent and other assets	169,941	119,482	50,459	42%
Capital assets	64,464	72,342	(7,878)	-11%
Total assets	397,364	337,589	59,775	18%
Deferred outflows of resources related to pensions	4,000	767	3,233	422%
Liabilities:				
Current liabilities	5,514	7,250	(1,736)	-24%
Noncurrent liabilities	64,321	73,684	(9,363)	-13%
Total liabilities	69,835	80,934	(11,099)	-14%
Deferred inflows of resources related to pensions	1,055	1,626	(571)	-35%
Net Position				
Net investment in capital assets	14,698	13,922	776	6%
Restricted	4,997	7,693	(2,696)	-35%
Unrestricted	310,779	234,181	76,598	33%
Total net position	\$ 330,474	\$ 255,796	\$ 74,678	29%

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Management's Discussion and Analysis (Unaudited)

June 30, 2017

The Authority's net increase in total current assets of \$17.2 million is primarily due to the following:

- An increase in cash and investments of \$17.3 million is related to the settlement received from the U.S. Department of Justice for the breach of contract claim filed by the Authority against the United States acting through HUD (See Financial Highlights section above.)
- An increase in noncurrent and other assets of \$50.5 million was primarily due to the following:
  - An increase in escrow deposit of \$31.5 million relates to the amount held in escrow for the East Santa Clara, Race Street properties in the City of San Jose and the Buena Vista mobile home park in the City of Palo Alto.
  - An increase in notes receivable of \$5.4 million for the Park Avenue Senior housing projects and an increase of \$6.0 million related to seller take back notes.
  - An increase in long term investments of \$11.0 million related to the MTW settlement received from the U.S. Department of Justice (see Financial Highlights section above)
- A decrease in capital assets of \$7.9 million included a current year disposition of \$5.8 million, which included \$3.1 million for the sale of land by the Authority to Park Avenue Senior L.P. and construction in progress of \$2.7 million for Laurel Grove and Park Avenue construction activities; offset by \$0.9 million for current year additions, which includes \$0.4 million of construction in progress costs related to predevelopment activity of the East Santa Clara, Buena Vista and Race Street projects. (See Note 6 to the basic financial statements to see discussion on the Authority's capital asset activity).

The Authority's net decrease in total liabilities of \$11.1 million is primarily due to the following:

- A decrease in long-term debt was primarily due to the early redemption of the Series 2004A and 2006 lease revenue bonds for \$7.3 million. The current year additions were \$2.9 million offset by \$ 3.0 million in other retirements and scheduled debt service payments.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017

**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, 2017 and 2016 is shown in the following table (in thousands):

	June 30		Increase (Decrease)	
	2017	2016	Amount	Percent (%)
Operating revenues				
Rental income	\$ 8,139	\$ 9,115	\$ (976)	-11%
Service fees	329	697	(368)	-53%
Housing assistance payment earned	284,468	262,450	22,018	8%
HUD administrative fees	16,379	16,359	20	0%
Other	9,131	9,918	(787)	-8%
Total operating revenues	318,446	298,539	19,907	7%
Operating expenses				
Wages and benefits	15,563	15,161	402	3%
Pension expense	259	(670)	929	n/a
Administrative	6,217	2,678	3,539	132%
Tenant services	546	544	2	0%
Utilities	956	931	25	3%
Maintenance and operations	1,717	1,656	61	4%
General	1,776	1,800	(24)	-1%
Depreciation and amortization	2,882	2,980	(98)	-3%
Housing assistance payments	265,977	220,742	45,235	20%
Other	5,925	9,045	(3,120)	-34%
Total operating expenses	301,818	254,867	46,951	18%
Operating income	16,628	43,672	(27,044)	-62%
Nonoperating revenues (expenses)				
Federal claims court judgement fund	53,862	-	53,862	n/a
Gain on disposition of capital assets	771	12	759	6325%
Loss on disposal of capital assets	-	(11)	11	n/a
Investment income	3,843	3,488	355	10%
Interest expense	(3,153)	(3,410)	257	-8%
Total nonoperating revenues (expenses)	55,323	79	55,244	69929%
Income before special items	71,951	43,751	28,200	64%
Special items	2,727	5,803	(3,076)	n/a
Change in net position	74,678	49,554	25,124	51%
Net position, beginning of year	255,796	206,242	49,554	24%
Net position, end of year	\$ 330,474	\$ 255,796	\$ 74,678	29%

**Revenues:** As compared to 2016, revenues for 2017 increased by \$19.9 million primarily due to the following:

- \$22.0 million increase in the Housing Assistance Payments (HAPs) earned was primarily due to the increase in MTW Section 8 Housing Choice Voucher (HCV) HAPs funding. The increase in HAP funding was a result of an increase in the HUD renewal inflation factor from 1.055 to 1.096 offset by a 2.58% decrease in the proration factor.
- The above increase was offset by decreases in rental income, services fees and other income of \$2.1 million.

## **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2017

**Expenses:** As compared to 2016, total operating expenses in 2017 increased by \$47.0 million, mainly due to the following:

- HAPs payments increased by \$45.2 million due to the following reasons:
  - An increase in payment standards (110% of fair market rent) for all bedroom sizes for the Section 8 HCV program.
  - An increase in the VASH program payments standards to 120% of the FMR. Additionally, the Lease up rate for the VASH program also increased by 11% during this fiscal year.
  - A steady increase in the volume of rent adjustments during this fiscal year that has resulted in an increase to the total contract rent and HAP for units in the program.
- The increase in administrative expense of \$3.5 million is primarily due to the \$3.8 million settlement paid by the Authority related to a class action case for housing accommodations with its Section 8 voucher holders who have disabilities and/or have family members with disabilities; offset by a net decrease of \$0.3 million in other administrative expenses.
- Wages and benefits increased by \$0.4 million and pension expense was \$0.2 million due to the difference in how pension costs is measured under GASB Statement No. 68. Prior to GASB Statement No. 68, pension costs was related to the annual actuarially determined contribution requirements. Under the new standards, pension costs is measured as the change in the net pension liability or asset and the related deferred outflows and inflows of resources.
- The above increases were offset by a decrease in other expenses of \$ 3.1 million.
- Non-operating revenues increased by \$55.2 million primarily due to the \$53.9 million settlement received from the U.S. Department of Justice for the breach of contract claim filed by the Authority against the United States acting through HUD.

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

At the end of the fiscal year, the unrestricted net position for the MTW program was \$140.8 million. As discussed in Note 16, "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.

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 \$14.5 thousand, \$8.0 million, \$1.1 million and \$4.0 million, respectively.

### **Capital Acquisitions and Construction Activities**

During the fiscal year ended June 30, 2017, the Authority's activities related to construction and rehabilitation of the various projects were not significant. The Construction in Progress additions, were mainly related to pre-development activity for the Buena Vista, Santa Clara, and the Race Street projects. Reductions/transfers of construction in progress are essentially associated to the acquisition of assets by Park Avenue Senior LP from Pinmore HDC, Inc. 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

(A Component Unit of the County of Santa Clara)

Management's Discussion and Analysis (Unaudited)

June 30, 2017

## Long-Term Debt Activity (in thousands)

	June 30		Increase (Decrease)	
	2017	2016	Amount	Percent (%)
<b><u>Housing Development Corporation</u></b>				
Lease Revenue Bonds	\$ -	\$ 7,300	\$ (7,300)	-100%
<b><u>Section 8 Rental Voucher Program</u></b>				
Notes payable	1,398	1,398	-	0%
<b><u>Other Payables</u></b>				
Payment in lieu of taxes	3	3	-	0%
Accrued vacation and sick leave	1,125	1,013	112	11%
Other blended component units	48,369	48,999	(630)	-1%
Interest payable	14,687	14,244	443	3%
Total primary government	<u>\$ 65,582</u>	<u>\$ 72,957</u>	<u>\$ (7,375)</u>	<u>-10%</u>

For the year ended December 31, 2016, as required by new accounting standards, the component units began reporting permanent loan costs as a direct deduction of notes payable, as described in Note 2 to the basic financial statement. The beginning balances of the long-term obligation related to other blended component units above are adjusted accordingly.

In March of 2017, the Authority prepaid the lease obligations and fully redeemed the outstanding Series 2004A and Series 2006 lease revenue bonds for \$ 7.3 million. Current year additions of \$2.9 million was offset by the scheduled debt service payments as discussed in the Financial Analysis section. Additional information on the Authority's Long-Term Debt Activity can be found in Note 7, "Long Term Obligations", to the basic financial statements.

## Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Future congressional appropriation bills on MTW funding.
- Local and national property rental markets that determine Housing Assistance Payments.
- Local labor supply and demand, which can affect employment costs such as salary and wage rates.
- 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, 2017

	Primary Government - Business-type Activities	Discretely Presented Component Units
<b>Assets:</b>		
Current assets:		
Unrestricted cash and cash equivalents (Note 3)	\$ 13,666,931	\$ 10,955,772
Unrestricted short term investments (Note 3)	47,366,371	-
Accounts receivable:		
Tenants	9,973	55,178
HUD (Note 16)	93,636,197	16,075
Others	511,991	520,493
Interest receivable	112,149	-
Due from component units and related parties (Note 9)	1,309,488	185,325
Due from primary government	-	113,138
Prepaid expenses	374,291	421,558
Restricted cash and cash equivalents (Note 3)	5,971,238	20,318,998
Total current assets	<u>162,958,629</u>	<u>32,586,537</u>
Noncurrent assets:		
Long term investments (Note 3)	18,803,582	-
Self-help loans receivable (Note 4)	167,740	-
Long-term receivables from non-related parties (Note 4)	5,707,993	-
Long-term receivables from component units and related parties (Note 9)	98,122,038	-
Net pension asset (Note 12)	4,741,806	-
Net OPEB asset (Note 13)	1,556,567	-
Equity interest in affiliated limited partnerships (Note 9)	9,357,749	-
Deposits in escrow (Note 19)	31,483,885	-
Other assets	-	1,660,195
Capital assets (Note 6):		
Nondepreciable	21,839,625	50,567,650
Depreciable	42,624,391	316,595,248
Total capital assets	<u>64,464,016</u>	<u>367,162,898</u>
Total noncurrent assets	<u>234,405,376</u>	<u>368,823,093</u>
Total assets	<u>397,364,005</u>	<u>401,409,630</u>
<b>Deferred outflows of resources:</b>		
Pension related (Note 12)	<u>4,000,446</u>	<u>-</u>

See accompanying notes to the basic financial statements

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

## Statement of Net Position

June 30, 2017

	Primary Government - Business-type Activities	Discretely Presented Component Units
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	1,339,533	2,931,344
Accrued wages and benefits	416,604	-
Accrued interest payable (Notes 7 and 18)	994,668	1,822,159
Intergovernmental payable	55,146	-
Payable to component units and related parties	118,709	1,435,279
Due to primary government	-	4,953,381
Other accrued liabilities	50,611	-
Tenant security deposits	337,014	1,061,624
Unearned revenue (Note 9)	1,292,473	110,126
Current portion of accrued vacation and sick leave (Note 7)	210,921	-
Current portion of long-term obligations (Notes 7 and 18)	698,518	4,217,005
Total current liabilities	<u>5,514,197</u>	<u>16,530,918</u>
Noncurrent liabilities:		
FSS escrow (Note 2)	634,453	-
Accrued vacation and sick leave, net of current portion (Note 7)	914,120	-
Payable to component units and related parties, net of current portion	8,594	-
Long-term interest payable (Notes 7 and 18)	13,692,829	12,693,923
Long-term obligations, net of current portion (Notes 7 and 18)	49,070,680	175,864,113
Advance from primary government	-	108,159,826
Total noncurrent liabilities	<u>64,320,676</u>	<u>296,717,862</u>
Total liabilities	<u>69,834,873</u>	<u>313,248,780</u>
<b>Deferred inflows of resources:</b>		
Pension related (Note 12)	<u>1,055,399</u>	<u>-</u>
<b>Net position:</b>		
Net investment in capital assets	14,697,848	187,081,780
Restricted	4,997,375	19,257,374
Unrestricted	<u>310,778,956</u>	<u>(118,178,304)</u>
Total net position	<u>\$ 330,474,179</u>	<u>\$ 88,160,850</u>

See accompanying notes to the basic 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

For the Year Ended June 30, 2017

	Primary Government - Business-type Activities	Discretely Presented Component Units
Operating revenues:		
Rental income	\$ 8,139,327	\$ 33,348,731
Service fees	329,194	-
Housing assistance payments earned	284,468,041	-
HUD administrative fees	16,379,236	-
Other	9,130,415	516,801
Total operating revenues	<u>318,446,213</u>	<u>33,865,532</u>
Operating expenses:		
Wages and benefits	15,562,924	-
Pension expense (Note 12)	259,221	-
Administrative	6,216,631	4,862,887
Tenant services	546,001	-
Utilities	956,508	2,597,250
Maintenance and operations	1,715,821	4,038,754
General	1,776,614	3,257
Depreciation and amortization	2,881,700	11,835,864
Housing assistance payments	265,977,277	-
Other	5,925,255	1,964,352
Total operating expenses	<u>301,817,952</u>	<u>25,302,364</u>
Operating income	<u>16,628,261</u>	<u>8,563,168</u>
Nonoperating revenues (expenses):		
Federal claims court judgement funds (Note 15)	53,861,734	-
Gain on disposition of capital assets (Note 6)	770,673	-
Investment income	3,843,231	122,789
Interest expense	(3,153,196)	(11,213,764)
Other nonoperating expenses, net	-	(3,152,562)
Total nonoperating revenues (expenses)	<u>55,322,442</u>	<u>(14,243,537)</u>
Income (loss) before capital contributions and special items	<u>71,950,703</u>	<u>(5,680,369)</u>
Capital contributions	-	20,926,808
Special items (Note 18)	2,727,416	(2,727,416)
Change in net position	<u>74,678,119</u>	<u>12,519,023</u>
Net position, beginning of year	<u>255,796,060</u>	<u>75,641,827</u>
Net position, end of year	<u>\$ 330,474,179</u>	<u>\$ 88,160,850</u>

See accompanying notes to the basic financial statements

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

## Statement of Cash Flows

For the Year Ended June 30, 2017

	Primary Government - Business-type Activities
Cash flows from operating activities:	
Receipts from tenants	\$ 8,211,099
Receipts from customers and others	10,828,250
Receipts from housing assistance programs	299,521,580
Payments to suppliers for goods and services	(17,474,645)
Housing assistance payments on behalf of tenants	(265,985,274)
Payments to employees for services	(16,697,729)
Net cash provided by operating activities	18,403,281
Cash flows from noncapital financing activities:	
Proceeds from federal claims court judgement funds (Note 15)	53,861,734
Decrease of loans and other receivables to non-related parties	52,007
Increase of receivables from related parties and component units	(3,418,774)
Net cash provided by noncapital financing activities	50,494,967
Cash flows from capital and related financing activities:	
Proceeds from disposition of capital assets	850,000
Acquisition of capital assets	(875,313)
Deposits placed in escrow for acquisition of capital assets	(31,483,885)
Repayments of short-term and long-term liabilities	(8,654,012)
Interest and other fees paid	(2,717,492)
Net cash used in capital and related financing activities	(42,880,702)
Cash flows from investing activities:	
Interest received	4,036,920
Purchase of investments	(11,017,882)
Contribution to partnerships	(1,128,292)
Distribution from investment in partnerships	(588,063)
Net cash used in investing activities	(8,697,317)
Net change in cash and cash equivalents	17,320,229
Cash and cash equivalents, beginning of year	49,684,311
Cash and cash equivalents, end of year	\$ 67,004,540

See accompanying notes to the basic financial statements

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

## Statement of Cash Flows

For the Year Ended June 30, 2017

	Primary Government - Business-type Activities
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,628,261
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,881,700
Other nonoperating expense	10,865
Decrease (increase) in:	
Receivables	70,488
Prepaid expenses	138,114
Net pension asset	3,236,598
Net OPEB asset	(398,372)
Other assets	723,444
Deferred outflows of resources	(3,232,648)
Increase (decrease) in:	
Accounts payable	(1,232,173)
Accrued wages and benefits	(21,773)
Intergovernmental payable	(7,997)
Tenant security deposits and FSS escrow	71,383
Unearned revenues	(27,155)
Accrued vacation and sick leave	111,583
Other liabilities	21,935
Deferred inflows of resources	(570,972)
Net cash provided by operating activities	<u>\$ 18,403,281</u>
Cash and cash equivalents:	
Unrestricted cash and cash equivalents	\$ 13,666,931
Unrestricted short term investments	47,366,371
Restricted cash and cash equivalents	<u>5,971,238</u>
Total cash and cash equivalents	<u>\$ 67,004,540</u>
Noncash capital and related financing activities:	
Increase in loan receivables from sales of capital assets to related party	\$ 6,000,000
Disposition of capital assets to related party	2,393,468
Sales of capital assets in exchange of loan receivables	(3,272,584)
Noncash investing activities:	
Increase in accrued interest receivables	429,156

See accompanying notes to the basic financial statements

This page left intentionally blank.

# **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## **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 Authority's (the "Primary Government") mission is to provide and inspire affordable housing solutions to enable low-income people in Santa Clara County to achieve financial stability and self-reliance. It exists to make housing safe and affordable for low-income families and individuals through voucher programs and rental properties. It also provides information, referrals, incentives, and services that help its clients stabilize their lives and increase their capacity to be economically self-sufficient. 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**

Component units (CUs) are legally separate organizations for which a Primary Government has some degree of control, or from which it receives a benefit or burden. CUs are included within the primary government's financial statements as discretely presented or blended units. CUs are discretely presented unless they qualify as a blended unit, which includes the governing board being substantially the same as the primary government's governing board and (1) there is a financial benefit or burden relationship between the primary government and the CU or (2) management of the primary government has operational responsibility for the CU. A CU can also be blended if the total outstanding debt of the CU is expected to be paid with resources of the primary government.

The Authority's basic financial statements include both discretely presented and blended CUs. The discretely presented CUs are reported in a separate column within the government wide financial statements for reasons, which include that the Authority does not have majority control over these entities and their outstanding debt is not expected to be paid by the Authority.

Conversely, the blended component unit's financial statements are incorporated with the primary government financial statements for the reasons previously noted. The following section discusses the Authority's blended and discretely presented CUs.

### **Blended component units**

The blended CUs are combined with the primary government's financial statements and have a December 31, 2016 year-end, except for the Housing Development Corporation which has a June 30, 2017 year-end.

#### ***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. 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. In addition, 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

## HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

termination of the lease, September 1, 2038, or at such time when all of the principal components of the lease payments have been paid.

On January 24, 2017, the Authority's Board of Commissioners adopted Resolution 17-01 approving prepayment of the Authority's rental payment obligations under the sublease agreement dated October 1, 2006, between the County and the Authority. On March 1, 2017 the Authority prepaid the outstanding lease obligations of \$7.1 million and terminated the lease agreement.

Program Responsible in Daring Excellence ("PRIDE") - PRIDE was established as a 501(c) (3) 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 Authority appoints the voting majority of PRIDE's Board. Additionally, the Authority's employees, working on behalf of PRIDE's board, have operational and financial responsibility for PRIDE. There were no activity in fiscal year 2017, and PRIDE had no net position at June 30, 2017.

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 blended component unit because the Authority owned 100% of PMI's stock and held the voting majority of PMI. In addition, the Authority's employees, working on behalf of PMI's board members, had operational and financial responsibility for PMI. PMI discontinued its operations through fiscal year 2016, and was subsequently dissolved on May 30, 2017.

### ***Blended component units - Other***

AE Associates, Ltd. - A California limited partnership formed in August 1991 to develop and operate an 84-unit affordable housing complex for the elderly located in San Jose, California. AE Associates, Ltd.'s General Partner Avenida Espana HDC, Inc., is an Authority affiliated non-profit general partner, maintains 1% ownership. The Authority, as the limited partner, owns 99% of the partnership. As the majority partner, the Authority can impose its will on AE Associates, Ltd. As a result, it is presented as a blended component unit.

Avenida Espana HDC, Inc. - A non-profit corporation organized in April 1990, serves as the general partner in four limited partnerships (AE Associates, Ltd., Rincon Gardens Associates, L.P., Julian Street Partners, L.P. and McCreery Avenue LP). Avenida Espana HDC, Inc.'s three-member Board of Directors is appointed by the majority of the current board where no more than one of the three board members can be current commissioners, officers or employees of the primary government. Avenida Espana HDC, Inc. is a blended component unit of the Authority because the Authority is legally obligated to finance operating deficits and provide tax indemnification guarantees of Avenida Espana HDC, Inc. In addition, one of the board members is the Executive Director of the Authority and the Authority has operational and financial responsibility for Avenida Espana HDC, Inc.

Blossom River Associates L.P. - A California limited partnership formed in August 1996 to develop and operate a 144-unit affordable housing complex in San Jose, California, which is currently operating under the name Blossom River Apartments. The partnership is comprised of its general partner, DeRose HDC, Inc., an Authority affiliate, and the Authority as its limited partner. The Authority owns a majority of the entity and can impose its will on it. As a result, it is presented as a blended component unit.

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. It is serving as a general partner in two limited partnerships (HACSC/Choices Senior Associates and HACSC/Choices Family Associates). Bracher HDC, Inc.'s three-member board is comprised of three Directors appointed by the Authority's Executive Director. Bracher HDC, Inc. is a blended component unit of the Authority because it is legally obligated to finance operating deficits of Bracher HDC, Inc. and to provide tax indemnification guarantees on behalf of Bracher HDC, Inc. for its partnerships.

## **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

DeRose HDC, Inc. - A California non-profit corporation created in October 1988 to serve as the general partner of two limited partnerships (Blossom River Associates and Bascom HACSC Associates). The Villa Hermosa Apartments, previously owned by Thunderbird Associates, was acquired by Hermocilla LLC on August 3, 2015. Hermocilla LLC is controlled by DeRose HDC, Inc., its sole member, DeRose HDC, Inc. is a blended component unit of the Authority because the Authority's Board appoints the directors of DeRose HDC, Inc. and may remove any of its directors with or without cause. The three-member governing board is comprised of the Executive Director of the Authority and two Authority staff. The Authority has also provided a Demand Note guarantee on behalf of DeRose HDC, Inc. for one of its partnerships and has operational and financial responsibility for DeRose HDC, Inc.

Helzer Associates, L.P. - A California limited partnership organized in March 1998. Pinmore HDC, Inc. is the 0.1% general partner and the Authority as the limited partners owns 99.9% of the entity. As a result, the Authority can impose its will on this partnership; therefore, it is presented as a blended component unit.

Klamath Associates, L.P. A California limited partnership formed in November 1993 to develop and operate a 17-unit affordable housing complex located in Santa Clara, California, which is currently operating under the name of Klamath Gardens Apartments. S.P.G. Housing Inc., which is a nonprofit organization affiliated with the Authority, is its general partner with a 1% interest. Its limited partner is the Authority with a 99% interest. Since the Authority is the majority partner it can impose its will on Klamath Associates, L.P. as such the partnership is presented as a blended component unit.

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 blended component unit of the Authority because three members of the five-member governing board are employees of the Authority who can be appointed and removed by the Authority's Board. 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. The Authority has operational and financial responsibility for Opportunity Center HDC, Inc; therefore, it is presented as a blended component unit.

Pinmore HDC, Inc. - A California non-profit corporation established in September 1993 to serve as a general partner in six limited partnerships which include Helzer Associates, Willows/HACSC Associates, Fairgrounds Luxury Family Apartments and Fairgrounds Senior Housing. In 2015, Pinmore HDC, Inc. became the general partner for Park Avenue Seniors, L.P. and Laurel Grove Family, L.P., which have commenced development activities for a 100 unit affordable senior housing project and an 82 unit affordable housing project, respectively. Pinmore HDC, Inc. is a blended 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. Furthermore, the Authority's employees, working on behalf of the general partner's board members, have operational and financial responsibility for Pinmore HDC, Inc.

Poco Way HDC, Inc. - A California non-profit corporation was established in July 1994 as a nonprofit benefit corporation to provide housing for low and moderate income persons, and to serve as the general partner in a limited partnerships which own and operate housing for the benefit of low and moderate income persons. The Organization previously operated a 130-unit affordable housing complex, Poco Way Apartments, which was sold on February 20, 2015 to an affiliate, McCreerty Avenue LP. Poco Way HDC, Inc.'s three-member governing board is comprised of the Executive Director of the Authority and two Authority staff, appointed by the Authority's Board. It is a blended component unit of the Authority because the Authority is legally obligated to finance deficits of Poco Way HDC, Inc. and the Authority's employees have operational and financial responsibility for Poco Way HDC, Inc.

Rotary Plaza/HACSC HDC, Inc. - A California non-profit corporation established in May 1991. Its purpose is to provide affordable housing 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. Rotary Plaza was the general partner of Huff Avenue

## HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

Associates, which owned a 73-unit affordable housing complex located in San Jose, California, operating under the name of Huff Gardens Apartments. On December 11, 2015, Huff Gardens was transferred to Huff Avenue LLC, which Rotary Plaza/HACSC HDC, Inc. is the sole member. The three member governing board of Rotary Plaza/HACSC HDC, Inc. is comprised of the Executive Director of the Authority and two Authority staff. It is a blended component unit of the Authority because the Authority's employees, working on behalf of the Rotary Plaza/HACSC HDC, Inc.'s Board, bear the responsibility for financial and operational matters of the corporation.

San Pedro Gardens Associates, Ltd. - A California limited partnership formed in August 1990 to develop and operate a 20-unit affordable housing complex located in Morgan Hill, California, operating under the name of San Pedro Gardens. S.P.G. Housing, Inc., an Authority affiliated non-profit general partner, hold 1% ownership and the Authority holds 99% ownership. The Authority, as the majority of the owner can impose its will on the entity. As a result, San Pedro Gardens Associates is presented as a blended component unit.

S.P.G. Housing, Inc. - A California non-profit corporation established in March 1992 serves as a general partner in two limited partnerships (San Pedro Gardens Associates, Ltd and Klamath Associates). It previously served as the limited partner for Bracher Associates and Pinmore Associates. However the properties associated with these partnerships were sold to South Drive LLC and Branham Lane LLC. South Drive LLC, the owner of Bracher Garden Apartments, and Branham Lane LLC, the owner of Pinmore Garden Apartments, are both wholly owned by S.P.G. Housing, Inc. In addition, S.P.G. Housing Inc. wholly owns Halford LLC and Poinciana LLC, two former public housing properties it acquired in 2015.

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. The Authority's Board appoints its three-member governing board and may remove any of these members with or without cause. S.P.G. Housing, Inc. is a blended component unit of the Authority because the Authority's employees, working on behalf of the S.P.G. Housing, Inc.'s board, bear responsibility for financial and operational matters of the corporation. In addition, the Authority is legally obligated to provide guarantees on behalf of its partnership.

Villa Garcia, Inc. ("VGI") - A non-profit corporation established in December 1970 to manage Villa Garcia Apartments, an 80-unit apartment project subject to U.S. Housing and Urban Development ("HUD") regulations. It is a blended component unit of the Authority because the Authority's Board appoints its three-member governing board and may remove any of these members with or without cause. 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. The Authority has also provided operating deficit and tax indemnification guarantees on behalf of VGI for its partnership.

Villa San Pedro HDC, Inc. ("VSP") - A non-profit corporation established in March 1990 to provide low-income families with housing facilities and services. VSP is the managing general partner of Bendorf Drive, L.P. ("Bendorf"), a California limited partnership, which was formed on February 7, 2013 to acquire, rehabilitate, and operate the Villa San Pedro Apartments. VSP is a blended component unit of the Authority because the Authority's Board appoints its three-member governing board and may remove any of these members with or without cause.

In addition, the Authority's employees, working on behalf of Villa San Pedro HDC, Inc.'s board members, also bear responsibility for financial and operational matters of the corporation. The Authority is also legally obligated to provide guarantees on behalf of Villa San Pedro HDC, Inc. for its partnership.

For all the partnerships of which the above entities are general partners, refer to Note 18 for detailed information.



# **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## **Discretely presented component units**

The Authority's discretely presented CUs are reported in a separate column within the government-wide financial statements and have a December 31, 2016 year-end. The Authority's tax credit partnerships do not include its board representation and its affiliated non-profit general partner entities serve as the general partner for these partnerships. However, the Authority's affiliated general partners do not hold a majority control of these entities because they are 99% owned by their limited partner. In addition, the Authority has 6 other discretely presented CUs: Branham Lane LLC, Halford LLC, Hermocilla LLC, Huff Avenue LLC, Poinciana LLC and South Drive LLC. These limited liability corporations are owned by Authority affiliated non-profit general partner entities, which own 100% of their respective limited liability corporation. In addition, HACSC Housing Partnerships, LLC, which is owned by Pinmore HDC, Inc. did not have any financial activity for the year ended December 31, 2016. Refer to Note 18 for detailed information on the Authority's discretely presented component units

## **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 inter-fund 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. 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. Non-exchange transactions, in which the Authority receives value without directly giving equal value in exchange, include revenues from federal, state and local assistance programs. Revenue from these sources is recognized in the fiscal year in which all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are HUD housing assistance payments earned, HUD administrative fees and rental income from its public housing units.

Operating expenses include employee services, services and supplies, administrative expenses, utilities, depreciation on capital assets and housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as non-operating 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 non-operating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after non-operating activity on the accompanying statement of revenues, expenses and changes in net position.

# **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

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.

## **Deferred outflows of resources and deferred inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

## **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:

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 contributions contract numbers CA-056VO and CA-059VO for approximately 17,817 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.

The accompanying basic financial statements also include the activities of other local programs. A summary of each significant program is provided below:

Real Estate Services Program includes operations related to Property Management and Maintenance Services, Resident Services, Program Compliance Monitoring Services and Asset Management activities. The asset management unit oversees approximately 2,720 low income residential housing units, which are owned by the Authority and its affiliate entities. Additionally, it manages monitors and reports on all financial activity, which includes bonds, loans, promissory notes, and partners' interest. The Real Estate Services revenues are mostly derived from the fees earned from these activities.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

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 non-negotiable certificates of deposit with financial institutions 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 reserves, security deposits, and residual receipts accounts.

All investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## **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

## **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, 2017, there has been no impairment of the capital assets.

## **Investments in partnerships**

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

## HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

### **Pension plan**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's pension plan and additions to/deduction from the pension plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

### **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.

### **Permanent loan costs**

Costs incurred in order to obtain permanent financing are stated at cost and amortized on a straight-line basis into interest expense over the term of the loan. Permanent loan costs are reported as a direct deduction from the face amount of the related debt.

### **Family Self Sufficiency (FSS) escrow account**

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 Escrow 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's government wide financial statements. For the year ended June 30, 2017, offsetting amounts of \$3,255,293 were eliminated. The Authority also eliminated \$15,959,278 related to other material intercompany balances and transactions from the consolidated financial statements.

Internal charges - The Authority internally charges its costs of support service, indirect costs allocations interest payments, and rent provided by one department to other Authority departments on a cost-reimbursement basis. For financial reporting purposes, \$9,400,274 of internal charges for services, rent and interest expenses and \$6,326,908 of prepaid rent payments has been eliminated for the year ended June 30, 2017.

Cumulative gains from related party sales - The Authority may acquire or sell capital assets from other commonly controlled affiliates. Generally accepted accounting principles required that the buyer record the transaction based on the seller's carrying value of the assets at the time of acquisition. The cumulative amount of the excess of the purchase price over the carrying value of the property acquired by the discretely presented component units totaling \$20,499,638 is eliminated for presentation of the Authority's government wide 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, 2017

## Special Items

Special items are transactions or events that are within the control of the Authority and that are either unusual in nature or infrequent in occurrence.

## Net position

Net position includes the various net earnings from operating income, non-operating revenues and expenses, capital contributions and special items. Net position is classified in the following three components:

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 net investment in capital assets. 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 reduced by liabilities relating to those restricted assets.

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 U.S. generally accepted accounting principles (“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 year ended June 30, 2017, the Authority adopted the following Governmental Accounting Standard Board (GASB) Statements:

In June 2015 GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits Plans other than Pension Plans*. This statement is intended to make the OPEB accounting and financial reporting consistent with the pension standards outlined in Statement No. 67.

In August 2015, GASB Statement No. 77, *Tax Abatement Disclosures* that requires governments that enter into tax abatement agreements to disclose additional information about the agreements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of State No. 68, *Accounting and Financial Reporting for Pensions*. The statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for those pensions.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement 14*, to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*.

In March 2016, GASB Statement No. 82, *Pension Issues, An Amendment of GASB Statements No. 67, No. 68 and No. 73*, to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. See Required Supplementary Information (RSI) for required disclosures.

These statements do not have significant impact on the Authority's financial statements for the fiscal year ended June 30, 2017. In addition, in prior years, the Authority's component units reported permanent loan costs as deferred costs in the statement of net position and amortization of such costs in the statement of revenues, expenses and changes in net position. For the year ended December 31, 2016, as required by new accounting standards, the component units began reporting permanent loan costs as a direct deduction of notes payable. Similarly, the component units now reports amortization of permanent loan costs as interest expense. These changes had no effect on previously reported change in net position.

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

GASB Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*, is intended to make OPEB accounting and financial reporting consistent with the pension standards outlined in Statement No. 68. This will include recognizing a net OPEB liability in accrual basis financial statements. It applies to government employers who provide OPEB plans to their employees. It parallels Statement No. 68 and replaces Statement No. 45. This statement is effective for the Authority's fiscal year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, is intended to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocably split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB Statement No. 81 is effective for the Authority's year ending June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* addresses accounting and reporting for certain Asset Retirement Obligations, and outlines criteria for determining the timing and procedures for recognizing a liability and deferred outflow of resources related to future asset retirement activities related to tangible assets. The statement requires that a recognition occur when the liability is incurred and reasonably estimable. This is effective for the Authority's fiscal year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes specific criteria for identifying activities that should be reported as fiduciary activities. The Statement also clarifies how business-type activities should report their fiduciary activities, and will be effective for the Authority's fiscal year ending June 30, 2020. GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 is effective for the Authority's year ending June 30, 2018.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

GASB Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment of provisions of the contract. The Statement also establishes a single model for lease accounting, and requires recognition of a lease liability and an intangible right-to-use lease asset, and it requires a lessor to recognize a lease receivable and deferred inflow of resources. It will be effective for the Authority's fiscal year ending June 30, 2021.

## Note 3 – Cash, cash equivalents and investments

Cash, cash equivalents and investments are presented on the accompanying statements of net position as of June 30, 2017 for the primary government and as of the various fiscal year ends of the individual presented component units are as follows:

	Primary Government	Discrete Component Units	Total
Unrestricted cash and cash equivalents	\$ 13,666,931	\$ 10,955,772	\$ 24,622,703
Unrestricted short term investments	47,366,371	-	47,366,371
Restricted cash and cash equivalents	5,971,238	20,318,998	26,290,236
Long term investments	18,803,582	-	18,803,582
Total	<u>\$ 85,808,122</u>	<u>\$ 31,274,770</u>	<u>\$ 117,082,892</u>
Deposits with financial institutions	\$ 18,577,625	\$ 31,274,770	\$ 49,852,395
Investments	67,230,497	-	67,230,497
Total	<u>\$ 85,808,122</u>	<u>\$ 31,274,770</u>	<u>\$ 117,082,892</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 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.

# **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## 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. Securities purchased under reverse repurchase agreements shall be for temporary and unanticipated cash flow needs only.
- 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.

The Authority is empowered by the California Government Code Sections 5922 and 53601 et seq. and its Investment Policy to invest 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 repurchase agreements shall be no less than 102% of market value.



## **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

- I. Reverse Repurchase Agreements of any U.S. Treasury and Federal Agency Securities in the portfolio. Securities purchased under reverse repurchase agreements shall be for temporary and unanticipated cash flow needs only.
- J. Medium term notes (not to exceed five years) of U.S. Corporations rated “A” or better by Moody’s or 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 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 % 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. Credit ratings of securities other than LAIF are presented based on Moody’s Credit Rating.

The Authority is a participant in 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 (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. LAIF does not have a rating provided by a nationally recognized statistical rating organization. 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. LAIF’s weighted average to maturity is 194 days. More information on LAIF investment pool can be found at <http://www.treasurer.ca.gov/pmia-laif/>.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## 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 Authority diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. Investments in U.S. Treasuries, U.S. Agency securities explicitly backed by the U.S., and mutual and pooled funds are not subject to this limitation. More than 5% of the Authority's investments are invested with the Federal National Mortgage Association represent 6.7% of the total Authority's investments.

A summary of the Authority's investments at June 30, 2017 is shown below:

Investment	Credit Rating	June 30, 2017	Maturities (in years)		
			Less than 1	1 - 3	3 - 5
Money Market Mutual Fund	Not rated	\$ 1,060,544	\$ 1,060,544	\$ -	\$ -
State Local Agency Investment Fund	Not rated	47,366,371	47,366,371	-	-
Negotiable Certificate of Deposits	Not rated	8,156,721	-	2,958,385	5,198,336
Medium Term Bonds:					
Apple Inc.	Aa1	504,430	-	-	504,430
Berkshire Hathaway Finance Corp.	Aa2	515,810	-	-	515,810
Microsoft Corporation	Aaa	503,670	-	-	503,670
Toyota Motor Credit Corporation	Aa3	505,270	-	-	505,270
U.S. Government Agencies:					
Federal National Mortgage Association	Aaa	4,500,094	-	1,468,546	3,031,548
Federal Home Loan Banks	Aaa	2,624,174	-	502,695	2,121,479
Federal Home Loan Banks Bond	Aaa	-	-	-	-
Federal home Loan Mortgage Corp	Aaa	972,690	-	-	972,690
Federal Agriculture Mortgage Corporation	Not rated	520,723	-	-	520,723
Total investments		<u>\$ 67,230,497</u>	<u>\$ 48,426,915</u>	<u>\$ 4,929,626</u>	<u>\$ 13,873,956</u>

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. A summary of the Authority's hierarchy of inputs of its investments at June 30, 2017 is shown below:

Type of Investment	June 30, 2017
Investment by fair value hierarchy - Level 1:	
Corporate Bonds	<u>\$ 2,029,180</u>
Investment by fair value hierarchy - Level 2:	
U.S. Federal Agency Securities	8,617,681
Negotiable Certificate of Deposits	<u>8,156,721</u>
Total investments by fair value hierarchy	<u>16,774,402</u>
Investment not subject to fair value hierarchy:	
State Local Agency Investment Fund	47,366,371
Money Market Mutual Funds	<u>1,060,544</u>
Total investments	<u>\$ 67,230,497</u>

# **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## **Note 4 – Long-term receivables with non-related parties**

### **Self-help loans receivables**

The San Pedro Gardens project consists of 20 rental apartments and 16 self-help owner built units located in Morgan Hill, California. As of June 30, 2017, the Authority held seven individual loans totaling \$167,740, which are secured by a deed of trust. The interest rates on these loans is 10% compounded annually. There shall be no payments due on principal or interest owed under the note so long the Borrower owns the property and is not in violation of any provisions of the note or the resale agreement. Furthermore, interest shall be forgiven, in part, at the end of the 30 years of the date of the execution of the note. At the request of the borrower, the Authority shall relieve the Borrower of all obligations under the note, provided that the Property is sold to a low income Eligible Purchaser. Due to the uncertainty of the payment of the annual interest receivable, which totals to \$1,567,066 as of June 30, 2017, the Authority has recorded an allowance for uncollectibility with this interest receivable.

### **Ford Road Family Housing note receivable**

In January 2013, the Authority entered into an Amended and Restated Promissory Note (Note) with the Ford Road Family Housing, L.P., a California limited partnership in the amount of \$5,760,000. The principal due under this Note will bear simple interest at the rate of zero percent per year and the Note matures on the earliest of the occurrence of an event of default; or fifty-five years from the Commencement Date of the Affordability Covenants. Payments on the Note are due and payable annually on July 1 and the annual payment is equal to the Authority's Proportionate Share of Net Cash Flow, as defined in the agreements. As of June 30, 2017, the amount due to the Authority is \$5,707,993.

## **Note 5 - Disposition of public housing properties**

As of June 30, 2017, the Authority has one remaining public housing project known as Deborah Drive (CA059016) with a total of 4 rental units managed under HUD's Public Housing rules and regulations. The Authority is waiting for the final confirmation from HUD in order to dispose of the remaining public housing project.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Note 6 - Capital assets

The primary government's capital assets activity for the year ended June 30, 2017 was as follows:

	June 30 2016	Additions	Reductions/ Transfers	June 30, 2017
Capital assets not being depreciated				
Land	\$ 24,506,898	\$ -	\$ (3,160,979)	\$ 21,345,919
Construction in progress	2,745,181	411,901	(2,663,376)	493,706
Total capital assets not being depreciated	<u>27,252,079</u>	<u>411,901</u>	<u>(5,824,355)</u>	<u>21,839,625</u>
Capital assets being depreciated:				
Structures	84,242,238	427,837	(181,130)	84,488,945
Furniture and equipment	4,532,254	35,575	(438,246)	4,129,583
Total capital assets being depreciated	<u>88,774,492</u>	<u>463,412</u>	<u>(619,376)</u>	<u>88,618,528</u>
Less accumulated depreciation				
Structures	(39,407,882)	(2,737,140)	101,803	(42,043,219)
Furniture and equipment	(4,276,708)	(141,919)	467,709	(3,950,918)
Total accumulated depreciation	<u>(43,684,590)</u>	<u>(2,879,059)</u>	<u>569,512</u>	<u>(45,994,137)</u>
Total capital assets, being depreciated, net	<u>45,089,902</u>	<u>(2,415,647)</u>	<u>(49,864)</u>	<u>42,624,391</u>
Total capital assets, net	<u>\$ 72,341,981</u>	<u>\$ (2,003,746)</u>	<u>\$ (5,874,219)</u>	<u>\$ 64,464,016</u>

On November 9, 2016, the Authority sold improvements with a carrying value of \$79,237 to the County of Santa Clara for \$850,000 and recognized a gain of \$770,673. On November 17, 2016, the Authority sold land along with improvements with a carrying value of \$3.3 million to Park Avenue Seniors L.P. for \$6.0 million (see Note 18). In addition, during the year ended December 31, 2016, Pinmore HDC, Inc. transferred accumulated improvement costs of \$2.4 million to Laurel Grove Lane, L.P. and Park Avenue Seniors, LP when these discrete component units were established.

The discretely presented component units' capital assets activity for the year ended December 31, 2016 was as follows:

	June 30, 2016	Additions	Reductions/ Transfers	June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 27,601,787	\$ 5,830,193	\$ -	\$ 33,431,980
Construction in progress	2,840,257	28,312,219	(14,016,806)	17,135,670
Total capital assets, not being depreciated	<u>30,442,044</u>	<u>34,142,412</u>	<u>(14,016,806)</u>	<u>50,567,650</u>
Capital assets, being depreciated:				
Structures	376,955,162	510,902	13,672,141	391,138,205
Furniture and equipment	5,393,298	332,202	292,239	6,017,739
Total capital assets, being depreciated	<u>382,348,460</u>	<u>843,104</u>	<u>13,964,380</u>	<u>397,155,944</u>
Less accumulated depreciation	<u>(68,812,397)</u>	<u>(11,748,299)</u>	<u>-</u>	<u>(80,560,696)</u>
Total capital assets, being depreciated, net	<u>313,536,063</u>	<u>(10,905,195)</u>	<u>13,964,380</u>	<u>316,595,248</u>
Total capital assets, net	<u>\$ 343,978,107</u>	<u>\$ 23,237,217</u>	<u>\$ (52,426)</u>	<u>\$ 367,162,898</u>

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Note 7 - Long-term obligations

Outstanding long-term debt consisted of the following at June 30, 2017:

Type of Indebtedness (purpose)	Maturity	Interest Rate	Principal Installment	Original Issue Amount	Balance as of June 30, 2017
<b>Section 8 Choice Voucher Program</b>					
Notes Payable					
City of Morgan Hill	6/15/2021	1%	\$ 425,000	\$ 425,000	\$ 425,000
City of San Jose	9/23/2024	4%	972,500	972,500	972,500
Total Section 8 Choice Voucher Program					1,397,500
<b>Other Blended Component Units (detailed information in Note 18)</b>					48,368,668
Total primary government					\$ 49,766,168

Changes to the primary government's long-term obligations are as follows:

Primary Government	July 1, 2016,	Additions	Retirements	June 30, 2017	Due within one year
Housing Development Corporation					
Lease Revenue Bonds	\$ 7,300,000	\$ -	\$ 7,300,000	\$ -	\$ -
Section 8 Rental Voucher Program:					
Notes payable to the					
City of Morgan Hill	425,000	-	-	425,000	-
City of San Jose	972,500	-	-	972,500	20,000
Total notes payable	1,397,500	-	-	1,397,500	20,000
Other blended component units:					
A.E. Associates LP	4,563,246	-	28,627	4,534,619	34,244
Blossom River Associates	15,484,301	-	186,591	15,297,710	205,000
Helzer Associates	20,717,728	-	195,533	20,522,195	235,000
Klamath Associates	1,144,201	-	27,575	1,116,626	30,975
Rotary Plaza/ HACSC HDC, Inc.	3,452,713	-	135,583	3,317,130	134,646
San Pedro Gardens Associates	1,600,219	-	14,590	1,585,629	16,298
S.P.G. Housing, Inc.	2,036,828	-	42,069	1,994,759	22,355
Total other blended component units	48,999,236	-	630,568	48,368,668	678,518
Interest payable:					
Other programs	752,895	70,720	136,185	687,430	16,697
Other blended component units	13,491,021	2,737,948	2,228,902	14,000,067	977,971
Total interest payable	14,243,916	2,808,668	2,365,087	14,687,497	994,668
Payment in lieu of taxes	3,411	1,354	1,735	3,030	-
Accrued vacation and sick leave	1,013,457	128,240	16,656	1,125,041	210,921
Total primary government	\$ 72,957,520	\$ 2,938,262	\$ 10,314,046	\$ 65,581,736	\$ 1,904,107

For the year ended December 31, 2016, as required by new accounting standards, the component units began reporting permanent loan costs as a direct deduction of notes payable, as described in Note 2. The beginning balances of the long-term obligation related to other blended component units above are adjusted accordingly.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

The annual debt service requirements for the primary government's notes payable to maturity are as follows:

## Section 8 Rental Voucher Program

### Notes Payable

	<u>Principal</u>	<u>Interest</u>
Year Ending June 30,		
2018	\$ 20,000	\$ 43,150
2019	-	43,150
2020	-	43,150
2021	-	43,150
2022	-	43,150
2023-2027	<u>1,377,500</u>	<u>169,575</u>
	<u>\$ 1,397,500</u>	<u>\$ 385,325</u>

The other blended component units' long term debt are generally subject to changes in net cash flows and are payable from excess/ distributable cash. See additional information on the debt in Note 18.

**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 ("2004 Bonds") that bear interest 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.

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 office building used by the Authority. The 2006 Bonds are on parity with the 2004 Bonds.

The Financing 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.

On January 24, 2017, the Board of Commissioners adopted Resolution 17-01 approving prepayment of the Authority's rental payment obligations under the sublease agreement dated October 1, 2006, between the County and the Authority and the redemption of all of the outstanding Santa Clara County Financing Authority, Series 2004A and Series 2006 Lease Revenue Bonds.

On March 1, 2017 the Authority prepaid the outstanding lease obligations and fully redeemed the outstanding principal of \$7.1 million and interest of \$117,487 on the Series 2004A and Series 2006 Lease revenue Bonds.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Note 8 - Deficit program net position

The following general partner entities have a deficit net position as of December 31, 2016:

A.E. Associates, LP	\$ (2,801,795)
Avenida Espana HDC, Inc.	(2,452,635)
Blossom River Associates, LP	(5,587,840)
Bracher HDC. INC.	(471,962)
DeRose HDC, Inc.	(2,110,704)
Helzer Associates, LP	(4,321,936)
Klamath Associates LP	(165,707)
Pinmore HDC, Inc.	(3,745,778)
San Pedro Gardens Associates, Ltd.	(1,519,195)

These entities are the non-profit entities or limited partnerships that were created by the Authority to own and operate low-income residential properties in the County of Santa Clara. The net deficit of these entities are mainly from cumulative operating losses, including depreciation expense on the properties. However, based on the Authority's past experience, these deficit balances are likely to be recovered from the sale or transfer of the low-income property at fair market values. The remaining deficits can be funded by the Authority's MTW funds under its Create Affordable Housing Preservation Fund for the Authority and affiliates-owned properties, as MTW plan activity 2012-4, which is considered as a MTW non-traditional activity.

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Notes to Financial Statements  
June 30, 2017

**Note 9 - Related parties**

The Authority has the following receivables from related parties and other component units as of June 30, 2017:

<b>Long-term Receivables</b>								
<b>Receivables due from Blended Component Units</b>	<b>Short-term receivables</b>	<b>Notes Receivables</b>	<b>Lease/ Mortgage Receivables</b>	<b>Interest on Receivables</b>	<b>Development and Other Services</b>	<b>Subtotal</b>	<b>Elimination</b>	<b>Total</b>
AE Associates, Ltd.	\$ 102,039	\$ 34,237	\$ 10,000	\$ -	\$ -	\$ 44,237	\$ (145,814)	\$ 462
Avenida Espana HDC, Inc.	1,614	-	-	-	12,330,000	12,330,000	(12,330,000)	1,614
Blossom River Associates LP	17,048	-	-	-	-	-	(15,000)	2,048
Derosé HDC, Inc.	726	-	-	-	-	-	-	726
Helzer Associates LP	32,166	-	-	-	236,349	236,349	(265,010)	3,505
Klamath Associates LP	116,814	-	-	-	-	-	(116,511)	303
Pinmore HDC, Inc.	795	-	-	-	-	-	-	795
Poco Way HDC, Inc.	1,104	-	-	-	-	-	-	1,104
Rotary Plaza/HACSC HDC, Inc.	2,044	-	30,000	14,798	-	44,798	(33,541)	13,301
San Pedro Garden Associates, Ltd.	310	20,000	145,117	-	-	165,117	(153,590)	11,837
S.P.G. Housing, Inc.	18,120	-	1,318,812	-	-	1,318,812	(1,285,812)	51,120
Villa Garcia, Inc.	1,819	-	-	-	-	-	-	1,819
Villa San Pedro HDC, Inc.	1,360	1,500,000	-	134,450	-	1,634,450	(1,614,000)	21,810
<b>Total</b>	<b>\$ 295,959</b>	<b>\$ 1,554,237</b>	<b>\$ 1,503,929</b>	<b>\$ 149,248</b>	<b>\$ 12,566,349</b>	<b>\$ 15,773,763</b>	<b>\$ (15,959,278)</b>	<b>\$ 110,444</b>



**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Notes to Financial Statements  
June 30, 2017

(Continued)

<b>Long-term Receivables</b>							
<b>Receivables due from Discrete Component Units</b>	<b>Short-term receivables</b>	<b>Notes Receivables</b>	<b>Seller Take-Back Note</b>	<b>Interest on Receivables</b>	<b>Development and Other Services</b>	<b>Subtotal</b>	<b>Total</b>
Bascom/HACSC Associates LP	\$ 16,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,426
Bendorf Drive L.P.	16,234	1,955,058	9,277,939	780,293	-	12,013,290	12,029,524
Branham Lane LLC	131,378	-	-	-	-	-	131,378
Clarendon Street L.P.	5,628	920,000	6,969,826	279,067	-	8,168,893	8,174,521
Fairgrounds Luxury Family Apartments L.P.	13,891	-	-	-	-	-	13,891
Fairgrounds Senior Housing L.P.	21,036	-	-	-	-	-	21,036
HACSC/Family Choices Associates LP	16,415	-	-	-	-	-	16,415
HACSC/Senior Choices Associates LP	16,222	-	-	-	-	-	16,222
Halford Avenue LLC	24,767	-	2,697,989	-	-	2,697,989	2,722,756
Hermocilla LLC	30,731	-	-	-	-	-	30,731
Huff Avenue LLC	549,684	-	-	-	604,835	604,835	1,154,519
Julian Street Partners L.P.	138,627	-	22,802,850	4,601,079	-	27,403,929	27,542,556
Laurel Grove Lane L.P.	2,459	2,069,710	2,557,609	287,623	154,199	5,069,141	5,071,600
McCreery Avenue L.P.	37,752	-	10,346,647	468,520	111,796	10,926,963	10,964,715
Opportunity Center Associates, L.P.	29,630	-	-	-	-	-	29,630
Park Avenue Seniors, L.P.	1,560	5,459,541	6,000,000	338,035	150,000	11,947,576	11,949,136
Poinciana Drive LLC	24,740	-	1,580,659	-	-	1,580,659	1,605,399
Rincon Garden Associates L.P.	103,795	-	15,670,000	1,845,819	-	17,515,819	17,619,614
South Drive LLC	31,130	-	-	-	-	-	31,130
Willows/HACSC Associates	63,173	-	-	-	116,710	116,710	179,883
<b>Total</b>	<b>\$ 1,275,278</b>	<b>\$ 10,404,309</b>	<b>\$ 77,903,519</b>	<b>\$ 8,600,436</b>	<b>\$ 1,137,540</b>	<b>\$ 98,045,804</b>	<b>\$ 99,321,082</b>
<b>Total receivables due from blended component units (from previous page)</b>							<b>110,444</b>
							<b>\$ 99,431,526</b>
<b>Due from component units and related parties, current portion</b>							<b>\$ 1,309,488</b>
<b>Due from component units and related parties, net of current portion</b>							<b>98,122,038</b>
							<b>\$ 99,431,526</b>

## HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

### Short-term receivables and other advances

For services performed for providing partnership management services, the Authority earned management fees. Outstanding management fees are due in future years from available cash flow.

### Notes receivable

The notes receivable executed between the Authority and the affiliates are approved by the Authority's Board. Significant notes receivables between the Authority and its discrete component units are noted below:

Bendorf Drive L.P. - In December 2013, the Authority loaned Bendorf Drive L.P. \$800,000 to pay the pre-existing HUD financing in connection with its acquisition of the Villa San Pedro Apartment complex. The note bears interest at 3.32% compounded annually, matures on December 31, 2069 and is payable from excess/distributable cash. As of June 30, 2017, the balance on the note is \$800,000. Additionally, in October 1, 2015, Bendorf obtained a loan from the Authority for \$1,155,058. The note bears interest at 2.64% compounded annually, payable from excess/distributable cash, with the entire principal and interest due in full in December 2070. As of June 30, 2017, the balance on the note is \$1,155,058.

Clarendon Street Associates L.P. - The Authority has loaned its affiliated partnership, Clarendon Street, L.P. ("Clarendon"), an original amount of \$1,275,397. This loan bears interest at 2.40%, compounded annually, matures on December 31, 2068, and payable from excess/distributable cash. The balance as of June 30, 2017, was \$920,000.

Laurel Grove Lane, L.P. - In June 2016, the Authority loaned its affiliate Laurel Grove Lane, L.P. \$679,213. This loan bears interest at 5% compounding annually, is due and payable on the earlier of 55 years after the completion date or June 30, 2073. The balance as of June 30, 2017 is \$679,213. In addition, in June 2016, Laurel Grove Lane, L.P. obtained a loan from the Authority for \$1,390,497. The loan bears simple interest at a rate of 5% per annum, is due and payable on the earlier of 55 years after the completion date or June 30, 2073. The balance as of June 30, 2017 is \$1,390,497.

Park Avenue Seniors, L.P. - In November 2016, the Authority loaned its affiliate Park Avenue Seniors, L.P. \$399,497. This loan bears simple interest at 4% per annum. The loan is due in full on the earlier of 55 years after the completion date or November 1, 2073. The balance as of June 30, 2017, is \$399,497. In addition, in November 2016, Park Avenue Seniors, L.P. obtained a loan from the Authority for \$5,060,044. The loan bears simple interest at 4% annum. The loan is due in full on the earlier of 55 years after the completion date or November 1, 2073. The balance as of June 30, 2017, is \$5,060,044.

Furthermore, the Authority made loans to its blended component units. The amounts have been eliminated on the statement of net position against the related payables because these component units are reported with the primary government. The notes receivables between the Authority and its blended component units are noted below:

AE Associates, Ltd. - In October 1994, The Authority provided an unsecured loan, in the original amount of \$96,693, to the partnership. The balance as of June 30, 2017 was \$34,237. The loan is non-interest bearing and is due October 2024.

San Pedro Gardens Associates, Ltd. - The Authority provided an unsecured loan to the partnership in the original amount of \$50,000. The balance as of June 30, 2017 was \$20,000. The loan is non-interest bearing and is due on demand.

## **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

Villa San Pedro HDC, Inc. – In March 2013, the Authority loaned Villa San Pedro HDC, Inc. \$1,500,000 to pay for pre-development costs associated with the affordable housing project located at 282 Danze Drive, San Jose, California (Villa San Pedro Apartments). The note bears simple interest at the published Applicable Federal Rate and is due at the earlier of the sale or transfer of the property or March 2069. As of June 30, 2017, the balance on the note is \$1,500,000.

### **Leases/mortgage receivable**

Lease/Mortgage receivables are accrued lease payments incurred by land lease agreements between the Authority (Lessor) and several affiliated entities (Lessees), which are paid back to the extent of the entities' available operating cash flow surplus. The Authority made leases and mortgage loans receivables to its blended component units. The amounts have been eliminated on the statement of net position against the related payables because these component units are reported with the primary government. The lease/mortgage receivables between the Authority and its blended component units are noted below:

AE Associates, Ltd. - 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. As of June 30, 2017, the lease receivable balance is \$10,000.

Rotary Plaza/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. As of June 30, 2017, the lease receivable is \$30,000.

San Pedro Gardens Associates, Ltd. - 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. As of June 30, 2017, the lease receivable is \$145,117.

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. As of June 30, 2017, the lease receivable is \$1,318,812.

### **Seller take-back notes**

Seller take-back notes receivable are accrued payments related to a note entered into between the Authority (seller) and the limited Partnership (buyer), when the buyer is not in a position to fully fund the purchase and the parties close the sale with the seller taking from the buyer a purchase money note in lieu of payment of the purchase price in full.

Bendorf Drive, L.P. - In December 2013, Bendorf Drive, L.P. entered into a seller take-back note with Villa San Pedro HDC, Inc. in the amount of \$9,277,939 for a 100-unit affordable housing complex (Villa San Pedro Apartments). The note bears interest at 3.32% compounded annually, payable from excess distributable cash, with the entire principal and interest due in full in December 2069. As of December 31, 2016, the outstanding amount is \$9,277,939.

Clarendon Street, L.P. - In 2013, Clarendon Street, L.P. into a seller take-back note with Villa Garcia, Inc. in the amount of \$8,724,603. The note bears interest at 2.4% compounded annually, payable from available

## HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

excess/distributable cash, with the entire principal and interest due in full by December 31, 2068. As of December 31, 2016, the outstanding amount is \$6,969,826.

Halford LLC - On June 30, 2014, the Authority (Lessor) and the partnership (Lessee) entered into a seller take-back note in the amount of \$2,843,750. The note is secured by a subordinate deed of trust recorded against the Eklund Gardens I property and bears no interest. Payments are due and payable beginning June 1, 2015, continuing on the same day of each year thereafter until the maturity date of December 31, 2044, to the extent of available Net Cash Flow. As of June 30, 2017, the outstanding amount is \$2,697,989.

Julian Street Partners, L.P. - 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 interest at 4.35%, payments are due and payable beginning June 1, 2011 and continues on the first day of each year thereafter until the maturity date, December 31, 2055, to the extent of available net cash flow as defined in the agreement. As of June 30, 2017, the outstanding amount is \$22,802,850.

Laurel Grove Lane L.P. - On June 1, 2016, the Authority (Lessor) and the partnership (Lessee) have entered into a seller take-back note in the amount of \$2,557,609. The note is secured by a deed of trust recorded against the Laurel Grove Property, bears interest at 5% compounding annually, is due and payable on the earlier of the 55<sup>th</sup> anniversary of the completion date or June 1, 2073, and payable from residual receipts. As of June 30, 2017, the outstanding amount is \$2,557,609.

McCreery Avenue L.P. - On February 1, 2015, Poco Way HDC (Lessor), and the partnership (Lessee) have entered into a seller take-back note in the amount of \$10,021,352. The note is secured by a deed of trust recorded against the Poco Way Property, bears interest at 2.41% annum, compounding annually, payments are due and payable beginning April 1, 2016 and continues on the first day of each year thereafter until the maturity date, December 31, 2070, to the extent of available net cash flow as defined in the agreement. As of December 31, 2016, the outstanding amount is \$10,346,647.

Park Avenue Seniors, L.P. - On November 1, 2016, the Authority (Lessor) and the partnership (Lessee) have entered into a seller take-back note in the amount of \$6,000,000. The note is secured by a deed of trust recorded against the Park Avenue Property, bears simple interest at 4% annum, is due and payable on the earlier of 55 years after the completion date or November 1, 2073, and payable from residual receipts. As of June 30, 2017, the outstanding amount is \$6,000,000.

Poinciana LLC - On June 30, 2014, the Authority (Lessor) and the partnership (Lessee) entered into a seller take-back note in the amount of \$1,706,250. The note is secured by a subordinate deed of trust recorded against the Eklund Gardens II property and bears no interest. Payments are due and payable beginning June 1, 2015, continuing on the same day of each year thereafter until the maturity date of December 31, 2044, to the extent of available Net Cash Flow. As of June 30, 2017, the outstanding amount is \$1,580,659.

Rincon Garden Associates, L.P. - 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. As of June 30, 2017, the outstanding amount is \$15,670,000.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Development and other services

The Authority advanced funds to affiliated entities for development costs, and/or to finance the repurchase and acquisition of properties. These advances are non-interest bearing. The advance receivables included in the Authority's financial statements from blended component units have been eliminated against the entities' payables, which are also included on their respective financial statements.

## Equity interest in affiliated limited partnerships

Equity interest in affiliated limited partnerships as of December 31, 2016 includes the following:

Blended Component Units	Investee Partnerships	Amount
Avenida Espana HDC, Inc.	AE Associates, Ltd. Julian Street Partners, L.P. McCreery Avenue L.P. Rincon Gardens Associates, L.P.	\$ 9,092,877
Bracher HDC, Inc.	HACSC/Choices Senior Associates HACSC/Choices Family Associates	(501,962)
DeRose HDC, Inc.	Bascom HACSC Associates Blossom River Associates Hermocilla LLC	(2,158,208)
Opportunity Center HDC, Inc.	Opportunity Center Associates, L.P.	1,896,508
Pinmore HDC, Inc.	Fairground Luxury Family Apartments L.P. Fairgrounds Senior Housing, L.P. Helzer Associates Laurel Grove Lane L.P. Park Avenue Seniors L.P. Willows HACSC Associates	(3,875,028)
Rotary Plaza/HACSC HDC, Inc.	Huff Avenue LLC	3,134,941
SPG Housing Inc.	Branham Lane LLC Halford Avenue LLC Klamath Associates L.P. Poinciana Drive LLC San Pedro Gardens Associates, Ltd South Drive LLC	617,574
Villa Garcia, Inc.	Clarendon Street L.P.	1,290
Villa San Pedro HDC, Inc.	Bendorf Drive, LP	1,149,757
Total		<u>\$ 9,357,749</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, 2017, the Authority has an unearned revenue balance in the amount of \$1,273,422 related to this ground lease.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Guarantees, commitments and contingencies

**Guarantees** - The Authority has agreed to guarantee obligations of affiliated entities that are general partners in affordable housing limited partnerships. At June 30, 2017, the Authority's significant guarantees and commitments are summarized as follows:

Properties	Operating Deficit Guarantees	General Partner Demand Note	Tax Indemni- fication Guarantees	Loan Repayment Guarantees	Investor Guarantee	HAP contract, Property Tax, Meal Service Program (if applicable)
A.E. Associates LP	\$ -	\$ 150,000	\$ -	\$ -	\$ -	-
Bendorf Drive L.P.	650,000	-	13,908,142	-	Unlimited	HAP Contract
Blossom River Associates LP	-	250,000	-	-	-	-
Clarendon Street L.P.	575,000	-	5,485,688	-	-	HAP Contract
DeRose Garden Apartments (SPG Housing, Inc.)	-	175,000	-	-	-	-
HACSC/Family Choices Associates L.P.	840,000	-	434,491	-	-	-
HACSC/Senior Choices Associates L.P.	630,000	-	203,263	-	-	-
Julian Street Partners L.P.	1,900,000	-	9,883,160	-	Unlimited	HAP Contract
Laurel Grove Lane L.P.	-	-	-	42,020,000	-	HAP Contract
McCreery Avenue L.P.	750,000	-	13,708,679	-	-	HAP Contract
Park Avenue Seniors, L.P.	-	-	-	39,030,000	-	HAP Contract
Rincon Garden Associates, L.P.	-	-	947,170	-	Unlimited	HAP Contract
Rotary Plaza/HACSC HDC, Inc.	-	194,000	-	-	-	-
San Pedro Gardens Associates, Ltd.	-	80,000	-	-	-	-
Willows/HACSC Associates	643,000	-	-	-	-	-
<b>Total</b>	<b>\$ 5,988,000</b>	<b>\$ 849,000</b>	<b>\$ 44,570,593</b>	<b>\$ 81,050,000</b>		

## Note 10 - 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 these 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 L.P.** - 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 L.P. of a 144-unit multifamily rental housing project, Blossom River Apartments, and related support facilities. In accordance with the Indenture of Trust, trusts were established with the Bond Trustee to receive revenues from this project and distribute those revenues to various funds for principal and interest and other reserves, with the balance available for operating expenses. The series A-T bonds matured on September 1, 2004. At June 30, 2017, the principal amount payable for the A series issues was \$11,040,000.

**Clarendon Street Associates L.P.** - In November 2012, the Authority participated in the issuance of Multifamily Housing Revenue Bonds in the amount of \$13,000,000. These bonds were issued to provide a portion of the financing for the acquisition and construction renovation by Clarendon Street L.P. of an 80-unit multifamily rental housing development project to be known as Clarendon Street Apartments (formerly Villa Garcia Apartments). The tax-exempt bond was purchased by Bank of the West and proceeds were distributed through three separate loan notes. The multifamily Housing Revenue Construction Note was paid off at permanent loan conversion in May 2014. At June 30, 2017 the remaining 2 notes, which are the Multifamily Housing Revenue Construction/Permanent Tranche A and Tranche B have balances of \$4,352,163 and \$1,584,204, respectively.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

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 for the Rivertown Apartment Project. In accordance with the Indenture of Trust, trusts were established with the Bond Trustee to receive revenues from this 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, 2017, the principal amount payable for this issue was \$7,540,000.

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 this 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, 2017, the principal amount payable for this issue was \$5,715,000.

Julian Street Partners L.P. - The Authority issued Multifamily Housing Revenue Bonds, 2010 Series A-1 loan in an amount of \$18,035,000 and 2010 Series A-2 in an amount of \$26,115,000 to provide financing to Julian Street Partners L.P. for the acquisition and rehabilitation of six affordable housing complexes. Series A-2 was paid in full in June 2012, as part of the permanent loan conversion. At June 30, 2017, the principal amount payable for the A-1 series issue was \$14,045,000.

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 the Willows Apartments, a 47-unit multifamily rental housing project. At June 30, 2017, the principal amount payable on the bond issue was \$3,846,000.

## Conduit debt with other entities

The Authority participated as a conduit debt issuer for a number of housing development projects that are not part of the Authority's operations. These issues are typically used in multi-family housing acquisition and construction. The Authority usually assigns the financing agreement (including all rights of issuer, except for reserved rights) together with other property to the Trustees. As of June 30, 2017, the Authority has the following outstanding conduit debt with non-Authority related entities:

Partnerships	Projects	Number of Units	Original Issue	Balance June 30, 2017
MP Timberwood Associates	Timberwood	286	\$ 18,415,000	\$ 10,335,000
Monte Vista Associates, LP	Monte Vista Terrace	150	13,000,000	8,077,000
The Fountains	The Fountains	124	3,500,000	930,000
MP Latham Associates	Latham Park	74	4,500,000	1,129,507
Total		634		\$ 20,471,507

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Note 11 - Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the Authority's insurance coverage in any of the past three fiscal years. The Authority purchased insurance for comprehensive liability, all-risk property, vehicle liability 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.

<b>Liabilities</b>	<b>Deductible</b>	<b>Coverage</b>	<b>Excess</b>
General Liability	\$ 25,000	\$ 10,000,000	N/A
Personal and Advertising injury	25,000	10,000,000	N/A
Business Automobile Liability	-	5,000,000	N/A
Mold, Other Fungi or Bacteria Liability	25,000	250,000	N/A
Pesticide Liability	2,500	50,000	N/A
Employees Benefits	1,000	1,000,000	N/A
Employer's Practice Liability	75,000	2,000,000	N/A
Worker's Compensation	-	500,000	Statutory

There were no claims and no changes in the Authority's claims liability during the fiscal years ended June 30, 2017 and 2016.

## Note 12 – Pension plan

### A. General Information about the Pension Plans

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

<<http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>>.



# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

	Prior to January 1, 2013 (Classic)	On or After January 1, 2013 (Non-classic)
Hire Date		
Benefit Formula	2% @ 55	2% @ 62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50 -55	62 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.996%	6.250%
Required employer contribution rates	7.808%	7.808%

Employees Covered – At June 30, 2017, based on the most recent actuarial valuation report dated June 30, 2016 the following employees were covered by the benefit terms for the plan:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	100
Active employees	129
Total	<u>294</u>

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016, the employee contribution rate for classic employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in CalPERS system) is 7 percent of annual pay. Since January of 2010 and up until July 1, 2014 the Authority contributed the entire employee's portion on behalf of its employees. Beginning July 1, 2016 the employees contributed 5 percent of annual pay and the Authority contributed the remaining 2 percent. The employer's contribution rate is 7.80 percent of annual payroll. For non-classic members (employees hired after January 1, 2013) the employee's contribution rate is 6.25 percent and the employer contribution rate is 7.80 percent.

## HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

### B. Net Pension Liability (Asset)

The Authority's net pension liability (asset) for its Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability (asset) of its Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. At June 30, 2017, the Authority reported a net pension asset of \$4.7 million for its Plan. A summary of principal assumptions and methods used to determine the net pension liability (asset) is shown below.

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return <sup>1</sup>	7.50%
Retirement Age	Probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011
Projected Salary Increase	Varies by Entry Age and Services
Mortality <sup>2</sup>	Derived using CalPERS' Membership Data for all Funds

---

<sup>1</sup> Net of pension plan investment and administrative expenses, includes inflation.

<sup>2</sup> The mortality table used was developed based on CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include- 20 years of projected mortality improvements using Scale BB published by Society of Actuaries.  
Further details of the Experience Study can be found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out of asset. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund for the June 30, 2016 measurement date. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

<sup>1</sup> An expected inflation of 2.5 percent used for this period.

<sup>2</sup> An expected inflation of 3.0 percent used for this period.

## C. Changes in the Net Pension Liability (Asset)

The following table shows the changes in net pension liability (asset) recognized over the measurement period.

	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balances calculated at July 1, 2016	\$ 49,308,003	\$ 57,286,407	\$ (7,978,404)
Changes for the year:			
Service cost	1,375,763	-	1,375,763
Interest on total pension liability	3,735,363	-	3,735,363
Differences between expected and actual experiences	(187,868)	-	(187,868)
Contributions from employer	-	772,938	(772,938)
Contributions from employees	-	680,032	(680,032)
Net investment income	-	268,603	(268,603)
Benefit payments, including refunds of employee contributions	(1,959,484)	(1,959,484)	-
Administrative expense	-	(34,913)	34,913
Net change	2,963,774	(272,824)	3,236,598
Balances reported at June 30, 2017	\$ 52,271,777	\$ 57,013,583	\$ (4,741,806)

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

Sensitivity of the Net Pension Liability (Asset) to Changes in Discount Rate - The following presents the net pension liability (asset) of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Net Pension Liability (Asset)	\$ 2,836,226	\$ (4,741,806)	\$ (10,975,415)

## Pension Plan Fiduciary Net Position

Detailed information about the pension plan fiduciary net position is available in the separately issued CalPERS financial reports. The plan fiduciary net position disclosed per the GASB Statement No. 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. For the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included as assets. These amounts are excluded for rate setting purposes in the Authority's funding actuarial valuation. In addition, differences may result from early financial statement closing and final reconciled reserves.

## **D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the Authority recognized pension expense of \$259,221. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 821,103	\$ -
Changes of assumptions	-	(573,863)
Difference between expected and actual experiences	-	(481,536)
Net difference between projected and actual earnings on plan investments	3,179,343	-
Total	<u>\$ 4,000,446</u>	<u>\$ (1,055,399)</u>

The \$821,103 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ending June 30, 2018. Other amounts reported as deferred inflows and outflow of resources will be recognized as future pension expense as follows.

Year Ended June 30,	
2018	\$ 145,451
2019	145,453
2020	1,107,441
2021	725,599
	<u>\$ 2,123,944</u>

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Note 13 –Other postemployment benefits

Plan description - The Authority provides eligible employees with postretirement 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. The 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. 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 has made contributions toward the medical premiums of retirees who meet the conditions set forth in the following table.

Minimum Retirement Age *	Years of Service with the Authority		
	At least 20 and less than 25	At least 25 and less than 30	30 or more
62	80%	90%	100%
63	85%	95%	100%
64	90%	100%	100%
65	100%	100%	100%

---

\* Employee must reach this age while employed.

In addition to its contributions of up to the \$1,730 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 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 CalPERS, 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, 2017, the Authority's annual other postemployment benefits ("OPEB") cost is actuarially determined in accordance with the parameters of GASB No. Statement 45, and based on the Authority's most recent OPEB actuarial valuation that was performed as of July 1, 2015.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Authority's net OPEB obligation (asset):

Annual required contribution	\$ 424,009
Interest on net OPEB asset	(89,143)
Adjustment to annual required contribution	<u>122,418</u>
Annual OPEB cost	457,284
Contributions:	
Payments on behalf of retirees	(420,466)
Contributions to OPEB trust	<u>(435,190)</u>
Total contributions	<u>(855,656)</u>
Increase in net OPEB asset	(398,372)
Net OPEB obligation (asset), beginning of year	<u>(1,158,195)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (1,556,567)</u></u>

Three year trend information is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation/ (Asset)
2017	\$ 457,284	187.1%	\$ (1,556,567)
2016	465,308	91.3%	(1,158,195)
2015	171,453	656.3%	(1,198,871)

Funding status and funding progress - the table below indicates the funded status of the OPEB Plan as of July 1, 2015 (the most recent actuarial study):

Actuarial accrued liability (AAL)	\$ 10,558,090
Actuarial value of plan assets	<u>8,506,685</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 2,051,405</u></u>
Funded ratio (actuarial value of plan assets)/AAL	80.6%
Annual covered payroll (active plan members)	\$ 9,393,019
UAAL as percentage of covered payroll	21.8%

Actuarial methods and assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to

## HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of the actuarial assumptions and methods used to calculate the annual required contribution for the year ended June 30, 2017 is as follows:

Valuation date	July 1, 2015
Purpose	Fiscal year 2017 annual required contribution
Actuarial cost method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on assets	6.73%
Discount rate	6.73%
Salary increase	3.25% per year, used only to allocate the cost of benefits between service years
General inflation rate	2.75% per year
Healthcare cost trend rate	7.50% for 2017, reduced by decrements to an ultimate rate of 4.64% in year 2025 and later

### Note 14 - Commitments and contingent liabilities

#### Lawsuit and claims

The Authority entered into settlement discussions regarding a class action case related to housing accommodations with its Section 8 Housing Voucher holders who have disabilities and/or have family members with disabilities. On April 26, 2016, the U.S. District Court for the Northern District of California (Court) granted approval of the settlement. The settlement amount was \$3,962,500. The Authority paid the full settlement amount on March 27, 2017.

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 except the settlement discussed above.

#### 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, 2017, approximately 81% of operating revenues and 99% of accounts receivables reflected in the financial statements are from HUD. The 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.

## **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

### **Note 15 - Federal Claims Court Judgment Award**

As discussed on Note 16, Moving-to-Work program, HUD and the Authority (which includes the Housing Authority of the City of San Jose) (collectively, "MTW Authority"), pursuant to the 2008 Appropriations Act, 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, and further extended to fiscal year 2028. The agreements specifically provides the methodology to determine the annual amount of MTW program subsidies for each of these two agencies.

In 2012, the Authority filed a breach of contract claim in the United States Court of Federal Claims (Claims Court) against the United States acting through HUD regarding the calculation of annual subsidies under HUD's Housing Choice Voucher program in accordance with the Authority's Moving to Work Agreement with HUD. On April 29, 2016, the Claims Court entered a judgment awarding the Authority damages in the amount of \$90.2 million, (\$53.9 million for the Authority and \$36.3 million for the Housing Authority of the City of San Jose). The award is from the "Judgment Fund of the Treasury Department" and is not considered as Program Income of the MTW program, and thus not required to meet the requirements of the MTW program.

On September 16, 2016, the Authority recognized the award of \$53.9 million received for the Authority as Non-Operating Revenue of the Authority. While the \$36.3 million award for the Housing Authority of the City of San Jose was directly paid to the City of San Jose, and thus not recognized as the revenue of the Authority.

### **Note 16 - 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 2028. 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 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 includes, but is 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



## HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

these activities are HUD approved through the annual MTW plan. Some of these excess HAP reserves may be subject to recapture by HUD based on future Congressional Appropriations Bills and HUD Rules and Regulations.

Each fiscal year since 2008, when the Authority became an MTW agency, the Authority has earned and recognized on its financial statements MTW HAPs revenues based on the annual MTW contractual agreement, irrespective if these funds were received, spent and expensed in that year. However, beginning in January 2014, based on HUD PIH Notice 2011-67, issued on December 9, 2011, HUD has implemented the United States Treasury's rule on cash management on all MTW Public Housing Authorities (MTW-PHA), including the Authority, that results in changes associated with HAP accounting and revenue recognition, as follows:

- HUD will limit the disbursement of HAP funds to the amount that is needed by MTWPHA to make immediate payments.
- Undisbursed HAP fund will be held by HUD as "*HUD Held Program Reserves*", and will be available for future HAPs.

Cash management does not change the amount of HAP funds that are available to the MTW-PHA, as the amount of funds available is still determined by the MTW agreement and Annual Budget Authority. However, the cash management rules will impact the timing when such funds are available to the MTW-PHA. PIH-REAC PHA Accounting Briefs #19, *Revenue Recognition for HAPs and Administrative Fees for HCV Program*, issued in June 2013, states that, as per HUD guidance, HCV program funds that the PHA receives are considered a voluntary non-exchange transaction.

GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* define a voluntary non-exchange transaction as a transaction in which a government gives and receives value without directly receiving or giving something of equal value in return. These transactions, typically resulting from a legislative or contractual agreement, are entered into willingly by two parties. GASB Statement No. 33 also provides that a PHA that treats the HCV program as an enterprise fund and uses the accrual basis (as does the Authority) should recognize revenues under a voluntary non-exchange transaction if it meets four conditions: that the revenues are measurable, probable of collection, meet eligibility requirements and are a legally enforceable claim. Accordingly, PHAs, that are not MTW agencies meet all the conditions of the revenue recognition except that they are not normally considered to have a legally enforceable claim (under their agreements they are entitled to receive what is actually spent, up to the limit of their annual appropriation) and thus these PHA's could not recognize their HCV funds as revenues. The Authority believes that MTW PHAs meet all the conditions of the revenues recognition, and in contrast, have an agreement with HUD that authorizes expenditure of funds up to a stated annual funding level and unspent funds are earned and carried over from year to year. The underlying contract between HUD and a MTW-PHA provides the basis for a legally enforceable claim, and the Authority's management is of the opinion that HUD-Held Program funds should be recognized as revenues on the Authority's financial statement as the funds meet all the criteria and conditions of GASB Statement No. 33 for a voluntary non-exchange transaction. Accordingly, the Authority has recognized these HUD-Held HCV (MTW) Program funds (\$93,301,573 as of June 30, 2017) as revenues and receivables on its financial statements.

The following program changes were implemented in calendar year 2017.

- Increased payment standards to 110% of HUD-issued 2017 fair market rents (FMRs) in January 2017.

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Notes to Financial Statements  
June 30, 2017

During the year ended June 30, 2017, the unrestricted net position activities of the Section 8 Rental Voucher Program and the Moving To Work Program are as follows:

	MTW - Public Housing	Section 8 Rental Voucher Program			Moving To Work Program				
	Conventional Housing Program and Public Housing Capital	Section 8 Vouchers Fee Reserves	Tenant Protection	Total Section 8 Rental Voucher Program	MTW - Contingency Reserve Fund	Park Avenue	East Santa Clara Street Project	MTW Reserves	Moving To Work Program
Unrestricted net position at June 30, 2016	\$ 1,815,935	\$ 10,995,198	\$ 296,894	\$ 11,292,092	\$ 8,073,383	\$ 2,557,609	\$ -	\$ 98,341,007	\$ 108,971,999
Year ended June 30, 2017 operating activity:									
HAP earned	-	-	-	-	-	-	-	269,319,754	269,319,754
HAP earned port-on	-	-	-	-	-	-	-	1,116	1,116
FSS escrow forfeits	-	-	-	-	-	-	-	797	797
Administrative fees earned	-	-	-	-	-	-	-	14,965,555	14,965,555
Administrative fees from portability earned	-	82	-	82	-	-	-	-	-
Public Housing rental income	19,747	-	-	-	-	-	-	-	-
Operating subsidy	-	-	-	-	-	-	-	16,173	16,173
Other income	91,047	162,725	1,194	163,919	13,787	301,024	-	1,171	315,982
Gain/(loss) on investments	-	-	-	-	(5,453)	-	-	(988)	(6,441)
50% of fraud recovery	-	10,743	-	10,743	-	-	-	10,743	10,743
HAP expense	-	(246,136,875)	(112,703)	(246,249,578)	-	-	-	-	-
Administrative and operational expenses	(79,092)	(16,226,662)	(27,958)	(16,254,620)	(11)	-	-	(71)	(82)
Net decrease/(increase) in capital assets	27,859	37,152	-	37,152	-	3,272,584	-	-	3,272,584
Special item (gain from sale of land to Park Avenue, LP)	-	-	-	-	-	2,727,416	-	-	2,727,416
Year ended June 30, 2017 transfers in (out):									
To transfer reimbursement from HARA for executive compensation per HUD notice PIH 2012-14	-	100,956	-	100,956	-	-	-	-	-
Transfer from HARA to cover Eklund Park's operating expenses	7,788	-	-	-	-	-	-	-	-
Transfer related to year-end pension (GASB 68) adjustments	-	42,441	-	42,441	-	-	-	-	-
Transfer from Acquisition and Development Funds to East Santa Clara Street Projects	-	-	-	-	-	-	30,459,000	-	30,459,000
Transfer out to Preservation fund for subsidizing FY 2017 operational expenses related to Asset Management and General Partners	-	-	-	-	-	-	-	(280,525)	(280,525)
Transfer from Facilities Consolidation Funds to cover for HAP deficits	-	-	-	-	-	-	-	1,615,049	1,615,049
Transfers out to Acquisition and Development funds for Park Avenue Lane senior housing development project	-	-	-	-	-	-	-	(1,434,679)	(1,434,679)
Transfers out to Acquisition and Development funds for purchase of East Santa Clara Property	-	-	-	-	-	-	-	(27,659,000)	(27,659,000)
Transfer out to VASH, FUP and NED Programs to cover FY 2017 HAP deficit	-	-	-	-	-	-	-	(2,605,022)	(2,605,022)
Other interfund transfers between MTW and MTW related programs	16,173	258,883,264	(5,246)	258,878,018	(8,081,706)	-	-	(250,812,485)	(258,894,191)
Subtotal year ended June 30, 2017 activity	83,522	(3,126,174)	(144,713)	(3,270,887)	(8,073,383)	6,301,024	30,459,000	3,137,588	31,824,229
Unrestricted net position at June 30, 2017	\$ 1,899,457	\$ 7,869,024	\$ 152,181	\$ 8,021,205	\$ -	\$ 8,858,633	\$ 30,459,000	\$ 101,478,595	\$ 140,796,228

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Notes to Financial Statements  
June 30, 2017

**Note 17 – Condensed blended component unit information**

Condensed information of the blended component units is presented as follows:

	Housing Development Corporation	Property Management Inc. (1)(2)	AE Associates, Ltd. (1)(2)	Avenida Espana HDC, Inc. (1)(2)	Blossom River Associates LP (1)(2)	Bracher HDC, Inc. (1)(2)	DeRose HDC, Inc. (1)(2)	Helzer Associates LP (1)(2)	Klamath Associates LP (1)(2)
Current assets	\$ -	\$ -	\$ 543,344	\$ 418,233	\$ 3,325,159	\$ -	\$ 2,504	\$ 1,650,626	\$ 72,027
Due from component units and related parties	-	-	-	366,255	-	30,000	45,000	-	-
Other noncurrent assets	-	-	-	9,092,877	-	(501,962)	(2,158,208)	-	-
Capital assets	-	-	3,754,462	-	12,124,178	-	-	17,863,222	1,794,826
Total assets	-	-	4,297,806	9,877,365	15,449,337	(471,962)	(2,110,704)	19,513,848	1,866,853
Current liabilities	-	-	142,827	-	1,087,759	-	-	525,666	92,907
Due to component units and related parties	-	-	155,814	12,330,000	16,531	-	-	316,989	116,511
Noncurrent liabilities	-	-	6,800,960	-	19,932,887	-	-	22,993,129	1,823,142
Total liabilities	-	-	7,099,601	12,330,000	21,037,177	-	-	23,835,784	2,032,560
Net position:									
Net investment in capital assets	-	-	(780,157)	-	(3,173,532)	-	-	(2,658,973)	678,200
Restricted	-	-	306,379	-	2,653,109	-	-	1,275,561	16,733
Unrestricted	-	-	(2,328,017)	(2,452,635)	(5,067,417)	(471,962)	(2,110,704)	(2,938,524)	(860,640)
Total net position	\$ -	\$ -	\$ (2,801,795)	\$ (2,452,635)	\$ (5,587,840)	\$ (471,962)	\$ (2,110,704)	\$ (4,321,936)	\$ (165,707)

	Opportunity Center HDC, Inc. (1)(2)	Pinmore HDC, Inc. (1)(2)	Poco Way HDC, Inc. (1)(2)	Rotary Plaza/ HACSC HDC, Inc. (1)(2)	San Pedro Gardens Associates, Ltd. (1)(2)	S.P.G. Housing, Inc. (1)(2)	Villa Garcia Inc. (1)(2)	Villa San Pedro HDC, Inc. (1)(2)
Current assets	\$ -	\$ 3,473	\$ 569,834	\$ 369,764	\$ 219,848	\$ 571,801	\$ 1,600,829	\$ 990,372
Due from component units and related parties	28,610	125,777	10,926,963	548,691	-	252,444	7,141,580	9,997,319
Other noncurrent assets	1,896,508	(3,875,028)	-	3,134,941	-	617,574	1,290	1,149,757
Capital assets	-	-	-	4,459,724	1,051,170	4,561,168	-	-
Total assets	1,925,118	(3,745,778)	11,496,797	8,513,120	1,271,018	6,002,987	8,743,699	12,137,448
Current liabilities	-	-	599	373,118	62,422	203,857	6,533	-
Due to component units and related parties	-	-	47,754	39,456	153,734	1,286,627	-	1,614,000
Noncurrent liabilities	-	-	-	4,615,666	2,574,057	1,972,404	-	-
Total liabilities	-	-	48,353	5,028,240	2,790,213	3,462,888	6,533	1,614,000
Net position:								
Net investment in capital assets	-	-	-	1,142,594	(534,459)	2,566,409	-	-
Restricted	-	-	-	82,773	112,519	155,148	-	-
Unrestricted	1,925,118	(3,745,778)	11,448,444	2,259,513	(1,097,255)	(181,458)	8,737,166	10,523,448
Total net position	\$ 1,925,118	\$ (3,745,778)	\$ 11,448,444	\$ 3,484,880	\$ (1,519,195)	\$ 2,540,099	\$ 8,737,166	\$ 10,523,448

- (1) Component unit was audited by other auditors.  
(2) As of December 31, 2016

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Notes to Financial Statements  
June 30, 2017

Condensed information of the blended component units is presented as follows:

	Housing Development Corporation	Property Management Inc. (1)(2)	AE Associates, Ltd. (1)(2)	Avenida Espana HDC, Inc. (1)(2)	Blossom River Associates LP (1)(2)	Bracher HDC, Inc. (1)(2)	DeRose HDC, Inc. (1)(2)	Helzer Associates LP (1)(2)	Klamath Associates LP (1)(2)
Operating revenues	\$ 383,561	\$ 173,214	\$ 712,791	\$ 271,083	\$ 2,469,255	\$ 30,000	\$ 53,934	\$ 2,525,914	\$ 277,015
Operating expenses	86,139	32,474	827,182	435,445	1,638,695	529,705	459,641	1,977,215	222,223
Operating income (loss)	297,422	140,740	(114,391)	(164,362)	830,560	(499,705)	(405,707)	548,699	54,792
Nonoperating revenues (expenses), net	5	-	(98,380)	193	(1,157,220)	-	-	(1,196,480)	(73,656)
Change in net position	297,427	140,740	(212,771)	(164,169)	(326,660)	(499,705)	(405,707)	(647,781)	(18,864)
Net position, beginning of year, as restated	(297,427)	(140,740)	(2,589,024)	(2,288,466)	(5,261,180)	27,743	(1,704,997)	(3,674,155)	(146,843)
Net position, end of year	\$ -	\$ -	\$ (2,801,795)	\$ (2,452,635)	\$ (5,587,840)	\$ (471,962)	\$ (2,110,704)	\$ (4,321,936)	\$ (165,707)

  

	Opportunity Center HDC, Inc. (1)(2)	Pinmore HDC, Inc. (1)(2)	Poco Way HDC, Inc. (1)(2)	Rotary Plaza/ HACSC HDC, Inc. (1)(2)	San Pedro Gardens Associates (1)(2)	S.P.G. Housing, Inc. (1)(2)	Villa Garcia Inc. (1)(2)	Villa San Pedro HDC, Inc. (1)(2)
Operating revenues	\$ 405,078	\$ 1,412,117	\$ -	\$ 1,467,518	\$ 233,688	\$ 932,965	\$ -	\$ 12,731
Operating expenses	25,044	699,144	16,928	917,818	217,051	946,553	11,045	29,881
Operating income (loss)	380,034	712,973	(16,928)	549,700	16,637	(13,588)	(11,045)	(17,150)
Nonoperating revenues (expenses), net	-	-	247,518	(189,445)	(62,165)	(38,091)	172,472	295,354
Transfers In/(out), net	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Change in net position	380,034	712,973	230,590	360,255	(45,528)	(51,679)	(838,573)	(721,796)
Net position, beginning of year, as restated	1,545,084	(4,458,751)	11,217,854	3,124,625	(1,473,667)	2,591,778	9,575,739	11,245,244
Net position, end of year	\$ 1,925,118	\$ (3,745,778)	\$ 11,448,444	\$ 3,484,880	\$ (1,519,195)	\$ 2,540,099	\$ 8,737,166	\$ 10,523,448

(1) Component unit was audited by other auditors.

(2) For the year ended December 31, 2016

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Notes to Financial Statements  
June 30, 2017

Condensed information of the blended component units is presented as follows:

	Housing Development Corporation	Property Management Inc. (1)(2)	AE Associates, Ltd. (1)(2)	Avenida Espana HDC, Inc. (1)(2)	Blossom River Associates LP (1)(2)	Bracher HDC, Inc. (1)(2)	DeRose HDC, Inc. (1)(2)	Helzer Associates LP (1)(2)	Klamath Associates LP (1)(2)
Cash flows from:									
Operating activities	\$ 6,832,830	\$ (315,583)	\$ 74,057	\$ (12,604)	\$ 422,933	\$ -	\$ (86,714)	\$ 498,172	\$ 65,524
Investing activities	-	-	(767)	210,242	(51,982)	-	46,714	(358,413)	-
Financing activities	(7,614,078)	-	(42,808)	-	(195,000)	-	(223,782)	(215,000)	(28,958)
Net change in cash and cash equivalents	(781,248)	(315,583)	30,482	197,638	175,951	-	(263,782)	(75,241)	36,566
Cash and cash equivalents, beginning of year	781,248	315,583	475,912	219,345	3,111,508	-	263,782	1,683,242	30,601
Cash and cash equivalents, end of year	\$ -	\$ -	\$ 506,394	\$ 416,983	\$ 3,287,459	\$ -	\$ -	\$ 1,608,001	\$ 67,167

  

	Opportunity Center HDC, Inc. (1)(2)	Pinmore HDC, Inc. (1)(2)	Poco Way HDC, Inc. (1)(2)	Rotary Plaza/ HACSC HDC, Inc. (1)(2)	San Pedro Gardens Associates (1)(2)	S.P.G. Housing, Inc. (1)(2)	Villa Garcia Inc. (1)(2)	Villa San Pedro HDC, Inc. (1)(2)
Cash flows from:								
Operating activities	\$ 377,821	\$ 1,287,491	\$ (19,208)	\$ (250,982)	\$ 65,330	\$ (154,419)	\$ (822,161)	\$ (746,859)
Investing activities	(377,821)	(2,428,289)	-	2,281	(5)	7,713	113,045	-
Financing activities	-	-	(325,296)	(138,043)	(16,096)	(42,069)	-	-
Net change in cash and cash equivalents	-	(1,140,798)	(344,504)	(386,744)	49,229	(188,775)	(709,116)	(746,859)
Cash and cash equivalents, beginning of year	-	1,142,315	913,584	742,927	166,427	669,450	2,309,068	1,736,239
Cash and cash equivalents, end of year	\$ -	\$ 1,517	\$ 569,080	\$ 356,183	\$ 215,656	\$ 480,675	\$ 1,599,952	\$ 989,380

(1) Component unit was audited by other auditors.

(2) For the year ended December 31, 2016

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Note 18 – Summary Financial Information of Component Units

The following entities are considered component units of the Authority and are presented in accordance with GASB Statement 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 disclosures are presented pursuant to GASB Statement 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 disclosures 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.

The debt obligation noted in the following section, with the exception of land leases, does not include debt related to the Authority or its affiliates.

### Other Blended Component Units

#### AE Associates, LTD

##### Ground lease

This Partnership leases land on which the Avenida Espana Gardens 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

State of California, Department of Housing and Community Development Rental Housing Construction Program ("RHCP") Loan - The loan is secured by its project, bears simple interest at 3%, matures in December 2048, and is payable in annual payments of principal and interest from excess/distributable cash.

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

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
RHCP Loan	\$ 2,317,018	\$ 3,285,000	\$ 5,602,018	\$ 16,433
City of San Jose	-	1,255,567	1,255,567	34,244
Subtotal	2,317,018	4,540,567	6,857,585	50,677
Less unamortized permanent loan costs	-	(5,948)	(5,948)	-
Total	\$ 2,317,018	\$ 4,534,619	\$ 6,851,637	\$ 50,677

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

**Blossom River Associates****Long-term debt**

Tax-exempt Bonds Series A issued by the City of San Jose - The bonds dated March 1, 1998, in the amount of \$13,000,000 bears 6.5% simple interest. Payments of principal and interest which are secured by a direct pay letter of credit from Union Bank of California, are due every 6 months, on the first of March and September, amortized over a 40-year term.

City of San Jose Note - 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.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
1998 Series A Bonds	\$ 245,808	\$ 11,345,000	\$ 11,590,808	\$ 450,808
City of San Jose Note	5,271,254	4,134,900	9,406,154	431,077
Subtotal	5,517,062	15,479,900	20,996,962	881,885
Less unamortized permanent loan costs	-	(182,190)	(182,190)	-
Total	\$ 5,517,062	\$ 15,297,710	\$ 20,814,772	\$ 881,885

**Helzer Associates L.P.****Long-term debt**

Tax-exempt multi-family revenue bonds Series A issued by the City of San Jose - The bonds, dated May 1, 1999, were issued in the amount of \$16,948,000. They mature December 1, 2041, and are amortized over a 40-year term with a simple interest rate of 6.34%. Payments of principal and interest are due and payable semi-annually on the first day of June and December.

City of San Jose Note - The note dated May 25, 1999, in the original amount of \$7,211,000 is secured by the property. It bears 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.

California Housing Finance Agency ("CalHFA") Note - The note, dated December 1, 2000, in the original amount of \$333,547 bears 0% interest. The outstanding principal amount is due 55 years following the effective date of the Regulatory Agreement.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
1999 Series A Bonds	\$ 78,474	\$ 14,733,000	\$ 14,811,474	\$ 313,474
City of San Jose Note	2,705,934	5,916,366	8,622,300	-
CalHFA Note	-	333,547	333,547	-
Subtotal	2,784,408	20,982,913	23,767,321	313,474
Less unamortized permanent loan costs	-	(460,718)	(460,718)	-
Total	\$ 2,784,408	\$ 20,522,195	\$ 23,306,603	\$ 313,474

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## **Klamath Associates L.P.**

### **Long-term debt**

Citibank Loan - The loan with an original amount of \$750,000, bears an adjustable interest rate (currently at 6.75%) and 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%.

City of Santa Clara Note (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.

	December 31, 2016			Amounts due
	Interest Payable	Principal	Total	within one year
Citibank Loan	\$ 2,543	\$ 452,018	\$ 454,561	\$ 33,518
City of Santa Clara Note	772,230	681,176	1,453,406	34,739
Subtotal	774,773	1,133,194	1,907,967	68,257
Less unamortized				
permanent loan costs	-	(16,568)	(16,568)	-
Total	\$ 774,773	\$ 1,116,626	\$ 1,891,399	\$ 68,257

## **Rotary Plaza/HACSC HDC, Inc. (Morrone Garden Apartments)**

### **Ground lease**

On April 19, 2013, Rotary Plaza/HACSC HDC, Inc. assumed the 60-year ground lease agreement entered into by Morrone Gardens Associates and the Authority on July 22, 1994, for the land on which the Morrone Gardens Apartments (the project) was built. The annual rent is \$20,000 and is payable to the extent of surplus cash. Any unpaid rent accrues interest at 7% compounded annually and is payable in subsequent years from surplus cash.

### **Long-term debt**

California Community Reinvestment Corporation Note ("CCRC Note") - The note is dated September 23, 1994, in the original amount of \$2,982,000, is secured by the Morrone Gardens Apartment building, 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. This note was assumed by Rotary Plaza/HACSC HDC, Inc. at the time it acquired the project, on April 19, 2013.

City of San Jose Note - 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. This note has been assumed by Rotary Plaza/HACSC HDC, Inc. at the time it acquired the project, on April 19, 2013.



**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

County of Santa Clara - The note bears simple interest at 6% per annum, due in full in July 2033.

	December 31, 2016			Amounts due
	Interest Payable	Principal	Total	within one year
CCRC Note	\$ -	\$ 1,435,380	\$ 1,435,380	\$ 313,474
City of San Jose Note	1,496,660	1,802,332	3,298,992	-
County of Santa Clara	77,490	95,000	172,490	-
Subtotal	1,574,150	3,332,712	4,906,862	313,474
Less unamortized				
permanent loan costs	-	(15,582)	(15,582)	-
Total	\$ 1,574,150	\$ 3,317,130	\$ 4,891,280	\$ 313,474

**San Pedro Gardens LTD****Ground lease**

The Partnership leases the land on which the San Pedro Gardens Project was built from the Authority. The lease ends in 2056 and requires an annual payment of \$10,000, which is payable from excess/distributable cash. The unpaid rent accrues interest at 8% compounded annually.

**Long-term debt**

Citibank (Serviced by Berkadia Commercial Mortgage) Loan - The original loan amount of \$337,400, currently bears interest at 2% per annum per annum and is payable in monthly installments of \$1,520.

State of California, Department of Housing and Community Development Rental Housing Construction Program (RHCP) Loan - The loan bears simple interest at 3% and is due in full in January 2047. Annual payments of principal and interest are payable from excess/distributable cash.

	December 31, 2016			Amounts due
	Interest Payable	Principal	Total	within one year
Citibank Loan	\$ 175	\$ 105,161	\$ 105,336	\$ 16,473
RHCP Loan	1,030,542	1,489,500	2,520,042	25,816
Subtotal	1,030,717	1,594,661	2,625,378	42,289
Less unamortized				
permanent loan costs	-	(9,032)	(9,032)	-
Total	\$ 1,030,717	\$ 1,585,629	\$ 2,616,346	\$ 42,289

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## **S.P.G. Housing, Inc. (DeRose Gardens Apartments)**

### **Ground lease**

S.P.G. Housing, Inc. subleases the land on which DeRose Senior Housing was built from the Authority. The sublease ends in year 2028 and requires a monthly base payment of \$5,500 which is subject to annual increases and an annual payment of \$66,000, which is payable from distributable cash. The unpaid rent accrues without interest.

### **Long-term debt**

Citibank Loan - The loan in the original amount of \$1,015,000, bears an adjustable interest rate (currently 3.91% per annum), is payable in monthly installments of \$6079 and is due in full in October 2026.

City of San Jose Note - The note bears interest at 8% compounded annually and is to be repaid in full in December 2020. Any unpaid balance for the year is to be added to the maximum annual payment of the following year. The terms of the loan were amended in 2007 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, 2016			Amounts due
	Interest Payable	Principal	Total	within one year
Citibank Loan	\$ 1,938	\$ 594,759	\$ 596,697	\$ 24,293
City of San Jose Note	-	1,400,000	1,400,000	-
Total	\$ 1,938	\$ 1,994,759	\$ 1,996,697	\$ 24,293

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Discrete Component Units

### Bascom HACSC Associates

#### Organization

Bascom HACSC Associates, a California limited partnership ("Bascom"), was organized on December 1, 2000. DeRose HDC, Inc. is the 0.01% General Partner, Newport Fund 2000, L.P. is the 99.98% Investor Limited Partner, and Newport Partners Management Corporation is the 0.01% Special Limited Partner. Bascom operates El Parador Apartments, which consists of one residential building containing 125 units, 124 units are made available to very low income seniors, and one unit is set aside as a manager's unit.

#### Long-term debt

Tax-exempt bonds Series A and B - The bonds issued by the City of San Jose, 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. In 2002, Series A was converted to an amortizing mortgage. 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.

City of San Jose Note - The note is dated December 1, 2000, in the original amount of \$7,370,000 is 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, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
Tax-exempt bonds				
Series A and Series B	\$ 163,762	\$ 5,315,000	\$ 5,478,762	\$ 253,762
City of San Jose Note	1,884,035	6,979,530	8,863,565	293,617
Total	\$ 2,047,797	\$ 12,294,530	\$ 14,342,327	\$ 547,379

### Bendorf Drive LP

#### Organization

Bendorf Drive LP, a California limited partnership ("Bendorf"), was formed on February 7, 2013 to acquire, rehabilitate and operate a 100-unit affordable housing complex located in San Jose, California, which is currently operating under the name of Villa San Pedro Apartments. On December 19, 2013, the project was acquired from its general partner, Villa San Pedro HDC, Inc. Bendorf is controlled by its general partner, Villa San Pedro HDC, Inc. (0.009%). The Authority, the initial limited partner, transferred its partnership interest to RSEP Holding, LLC, the limited partner, and Red Stone Equity Manager, LLC, the special limited partner, on December 1, 2013. RESP Holding, LLC and Red Stone Equity Manager, LLC assigned its partnership interest to Red Stone VS Pedro, LLC (99.99%) and Red Stone Equity Manager 2, LLC (0.001%), respectively, on February 14, 2014.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Long-term debt

HDC California Housing Rehabilitation Program (CHRP) Loan - The loan bears simple interest at 3%, with an annual payment of 0.42% of the unpaid principal amount, and the remaining 2.58% interest to be paid from excess/distributable cash after the transition reserve account is fully funded. The entire principal and interest are due in December 2068.

CalHFA Acquisition/Rehabilitation and Permanent Loan - The loan is 50% insured by HUD through the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, in the maximum amount of \$20,215,000. The loan bears simple interest at 4% with interest-only payments due monthly until conversion in October 2015, at which time, \$11,710,000 was converted to a 30-year amortizing loan with interest at 5.75%. Payments and interest are due monthly, with the entire principal and interest due in full in October 2045.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
CHRP Loan	\$ 1,083,380	\$ 4,156,798	\$ 5,240,178	\$ 107,245
CalHFA Loan	55,265	11,545,690	11,600,955	215,564
Subtotal	1,138,645	15,702,488	16,841,133	322,809
Less unamortized permanent loan costs	-	(297,352)	(297,352)	-
Total	\$ 1,138,645	\$ 15,405,136	\$ 16,543,781	\$ 322,809

## Branham Lane LLC

### Organization

Branham Lane LLC, a California limited liability company ("Branham"), was formed on April 1, 2014 to acquire and operate a 51-unit affordable housing complex located in San Jose, California, which is currently operating under the name of Pinmore Gardens. Branham is controlled by its sole member, S.P.G. Housing, Inc.

### Long-term debt

Citibank Loan - The loan originally amounting to \$1,976,000 bears interest at 5.65% per annum and is payable in monthly installments of \$12,342. It is due in full in January 2026. An interest rate adjustment will occur in February 2021.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

City of San Jose Note - The note originally amounting to \$1,490,000 bears simple interest at 4% and is due in full in January 2025. Annual payments of principal and interest are payable from excess/distributable cash.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	\$ 11,047	\$ 1,057,729	\$ 1,068,776	\$ 101,712
City of San Jose Note	1,131,812	1,488,125	2,619,937	65,963
Subtotal	1,142,859	2,545,854	3,688,713	167,675
Less unamortized permanent loan costs	-	(34,800)	(34,800)	-
Total	\$ 1,142,859	\$ 2,511,054	\$ 3,653,913	\$ 167,675

## Clarendon Street, L.P.

### Organization

Clarendon Street, L.P., a California limited partnership ("Clarendon"), was formed on June 28, 2012 to acquire, rehabilitate and operate a 80-unit affordable housing complex located in San Jose, California, which is currently operating under the name of Villa Garcia Apartments. On November 8, 2012, the project was acquired from its general partner, Villa Garcia, Inc. Clarendon is controlled by its general partner, Villa Garcia, Inc. The Authority, the initial limited partner, transferred its partnership interest to MCCC, LLC on November 1, 2012. MCCC, LLC assigned its partnership interest to Merritt Community Capital Fund XV, L.P. on April 10, 2013.

### Long-term debt

Bank of the West as the servicer of the HACSC Multifamily Note ("Tranche A") - The note, in the original amount of \$4,725,000, bears interest at 3.96%, with interest payments only due monthly commencing December 2012. Beginning in May 2014, monthly payments of principal and interest are due based on a 25-year loan amortization, with the entire principal and interest due based on an 11-year loan amortization and due May 2030.

Bank of the West, as the servicer of the HACSC Multifamily Note ("Tranche B") - The note, in the original amount of \$2,132,000, bears interest at 2.80%, with interest only payments due monthly commencing December 2012. Beginning in May 2014, monthly payments of principal and interest are due based on an 11-year loan amortization, with the entire principal and interest due in May 2025.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
Bank of the West (Tranche A)	\$ 15,538	\$ 4,414,277	\$ 4,429,815	\$ 141,055
Bank of the West (Tranche B)	3,906	1,673,996	1,677,902	184,772
Subtotal	19,444	6,088,273	6,107,717	325,827
Less unamortized permanent loan costs	-	(100,792)	(100,792)	-
Total	\$ 19,444	\$ 5,987,481	\$ 6,006,925	\$ 325,827

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## **Fairground Luxury Family Apartments, L.P.**

### **Organization**

Fairground Luxury Family Apartments, L.P., a California limited partnership ("Fairground Family"), was formed on January 14, 2003 to construct and operate a 300-unit affordable housing complex located in San Jose, California, which is currently operating under the name of Corde Terra Family Apartments. The Fairground Family's managing general partner 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**

California Housing Finance Authority (CalHFA) - On December 17, 2003, CalHFA made a construction loan to the partnership in principal amount of \$40,405,000, which converted to a permanent loan of \$24,235,000 on February 1, 2008. The permanent loan is secured by a deed of trust, bears interest at a fixed rate of 5.7% per annum, is payable in monthly installments of principal and interest of \$128,312 and matures February 1, 2048.

City of San Jose Loan - On September 1, 2005, the City of San Jose made a construction loan and permanent loan to the partnership in the amount of up to \$19,235,050 during the construction period and up to \$21,084,426 for the period of time after the construction loan period. On February 1, 2008, the CSJ Loan was converted to a permanent loan. 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.

	December 31, 2016			Amounts due
	Interest Payable	Principal	Total	within one year
CalHFA Loan	\$ 106,506	\$ 22,422,300	\$ 22,528,806	\$ 375,119
City of San Jose Note	3,155,313	17,245,082	20,400,395	-
Subtotal	3,261,819	39,667,382	42,929,201	375,119
Less unamortized				
permanent loan costs	-	(128,319)	(128,319)	-
Total	\$ 3,261,819	\$ 39,539,063	\$ 42,800,882	\$ 375,119

## **Fairgrounds Senior Housing, L.P.**

### **Organization**

Fairgrounds Senior Housing, L.P., a California limited partnership ("Fairgrounds Senior"), was formed on May 14, 2007 to construct and operate a 201-unit affordable housing project located in San Jose, California, which is currently operating under the name of Fairgrounds Senior Housing Apartments. At December 31, 2016, the Fairground Senior's managing general partner is Pinmore HDC, Inc., the co-general partner is ROEM FG Senior, LLC, the investor limited partner is Alliant Tax Credit Fund 52, Ltd., a Florida limited partnership, and the administrative limited partner is Alliant ALP 52, LLC, a Florida limited liability company.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Long-term debt

City of San Jose issued Multifamily Housing Revenue Bonds - On May 8, 2008, the bonds, secured by the property, were issued in the amount of \$26,000,000, to provide financing for the Fairgrounds Senior Housing Apartments 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.

City of San Jose Loan - The loan, dated May 1, 2008, 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.

County of Santa Clara Note - The Note, in the amount of \$1,475,000, is secured by a deed of trust, bears interest at 4% per annum until this project has obtained a notice of completion, and at 3% per annum thereafter until May 1, 2063, (55 years from the date of completion). Annual payments of principal and interest are contingent on available residual receipts, as defined in the note.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
City of San Jose Revenue Bonds	\$ 55,550	\$ 11,695,000	\$ 11,750,550	\$ 415,000
City of San Jose Note	450,467	8,036,582	8,487,049	-
County of Santa Clara Note	26,350	1,171,113	1,197,463	-
Subtotal	532,367	20,902,695	21,435,062	415,000
Less unamortized permanent loan costs	-	(379,006)	(379,006)	-
Total	\$ 532,367	\$ 20,523,689	\$ 21,056,056	\$ 415,000

## HACSC/Choices Family Associates

### Organization

HACSC/Choices Family Associates, a limited partnership ("HACSC/Choices Family"), was formed on February 22, 2000 to develop and operate a 100-unit affordable housing complex located in Santa Clara, California, which is currently operating under the name of River Town Apartments. HACSC/Choices Family is controlled by its general partner, Bracher HDC, Inc. and the investor limited partner is UBOC Tax Credit Fund I, L.L.C.

### Long-term debt

City of Santa Clara Note (Successor agency to the Redevelopment Agency of the City of Santa Clara) - The note, originally amounting to \$4,323,000, 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, originally amounting to \$8,865,000 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**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

California Department of Housing and Community Development Multifamily Housing Program Loan -  
The loan bears simple interest at 3%, with an annual payment of 0.42% of the unpaid principal amount, to be repaid in full by October 2058.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
City of Santa Clara Note	\$ 694,992	\$ 3,892,000	\$ 4,586,992	\$ 140,565
Series 2001 A Bonds	199,756	7,605,000	7,804,756	329,756
California HCD	946,715	4,050,500	4,997,215	108,363
Subtotal	1,841,463	15,547,500	17,388,963	578,684
Less unamortized permanent loan costs	-	(247,812)	(247,812)	-
Total	\$ 1,841,463	\$ 15,299,688	\$ 17,141,151	\$ 578,684

**HACSC/Choices Senior Associates****Organization**

HACSC/Choices Senior Associates, a limited partnership ("HACSC/Choices Senior"), was formed on February 22, 2000 to develop and operate a 100-unit affordable housing complex for the elderly located in Santa Clara, California, which is currently operating under the name of John Burns Gardens. HACSC/Choices Senior is controlled by its general partner, Bracher HDC, Inc. and the investor limited partner is UBOC Tax Credit Fund I, L.L.C.

**Long-term debt**

City of Santa Clara (Successor Agency to the Redevelopment Agency of the City of Santa Clara) Loan -  
The note 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 bond bears 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, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
City of Santa Clara Note	\$ 1,562,490	\$ 5,317,000	\$ 6,879,490	\$ -
Series 2001 A Bonds	154,119	5,765,000	5,919,119	254,119
Subtotal	1,716,609	11,082,000	12,798,609	254,119
Less unamortized permanent loan costs	-	(213,810)	(213,810)	-
Total	\$ 1,716,609	\$ 10,868,190	\$ 12,584,799	\$ 254,119



# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## **Halford Avenue LLC**

### **Organization**

Halford Avenue LLC was formed as a limited liability company on May 13, 2014, to acquire and operate a 10-unit affordable housing complex located in the City of Santa Clara, California, operating under the name of Eklund Gardens I. The company is owned by its sole member, S.P.G. Housing, Inc., which is a nonprofit organization affiliated with the Authority.

### **Ground lease**

Halford Avenue LLC has a land lease agreement from the Authority, which expires in 2069. 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 its project as an affordable housing complex in accordance with the terms and other requirements as specified in the ground lease agreement.

### **Long-term debt**

At December 31, 2015, Halford Avenue LLC does not have unaffiliated long-term debt.

## **Hermocilla LLC**

Hermocilla LLC, a California limited liability company, was formed on July 29, 2015 to acquire and operate a 100-unit affordable senior housing complex located in San Jose, California, which is currently operating under the name of Villa Hermosa Apartments (the Project). The Project was placed in service in July 1999. Hermocilla LLC is controlled by its sole member, DeRose HDC, Inc., which is a California nonprofit public benefit corporation affiliated with the Authority. On August 3, 2015, Hermocilla LLC acquired the Project from Thunderbird Associates (Thunderbird) and assumed its liabilities.

### **Long-term debt**

Citibank Loan - The loan originally amounting to \$2,525,000 bears variable interest at 5.68% per annum and is payable in monthly installments of \$15447. It is due in full in October 2029.

City of San Jose Note - The note originally amounting to \$1,343,000 bears compounded interest at 5% and is due in full in August 2029. Annual payments of principal and interest are payable from excess/distributable cash.

	December 31, 2016			Amounts due
	Interest Payable	Principal	Total	within one year
Citibank Loan	\$ -	\$ 1,686,391	\$ 1,686,391	\$ 91,948
City of San Jose Note	13,158	245,121	258,279	141,285
Subtotal	13,158	1,931,512	1,944,670	233,233
Less unamortized permanent loan costs	-	(84,545)	(84,545)	-
Total	\$ 13,158	\$ 1,846,967	\$ 1,860,125	\$ 233,233

## HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

### **Huff Avenue LLC**

#### **Organization**

Huff Avenue LLC, a limited liability company formed on July 3, 2014, to acquire and operate a 72-unit affordable housing complex located in San Jose, California, which is currently operating under the name of Huff Avenue Apartments (the project). The company is owned by its sole member Rotary Plaza/HACSC HDC, Inc., which is a nonprofit organization affiliated with HACSC.

#### **Long-term debt**

City of San Jose Note - The note dated March 12, 1997, in the original amount of \$989,181 is secured by Deed of Trust. It bears 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 will be due on March 11, 2027.

ARCS Commercial Mortgage Co., L.P. Note (ARCS Note) - The note dated July 20, 2006, in the original amount of \$3,969,000 is secured by the property. It bears 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, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
City of San Jose Note	\$ 15,431	\$ 468,540	\$ 483,971	\$ -
ARCS Note	18,679	3,353,043	3,371,722	103,969
Subtotal	34,110	3,821,583	3,855,693	103,969
Less unamortized permanent loan costs	-	(91,255)	(91,255)	-
Total	\$ 34,110	\$ 3,730,328	\$ 3,764,438	\$ 103,969

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

#### **Organization**

Julian Street Partners, L.P. ("Julian"), was formed on September 22, 2009 to acquire, rehabilitate, and operate six affordable housing complexes: Cypress Gardens (125 units in San Jose); Julian Gardens (9 units in San Jose); Lenzen Gardens (94 units in San Jose); Lucretia Gardens (16 units in San Jose); Miramar Way (16 units in Santa Clara); and Sunset Gardens (75 units in Gilroy). The partnership is controlled by its general partner, Avenida Espana HDC, Inc. At December 31, 2016, the special limited partner is Columbia Housing SLP Corporation and the investor limited partner is PNC Real Estate Tax Credit Capital Institutional Fund 45 Limited Partnership.

#### **Ground lease**

Julian Street Partners, L.P.'s 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, this 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.

#### **Long-term debt**

Housing Authority of the County of Santa Clara Multifamily Housing Revenue Bonds 2010 Series A-1 loan - The Bond series A-1 loan, with U.S. Bank as the trustee, consists of three bonds bearing a current aggregate interest rate of 4.31%.

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

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, 2016			Amounts due
	Interest Payable	Principal	Total	within one year
Revenue Bonds 2010				
Series A-1 Loan	\$ 162,658	\$ 14,535,000	\$ 14,697,658	\$ 1,142,658
Less unamortized				
permanent loan costs	-	(549,025)	(549,025)	-
Total	\$ 162,658	\$ 13,985,975	\$ 14,148,633	\$ 1,142,658

**Laurel Grove Lane LP.**

Laurel Grove Lane, L.P. (Laurel Grove), a California limited partnership was formed on March 27, 2015 to develop and operate affordable housing complex located in San Jose, California. Pinmore HDC has 0.01% ownership interest in Laurel Grove Lane LP.

**Long-term debt**

California Municipal Finance Agency ("CalMFA") Loan - The Loan in the original amount of \$42,020,000, bears a variable interest rate. Payments of principal and interest are due every month with the entire principal and interest due in full in December 1, 2049. Capitalized interest was \$22,063 in 2016.

	December 31, 2016			Amounts due
	Interest Payable	Principal	Total	within one year
California Municipal Finance				
Authority (CalMFA)	\$ -	\$ 4,531,366	\$ 4,531,366	\$ -

On June 3, 2016 and November 17, 2016, Laurel Grove Lane, L.P. and Park Avenue Seniors, L.P. purchased land from the Authority to develop and operate affordable housing complex located in San Jose, CA. Since the buyers of the property are deemed to be commonly controlled by the sellers, accounting principles generally accepted in the United States of America require that Laurel Grove Lane, L.P. and Park Avenue Seniors, L.P. record the transaction based on the sellers' carrying value of the assets at the time of the acquisition. For details see Note 18 - Park Avenue Seniors, L.P.

**McCreery Avenue L.P.**

McCreery Avenue LP (the partnership), a California limited partnership, was formed on June 13, 2014 to develop and operate a 130-unit affordable housing complex located in San Jose, California, which is currently operating under the name of Poco Way Apartments (the Project). On February 20, 2015 the Project was acquired from an affiliate, Poco Way HDC, Inc., which is a nonprofit organization. A portion of the Project (9 of 21 buildings) was placed in service on various dates from August through December 2015. The rehabilitation of the rest of the Project was completed in June 2016. The Partnership is controlled by its general partner, Avenida Espana HDC, Inc. which is a nonprofit organization affiliated with the Authority. The project participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. Various loan, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2071.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Long-term debt

Citibank, N.A Loan- As funding lender of the City of San Jose Multifamily Housing Revenue Note series 2015 A-1, in the maximum amount of \$21,833,354, bears variable interest at 1.4% plus the 1-month LIBOR rate. Interest-only payments are due monthly until December 2016 when \$11,525,000 is converted into a 30-year amortizing loan with interest at 3.95%. Interest capitalized was \$119,994 and interest expense was \$245,124 for the year ended December 31, 2016.

City of San Jose Loan - The loan bears interest at 2.41% compounded annually, payable from excess/distributable cash, with entire principal and interest due in full in February 2070. Interest capitalized was \$56,296 and interest expense was \$43,154 for the year ended December 31, 2016.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	\$ -	\$ 11,525,000	\$ 11,525,000	\$ 187,357
City of San Jose Note	2,895	3,932,086	3,934,981	439,158
Subtotal	2,895	15,457,086	15,459,981	626,515
Less unamortized permanent loan costs	-	(319,000)	(319,000)	-
Total	\$ 2,895	\$ 15,138,086	\$ 15,140,981	\$ 626,515

## Opportunity Center Associates L.P.

### Organization

Opportunity Center Associates, L.P., a California limited partnership ("Opportunity Center"), was formed on October 21, 2002 to develop and operate an 89-unit affordable housing complex located in Palo Alto, California, which is currently operating under the name of Opportunity Center of the Mid-Peninsula. Opportunity Center is controlled by its general partner, Opportunity Center HDC, Inc. On December 31, 2015, Opportunity Center's investor limited partner is MMA Opportunity Center, LLC and the special limited partner is MMA Special Limited Partner, Inc.

### Long-term debt

Department of Housing and Community Development Multifamily Housing (MHP) Loan - The loan consists of a loan for MHP assisted units of \$7,000,000 and a loan for nonresidential space for supportive services of \$500,000, bears simple interest at 3% per annum, with annual payment of 0.42% of the unpaid Assisted Unit Portion principal amount. Additional payments are to be made from excess/distributable cash. The note matures in April 2062.

City of Palo Alto Note - The note bears contingent interest up to 3% depending on this project's available excess/distributable cash and is due in full in April 2062.

County of San Mateo Note - The note bears contingent interest up to 3% depending on this project's available excess/distributable cash and is due in full in April 2062.

Housing Trust Silicon Valley (assigned from Opportunity Fund Northern California formerly Lenders for Community Development) Note - The note bears no interest and is due in full in April 2062.

County of Santa Clara Affordable Housing Funds Loan - The loan bears contingent interest up to 3% depending on this project's available excess/distributable cash and is due in full in April 2062.

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

County of Santa Clara HOME Program Loan - The loan bears contingent interest rate up to 3% depending on this project's available excess/distributable cash, due in full in April 2062.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
MHP Loan	\$ 1,895,321	\$ 7,500,000	\$ 9,395,321	\$ 29,400
City of Palo Alto Note	-	750,000	750,000	-
County of San Mateo Note	-	450,000	450,000	-
Housing Trust of Silicon Valley	-	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	-
Subtotal	1,895,321	10,700,000	12,595,321	29,400
Less unamortized				
permanent loan costs	-	(26,239)	(26,239)	-
Total	\$ 1,895,321	\$ 10,673,761	\$ 12,569,082	\$ 29,400

## **Park Avenue Seniors LP.**

Park Avenue Seniors, L.P., a California limited partnership was formed on March 27, 2015 to develop and operate affordable housing complex located in San Jose, California. Pinmore HDC has 0.01% ownership interest in Park Avenue Senior, L.P.

## **Long-term debt**

California Municipal Finance Agency ("CalMFA") Loan - The loan in the original amount of \$39,030,000, bears a variable interest rate. Payments of principal and interest are due every month with the entire principal and interest due in full in December 1, 2049. Capitalized interest was \$243 in 2016.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
California Municipal Finance Authority (CalMFA)	\$ -	\$ 70,502	\$ 70,502	\$ -
Total	\$ -	\$ 70,502	\$ 70,502	\$ -

On June 3, 2016 and November 17, 2016, Laurel Grove Lane, L.P. and Park Avenue Seniors, L.P. purchased land from the Authority to develop and operate affordable housing complexes located in San Jose, CA. Since the buyers of the properties are deemed to be commonly controlled by the sellers, accounting principles generally accepted in the United States of America require that Laurel Grove Lane, L.P. and Park Avenue Seniors, L.P. record the transaction based on the sellers' carrying value of the assets at the time of the acquisition of \$5.8 million with total note payables of \$8,557,609. The excess of debt over the carrying value of the properties acquired is recorded as a special item in the Discretely Presented Component Units.

## **HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

### **Poinciana LLC**

#### **Organization**

Poinciana LLC was formed as a limited liability company on May 13, 2014, to acquire and operate a 6-unit affordable housing complex located in the City of Santa Clara, California, operating under the name of Eklund Gardens II. The company is owned by its sole member, S.P.G. Housing, Inc., which is a nonprofit organization affiliated with the Authority.

#### **Ground lease**

Poinciana LLC has a land lease agreement from the Authority, which expires in 2069. 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 its project as an affordable housing complex in accordance with the terms and other requirements as specified in the ground lease agreement.

#### **Long-term debt**

At December 31, 2016, Poinciana does not have unaffiliated long-term debt.

### **Rincon Gardens Associates, L.P.:**

#### **Organization**

Rincon Gardens Associates, L.P., a California limited partnership ("Rincon Gardens"), 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. Rincon Gardens is controlled by its general partner, Avenida Espana HDC, Inc. On December 31, 2016, Rincon Gardens' investor limited partner is PNC Multifamily Capital Institutional Fund XXXIX Limited Partnership and the special limited partner is Columbia Housing SLP Corporation.

#### **Ground lease**

Rincon Gardens Associates, L. P. 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 its project as an affordable housing complex in accordance with the terms and other requirements as specified in the ground lease agreement.

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

**Long-term debt**

Housing Authority of the County of Santa Clara Multifamily Housing Revenue Bonds 2008 Series A-1 and A-2 loans - The Bonds, in the maximum amount of \$13,630,000 and \$3,391,000, respectively, bear 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.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
2008 Series A-1 and A-2 Bonds	\$ -	\$ 14,264,867	\$ 14,264,867	\$ 525,653
Less unamortized permanent loan costs	-	(221,966)	(221,966)	-
Total	\$ -	\$ 14,042,901	\$ 14,042,901	\$ 525,653

**South Drive LLC****Organization**

South Drive LLC a California limited liability company, was formed on June 4, 2014, to acquire and operate a 72-unit affordable housing complex located in Santa Clara, California, which is currently operating under the name of Bracher Garden Apartments. The company is owned by its sole member, S.P.G. Housing, Inc., which is a nonprofit organization affiliated with the Authority. The project was operated by Bracher Associates until it was assumed by South Drive LLC on November 14, 2014.

**Long-term debt**

Citibank Loan - The loan originally amounting to \$1,950,000 bears interest at 6.5% per annum is payable in monthly installments \$12,736 unit maturity in January 2016. The interest rate and monthly payment may be adjusted in February 2016. The principal and interest were assigned to South Drive LLC in November 2014, as part of the transfer of the Bracher Senior Housing project from Bracher Associates L.P. to South Drive LLC.

City of Santa Clara Note (Successor Agency to the Redevelopment Agency of the City of Santa Clara) - The note bears simple interest at 6%, is payable from excess/distributable cash and is due in August 2024. The principal and interest were assigned to South Drive LLC in November 2014, as part of the transfer of the Bracher Senior Housing project from Bracher Associates L.P. to South Drive LLC.

	December 31, 2016			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	\$ 6,624	\$ 1,036,702	\$ 1,043,326	\$ 102,703
City of Santa Clara Note	576,817	1,550,000	2,126,817	150,324
Subtotal	583,441	2,586,702	3,170,143	253,027
Less unamortized permanent loan costs	-	(20,396)	(20,396)	-
Total	\$ 583,441	\$ 2,566,306	\$ 3,149,747	\$ 253,027

# HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Notes to Financial Statements

June 30, 2017

## Willows/HACSC Associates

### Organization

Willows/HACSC Associates, a California limited partnership (“Willows”), was formed on December 1, 1998 to develop and operate a 47-unit affordable housing complex, which is currently operating under the name of The Willows. Willows is controlled by its general partner, Pinmore HDC, Inc. On December 31, 2015, Willows’ limited partner is California Affordable Housing Fund 2000-I, LLC.

### Long-term debt

Series 2005 tax exempt bonds issued by the Authority - The bonds, in the original amount of \$4,284,000, bears a variable interest rate, to be repaid in full by April 2040. Payments of principal and interest, which are secured by a direct pay Letter of Credit issued by Union Bank of California, N.A. maturing April 1, 2040 are due every six months on June 1 and December 1.

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

	December 31, 2016			Amounts due
	Interest Payable	Principal	Total	within one year
Series 2005 Bonds	\$ 2,468	\$ 3,880,000	\$ 3,882,468	\$ 73,468
LCD Note	3,342	72,928	76,270	57,670
Subtotal	5,810	3,952,928	3,958,738	131,138
Less unamortized				
permanent loan costs	-	(208,454)	(208,454)	-
Total	\$ 5,810	\$ 3,744,474	\$ 3,750,284	\$ 131,138

### Note 19 – Subsequent events

On March 28, 2017, the Authority’s Board approved the purchase of 675 East Santa Clara Street and its ancillary sites for a total acquisition price of \$30,459,000. On June 6, 2017, the Authority deposited \$30,459,000 into an escrow account for the purchase of the property, which is reported as a noncurrent asset in the Authority’s Statement of Net Position at June 30, 2017. On July 6, 2017, the Authority closed escrow and acquired the property for \$30,459,000.

On June 28, 2016, the Authority’s Board approved a Memorandum of Understanding with the County of Santa Clara and the City of Palo Alto, and the use of \$26 million, for the acquisition of the Buena Vista Mobile Home Park (Park) located in Palo Alto, California. On May 23, 2017, the Authority entered into a purchase and sale agreement to purchase the Park for \$40,375,000. On June 6, 2017, the Authority deposited \$500,000 into an escrow account, which was reported as a noncurrent asset in the Authority’s Statement of Net Position as of June 30, 2017. The City of Palo Alto separately deposited \$14,500,000 into the escrow account. On September 29, 2017, the Authority closed escrow and acquired the property for \$40,375,000. On the same day, the Authority signed a Grant Deed to grant the property to Poco Way HDC, Inc., an affiliate of the Authority.



# HOUSING AUTHORITY OF COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

Last Three Fiscal Years \*

	Fiscal Year Ended June 30,		
	2017	2016	2015
<b>Measurement period</b>	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 1,375,763	\$ 1,327,942	\$ 1,413,145
Interest on the total pension liability	3,735,363	3,522,787	3,356,632
Differences between expected and actual experience	(187,868)	(539,512)	-
Changes of assumptions	-	(932,527)	-
Benefit payments, including refunds of employee contributions	(1,959,484)	(1,856,519)	(2,064,928)
Net change in total pension liability	2,963,774	1,522,171	2,704,849
Total pension liability, beginning	49,308,003	47,785,832	45,080,983
<b>Total pension liability, ending</b>	<b>\$ 52,271,777</b>	<b>\$ 49,308,003</b>	<b>\$ 47,785,832</b>
<b>Plan fiduciary net position</b>			
Plan to plan resource movement	\$ -	\$ (10)	\$ -
Contributions, employer	772,938	724,610	824,681
Contributions, employee	680,032	654,082	670,406
Net investment income	268,603	1,237,885	8,433,099
Benefit payments, including refunds of employee contributions	(1,959,484)	(1,856,519)	(2,064,928)
Administrative expenses	(34,913)	(64,468)	-
Net change in plan fiduciary net position	(272,824)	695,580	7,863,258
Plan fiduciary net position, beginning	57,286,407	56,590,827	48,727,569
<b>Plan fiduciary net position, ending</b>	<b>\$ 57,013,583</b>	<b>\$ 57,286,407</b>	<b>\$ 56,590,827</b>
<b>Plan net pension liability</b>	<b>\$ (4,741,806)</b>	<b>\$ (7,978,404)</b>	<b>\$ (8,804,995)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>109.1%</b>	<b>116.2%</b>	<b>118.4%</b>
<b>Covered payroll</b>	<b>\$ 10,910,833</b>	<b>\$ 9,296,061</b>	<b>\$ 9,370,369</b>
<b>Plan net pension liability as a percentage of covered payroll</b>	<b>-43.5%</b>	<b>-85.8%</b>	<b>-94.0%</b>

## Note to schedule:

Benefit Changes - The figures above do not include any liability impact that may have resulted from plan changes, which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

\* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information is shown.

# HOUSING AUTHORITY OF COUNTY OF SANTA CLARA

Required Supplementary Information (Unaudited)

## Schedule of Plan Contributions

Last Four Fiscal Years \*

### Miscellaneous Plan

	Fiscal Year Ended June 30,			
	2017	2016	2015	2014
Actuarially determined contributions (ADC)	\$ 821,104	\$ 767,798	\$ 724,610	\$ 824,681
Contributions in relation to the ADC	(821,104)	(767,798)	(724,610)	(824,681)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 10,658,397	\$ 10,910,833	\$ 9,296,061	\$ 9,370,369
Contributions as a percentage of covered payroll	7.70%	7.04%	7.79%	8.80%

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2017 were as follows:

ADC for fiscal year	June 30, 2017
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Actuarial value of assets
Inflation	2.75%
Salary increases	Varies by entry age and services
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\* Fiscal year ended June 30, 2015 was the first year of implementation of GASB Statement No. 68, therefore only four years of information is shown.

**HOUSING AUTHORITY OF COUNTY OF SANTA CLARA**  
Required Supplementary Information (Unaudited)  
Schedule of Funding Progress - Postemployment Healthcare Benefits

Schedule of funding progress presented below provides a consolidated snapshot of the Authority's ability to meet current and future liabilities with the plan assets. The latest actuarial valuation was performed as of July 1, 2015.

<b>Actuarial valuation date</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial accrued liability (AAL) entry age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded ratio (a/b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a % of covered payroll ((b-a)/c)</b>
7/1/2011	\$ 6,975,535	\$ 7,188,527	\$ 212,992	97.0%	\$ 11,844,890	1.8%
7/1/2013	6,921,359	7,634,336	712,977	90.7%	8,970,243	7.9%
7/1/2015	8,506,685	10,558,090	2,051,405	80.6%	9,393,019	21.8%

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Combining Statement of Net Position - Discretely Presented Component Units  
December 31, 2016

	Bascom HACSC Associates (1)	Bendorff Drive L.P. (1)	Branham Lane LLC (1)	Clarendon Street, L.P. (1)	Fairground Luxury Family Apartments, L.P. (1)	Fairground Senior Housing, L.P. (1)	HACSC/ Choices Family Associates (1)	HACSC/ Choices Senior Associates (1)	Halford LLC (2)	Hermocilla LLC (1)	Huff Avenue LLC (4)
<b>Assets:</b>											
<b>Current assets:</b>											
Cash:											
Unrestricted	\$ 520,239	\$ 315,966	\$ 127,842	\$ 404,282	\$ 1,213,190	\$ 1,293,938	\$ 454,211	\$ 143,462	\$ 180,918	\$ 292,773	\$ 123,006
Tenant security deposits	57,801	40,427	14,034	49,315	234,377	107,430	37,945	42,460	1,800	39,750	56,946
Total cash	578,040	356,393	141,876	453,597	1,447,567	1,401,368	492,156	185,922	182,718	332,523	179,952
Accounts receivable:											
Tenants	-	9,082	1,277	4	14,054	5,018	358	1,188	-	-	4,172
HUD	-	-	-	503	-	4,443	-	-	-	-	-
Related parties	-	137,371	-	-	-	-	-	200	-	-	-
Due from primary government	-	-	-	-	-	-	-	-	-	-	-
Others	1,791	8,796	876	2,267	-	46	5,526	-	-	989	-
Total accounts receivable, net	1,791	155,249	2,153	2,774	14,054	9,507	5,884	1,388	-	989	4,172
Prepaid expenses	19,546	28,973	10,134	12,757	33,432	26,930	31,366	13,337	1,810	17,163	15,950
Restricted cash and cash equivalents	1,350,080	2,303,837	46,696	778,712	1,672,120	2,357,536	1,762,717	1,542,769	15,006	39,604	547,430
Total current assets	1,949,457	2,844,452	200,859	1,247,840	3,167,173	3,795,341	2,292,123	1,743,416	199,534	390,279	747,504
<b>Noncurrent assets:</b>											
Prepaid costs, net	-	52,757	-	35,237	53,356	55,641	-	-	-	-	-
Capital assets:											
Nondepreciable	4,049,218	3,779,006	1,697,718	222,624	40,077	-	3,818,724	2,612,715	-	1,524,051	2,768,902
Depreciable	9,106,300	34,048,435	2,481,653	21,439,870	54,441,703	28,871,719	11,010,792	8,008,596	2,493,965	3,299,007	4,629,522
Total capital assets	13,155,518	37,827,441	4,179,371	21,662,494	54,481,780	28,871,719	14,829,516	10,621,311	2,493,965	4,823,058	7,398,424
Total noncurrent assets	13,155,518	37,880,198	4,179,371	21,697,731	54,535,136	28,927,360	14,829,516	10,621,311	2,493,965	4,823,058	7,398,424
Total assets	15,104,975	40,724,650	4,380,230	22,945,571	57,702,309	32,722,701	17,121,639	12,364,727	2,693,499	5,213,337	8,145,928
<b>Liabilities:</b>											
<b>Current liabilities:</b>											
Accounts payable	80,464	74,008	26,531	79,580	565,812	344,597	68,900	100,489	9,142	67,868	31,821
Payable to related parties	7,500	-	-	5,305	303,195	269,692	5,000	5,000	-	-	539,637
Due to primary government	16,010	221,841	120,933	255,112	13,890	21,036	97,696	28,840	177,735	101,772	-
Tenant security deposits	57,798	40,427	14,034	49,315	231,950	105,114	37,945	42,460	1,800	39,750	56,713
Unearned revenues	10	7,598	2,403	2,706	4,553	3,614	48	-	-	-	3,546
Interest payable	457,379	162,510	77,010	19,444	106,506	-	448,684	154,119	-	13,158	18,679
Current portion of long-term obligations	90,000	160,299	90,665	306,383	268,613	415,000	130,000	100,000	-	220,075	85,290
Total current liabilities	709,161	666,683	331,576	717,845	1,494,519	1,159,053	788,273	430,908	188,677	442,623	735,686
<b>Noncurrent liabilities:</b>											
Interest payable, net of current portion	1,590,418	976,135	1,065,849	-	3,155,313	532,367	1,392,779	1,562,490	-	-	15,431
Long-term obligations, net of current portion	12,204,530	15,244,837	2,420,389	5,681,097	39,270,450	20,108,689	7,942,500	5,317,000	-	1,626,892	3,645,038
Advance from primary government	-	11,807,666	-	7,902,746	-	-	7,227,188	5,451,190	2,509,376	-	614,835
Total liabilities	14,504,109	28,695,321	3,817,814	14,301,688	43,920,282	21,800,109	17,350,740	12,761,588	2,698,053	2,069,515	5,010,990
<b>Net position:</b>											
Net investment in capital assets	860,988	22,422,305	1,668,317	15,675,014	14,942,717	8,348,030	6,757,016	5,204,311	2,493,965	2,976,091	3,668,096
Restricted	1,350,083	2,303,837	46,696	778,712	1,674,547	2,359,852	1,762,717	1,542,769	15,006	39,604	547,663
Unrestricted (deficits)	(1,610,205)	(12,696,813)	(1,152,597)	(7,809,843)	(2,835,237)	214,710	(8,748,834)	(7,143,941)	(2,513,525)	128,127	(1,080,821)
Total net position	\$ 600,866	\$ 12,029,329	\$ 562,416	\$ 8,643,883	\$ 13,782,027	\$ 10,922,592	\$ (229,101)	\$ (396,861)	\$ (4,554)	\$ 3,143,822	\$ 3,134,938

(1) Component unit was audited by other auditors.

(2) Component unit was audited by other auditors as a subsidiary of the S.P.G. Housing, Inc.

(3) Component unit was audited by other auditors as a subsidiary of the Pinmore HDC Inc.

(4) Component unit was audited by other auditors as a subsidiary of the Rotary Plaza/HACSC, HDC Inc.

(Continued)

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Combining Statement of Net Position - Discretely Presented Component Units  
December 31, 2016

	Julian Street Partners, L.P. (1)	Laurel Grove Lane, L.P. (3)	McCreery Avenue L.P. (1)	Opportunity Center Associates, L.P. (1)	Park Avenue Seniors, L.P. (3)	Poinciana LLC (2)	Rincon Gardens Associates, L.P. (1)	South Drive LLC (1)	Willows HACSC Associates (1)	Elimination/ Adjustment	Total
<b>Assets:</b>											
<b>Current assets:</b>											
Cash:											
Unrestricted	\$ 1,478,311	\$ 132,857	\$ 708,177	\$ 84,028	\$ 1,634,355	\$ 98,894	\$ 1,284,405	\$ 170,660	\$ 294,258	\$ -	\$ 10,955,772
Tenant security deposits	153,903	-	88,532	28,700	-	5,000	64,558	26,857	16,986	-	1,066,821
Total cash	1,632,214	132,857	796,709	112,728	1,634,355	103,894	1,348,963	197,517	311,244	-	12,022,593
Accounts receivable:											
Tenants	662	-	4	11,405	-	-	7,951	-	3	-	55,178
HUD	6,471	-	-	-	-	1,109	-	3,549	-	-	16,075
Related parties	-	-	47,754	-	-	-	-	-	-	-	185,325
Due from primary government	-	-	-	-	-	-	-	113,138	-	-	113,138
Others	4,640	49,264	232,092	16,791	196,610	-	805	-	-	-	520,493
Total accounts receivable, net	11,773	49,264	279,850	28,196	196,610	1,109	8,756	116,687	3	-	890,209
Prepaid expenses	54,704	-	33,116	11,842	-	854	61,542	8,397	39,705	-	421,558
Restricted cash and cash equivalents	3,207,107	-	487,239	489,150	-	9,003	2,105,162	48,919	489,090	-	19,252,177
Total current assets	4,905,798	182,121	1,596,914	641,916	1,830,965	114,860	3,524,423	371,520	840,042	-	32,586,537
<b>Noncurrent assets:</b>											
Prepaid costs, net	100,502	-	71,529	-	-	-	33,094	-	1,258,079	-	1,660,195
Capital assets:											
Nondepreciable	-	12,894,202	1,506,600	1,953,111	12,789,077	-	-	1,857,880	-	(946,255)	50,567,650
Depreciable	64,409,757	-	39,539,895	12,141,765	-	1,496,360	34,421,070	2,797,734	1,510,488	(19,553,383)	316,595,248
Total capital assets	64,409,757	12,894,202	41,046,495	14,094,876	12,789,077	1,496,360	34,421,070	4,655,614	1,510,488	(20,499,638)	367,162,898
Total noncurrent assets	64,510,259	12,894,202	41,118,024	14,094,876	12,789,077	1,496,360	34,454,164	4,655,614	2,768,567	(20,499,638)	368,823,093
Total assets	69,416,057	13,076,323	42,714,938	14,736,792	14,620,042	1,611,220	37,978,587	5,027,134	3,608,609	(20,499,638)	401,409,630
<b>Liabilities:</b>											
<b>Current liabilities:</b>											
Accounts payable	295,542	471,354	58,966	86,128	420,388	9,121	93,828	26,551	20,254	-	2,931,344
Payable to related parties	18,854	-	146,386	-	-	-	12,299	-	122,411	-	1,435,279
Due to primary government	1,209,989	-	1,481,271	28,610	-	94,890	1,000,141	15,000	68,615	-	4,953,381
Tenant security deposits	153,900	-	88,529	28,700	-	5,000	64,350	26,856	16,983	-	1,061,624
Unearned revenues	10,628	-	7,810	49,897	-	-	11,504	5,803	6	-	110,126
Interest payable	162,658	6,959	2,895	29,400	-	-	-	156,948	5,810	-	1,822,159
Current portion of long-term obligations	980,000	-	623,620	-	-	-	525,653	96,079	125,328	-	4,217,005
Total current liabilities	2,831,571	478,313	2,409,477	222,735	420,388	109,011	1,707,775	327,237	359,407	-	16,530,918
<b>Noncurrent liabilities:</b>											
Interest payable, net of current portion	-	-	-	1,865,921	110,727	-	-	426,493	-	-	12,693,923
Long-term obligations, net of current portion	13,005,975	4,531,366	14,514,466	10,673,761	70,502	-	13,517,248	2,470,227	3,619,146	-	175,864,113
Advance from primary government	26,819,675	4,940,010	10,668,782	-	11,609,541	1,477,905	17,048,043	82,869	-	-	108,159,826
Total liabilities	42,657,221	9,949,689	27,592,725	12,762,417	12,211,158	1,586,916	32,273,066	3,306,826	3,978,553	-	313,248,780
<b>Net position:</b>											
Net investment in capital assets	50,423,782	8,362,836	25,908,409	3,421,115	12,718,575	1,496,360	20,378,169	2,089,308	(2,233,986)	(20,499,638)	187,081,780
Restricted	3,207,110	-	487,242	489,150	-	9,003	2,105,370	48,920	489,093	-	19,257,374
Unrestricted (deficits)	(26,872,056)	(5,236,202)	(11,273,438)	(1,935,890)	(10,309,691)	(1,481,059)	(16,778,018)	(417,920)	1,374,949	-	(118,178,304)
Total net position	\$ 26,758,836	\$ 3,126,634	\$ 15,122,213	\$ 1,974,375	\$ 2,408,884	\$ 24,304	\$ 5,705,521	\$ 1,720,308	\$ (369,944)	\$ (20,499,638)	\$ 88,160,850

- (1) Component unit was audited by other auditors.  
(2) Component unit was audited by other auditors as a subsidiary of the S.P.G. Housing, Inc.  
(3) Component unit was audited by other auditors as a subsidiary of the Pimore HDC Inc.  
(4) Component unit was audited by other auditors as a subsidiary of the Rotary Plaza/HACSC, HDC Inc.

**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 - Discretely Presented Component Units  
For Year Ended December 31, 2016

	Bascom HACSC Associates (1)	Bendorff Drive L.P. (1)	Branham Lane LLC (1)	Clarendon Street, L.P. (1)	Fairground Luxury Family Apartments, L.P. (1)	Fairground Senior Housing, L.P. (1)	HACSC/ Choices Family Associates (1)	HACSC/ Choices Senior Associates (1)	Halford LLC (2)	Hermocilla LLC (1)	Huff Avenue LLC (4)
Operating revenues:											
Rental income	\$ 1,538,151	\$ 1,819,593	\$ 705,844	\$ 1,567,352	\$ 4,739,845	\$ 3,354,895	\$ 1,590,426	\$ 1,168,986	\$ 240,120	\$ 1,114,905	\$ 1,512,267
Tenant revenue - other	-	19,198	-	12,003	9,371	-	32,249	10,565	-	-	-
Donation and other	18,729	6,794	93,128	3,453	20,739	25,020	-	-	17,454	(71,317)	16,847
Total operating revenues	1,556,880	1,845,585	798,972	1,582,808	4,769,955	3,379,915	1,622,675	1,179,551	257,574	1,043,588	1,529,114
Operating expenses:											
Administrative	263,054	275,321	157,285	316,278	268,722	178,796	232,368	203,626	29,037	210,394	293,450
Utilities	126,005	85,086	65,428	70,611	431,729	222,557	111,970	129,044	13,515	116,618	91,856
Maintenance and operations	237,571	174,356	148,578	186,051	517,441	283,752	240,771	280,867	26,410	214,570	131,356
Marketing and leasing	-	669	-	1,170	1,386	124	-	-	-	-	-
Insurance and taxes	84,532	85,993	101,055	60,324	148,872	54,347	94,348	62,033	7,441	121,932	162,030
Other general expenses	-	-	-	-	-	-	-	-	31	-	-
Depreciation and amortization	405,041	1,018,327	146,275	641,595	2,035,491	1,028,203	559,460	397,142	142,188	327,174	220,812
Total operating expenses	1,116,203	1,639,752	618,621	1,276,029	3,403,641	1,767,779	1,238,917	1,072,712	218,622	990,688	899,504
Operating income (loss)	440,677	205,833	180,351	306,779	1,366,314	1,612,136	383,758	106,839	38,952	52,900	629,610
Nonoperating revenues (expenses):											
Investment income	32,646	3,659	20	1,152	6,905	924	39,138	29,630	4	71	155
Interest expense	(569,732)	(1,190,182)	(121,637)	(430,275)	(1,978,700)	(1,028,440)	(655,315)	(455,904)	(444)	(114,223)	(240,351)
Partnership and asset management fees	(22,500)	(12,731)	(10,000)	(5,305)	(60,236)	(179,901)	(20,000)	(20,000)	-	(15,000)	(10,000)
Ground lease	-	-	-	-	(974,917)	(494,638)	-	-	-	-	-
Incentive, issuer and investor service fees	-	-	-	-	(228,504)	(145,573)	(18,588)	(13,081)	-	-	-
Bond and loan fees	(16,825)	-	-	(4,000)	-	(35,496)	(7,892)	(5,017)	-	(2,190)	(5,433)
Other nonoperating revenue (expense), net	-	-	-	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	(576,411)	(1,199,254)	(131,617)	(438,428)	(3,235,452)	(1,883,124)	(662,657)	(464,372)	(440)	(131,342)	(255,629)
Income (loss) before capital contributions and special items	(135,734)	(993,421)	48,734	(131,649)	(1,869,138)	(270,988)	(278,899)	(357,533)	38,512	(78,442)	373,981
Capital contributions (distributions)	-	810,654	-	291,200	(14,609)	(33,396)	-	-	-	-	-
Special items	-	-	-	-	-	-	-	-	-	-	-
Change in net position	(135,734)	(182,767)	48,734	159,551	(1,883,747)	(304,384)	(278,899)	(357,533)	38,512	(78,442)	373,981
Net position beginning of year	736,600	12,212,096	513,682	8,484,332	15,665,774	11,226,976	49,798	(39,328)	(43,066)	3,222,264	2,760,957
Net position ending of year	\$ 600,866	\$ 12,029,329	\$ 562,416	\$ 8,643,883	\$ 13,782,027	\$ 10,922,592	\$ (229,101)	\$ (396,861)	\$ (4,554)	\$ 3,143,822	\$ 3,134,938

(1) Component unit was audited by other auditors.

(2) Component unit was audited by other auditors as a subsidiary of the S.P.G. Housing, Inc.

(3) Component unit was audited by other auditors as a subsidiary of the Pinnore HDC Inc.

(4) Component unit was audited by other auditors as a subsidiary of the Rotary Plaza/HACSC, HDC Inc.

(Continued)

**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 - Discretely Presented Component Units  
For Year Ended December 31, 2016

	Julian Street Partners, L.P. (1)	Laurel Grove Lane, L.P. (3)	McCreery Avenue L.P. (1)	Opportunity Center Associates, L.P. (1)	Park Avenue Seniors, L.P. (3)	Poinciana LLC (2)	Rincon Gardens Associates, L.P. (1)	South Drive LLC (1)	Willows HACSC Associates (1)	Elimination/ Adjustment	Total
Operating revenues:											
Rental income	\$ 5,876,915	\$ -	\$ 1,849,425	\$ 832,117	\$ -	\$ 200,105	\$ 3,667,798	\$ 784,641	\$ 785,346	\$ -	\$ 33,348,731
Tenant revenue - other	-	-	16,519	-	-	-	-	-	-	-	99,905
Donation and other	41,866	-	17,645	196,137	-	376	16,110	2,638	11,277	-	416,896
Total operating revenues	5,918,781	-	1,883,589	1,028,254	-	200,481	3,683,908	787,279	796,623	-	33,865,532
Operating expenses:											
Administrative	869,689	-	334,813	434,092	-	21,995	437,072	202,201	134,694	-	4,862,887
Utilities	419,821	-	160,194	120,938	-	7,638	280,741	70,824	72,675	-	2,597,250
Maintenance and operations	604,751	-	221,209	286,406	-	31,487	247,677	126,088	79,413	-	4,038,754
Marketing and leasing	7,775	-	114,105	-	-	-	-	-	-	-	125,229
Insurance and taxes	236,880	-	259,232	108,557	-	42,426	106,956	52,156	50,009	-	1,839,123
Other general expenses	-	1,600	-	-	1,600	26	-	-	-	-	3,257
Depreciation and amortization	2,086,185	-	878,337	432,996	-	85,313	1,138,683	148,421	144,221	-	11,835,864
Total operating expenses	4,225,101	1,600	1,967,890	1,382,989	1,600	188,885	2,211,129	599,690	481,012	-	25,302,364
Operating income (loss)	1,693,680	(1,600)	(84,301)	(354,735)	(1,600)	11,596	1,472,779	187,589	315,611	-	8,563,168
Nonoperating revenues (expenses):											
Investment income	5,140	182	232	282	333	2	1,986	30	298	-	122,789
Interest expense	(1,895,083)	-	(430,881)	(225,583)	-	(316)	(1,697,933)	(138,248)	(40,517)	-	(11,213,764)
Partnership and asset management fees	(56,556)	-	(32,363)	(27,257)	-	-	(36,896)	(15,000)	(48,833)	-	(572,578)
Ground lease	(6)	-	-	-	-	-	-	-	(30,685)	-	(1,500,246)
Incentive, issuer and investor service fees	(94,219)	-	-	-	-	-	(62,266)	-	(25,000)	-	(587,231)
Bond and loan fees	(224,913)	-	(175,955)	(3,000)	-	-	(12,299)	-	(65,253)	-	(558,273)
Other nonoperating revenue (expense), net	-	-	65,766	-	-	-	-	-	-	-	65,766
Total nonoperating revenues (expenses)	(2,265,637)	182	(573,201)	(255,558)	333	(314)	(1,807,408)	(153,218)	(209,990)	-	(14,243,537)
Income (loss) before capital contributions and special items	(571,957)	(1,418)	(657,502)	(610,293)	(1,267)	11,282	(334,629)	34,371	105,621	-	(5,680,369)
Capital contributions (distributions)	(244,700)	3,128,052	14,346,450	377,821	2,410,151	-	(144,815)	-	-	-	20,926,808
Special items	-	-	-	-	-	-	-	-	-	(2,727,416)	(2,727,416)
Change in net position	(816,657)	3,126,634	13,688,948	(232,472)	2,408,884	11,282	(479,444)	34,371	105,621	(2,727,416)	12,519,023
Net position beginning of year	27,575,493	-	1,433,265	2,206,847	-	13,022	6,184,965	1,685,937	(475,565)	(17,772,222)	75,641,827
Net position ending of year	\$ 26,758,836	\$ 3,126,634	\$ 15,122,213	\$ 1,974,375	\$ 2,408,884	\$ 24,304	\$ 5,705,521	\$ 1,720,308	\$ (369,944)	\$ (20,499,638)	\$ 88,160,850

(1) Component unit was audited by other auditors.

(2) Component unit was audited by other auditors as a subsidiary of the S.P.G. Housing, Inc.

(3) Component unit was audited by other auditors as a subsidiary of the Pimmore HDC Inc.

(4) Component unit was audited by other auditors as a subsidiary of the Rotary Plaza/HACSC, HDC Inc.

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)

Combining Statement of Net Position by Programs

For the Year Ended June 30, 2017

	Conventional Housing Program	Public Housing Capital	Family Self Sufficiency	Residential Opportunity Self Sufficiency	Section 8 Rental Voucher	Special Purpose Voucher	Public Housing Proceeds Program	Moving To Work	Section 8 Moderate Rehabilitation	Continuum of Care	Real Estate Services	Development Services
<b>Assets:</b>												
Current assets:												
Unrestricted cash and cash equivalents	\$ 16,146	\$ 139	\$ 186,733	\$ 646	\$ 439,897	\$ 193,428	\$ 2,731	\$ 2,044,079	\$ 119,781	\$ 96,008	\$ 78,844	\$ 605,043
Unrestricted short term investments	-	8,951	-	-	-	-	2,417,000	-	-	-	89,025	2,604,155
Accounts receivable:												
Tenants	3,116	-	-	-	-	-	-	-	-	-	-	-
HUD	-	-	-	22,279	-	15,762	-	93,547,906	30,998	19,276	-	-
Others	203	-	-	-	6,629	-	-	329,649	-	-	-	-
Interest receivable	-	-	-	-	-	-	5,719	-	-	-	213	6,168
Due from other programs	1,604	-	-	-	933,183	18,803	-	42,328	45,131	37,512	120,069	16,444
Due from component units and related parties	-	-	-	-	-	-	-	-	-	-	161,660	69
Prepaid expenses	2,228	-	-	-	82,494	-	-	596,339	-	-	31,009	24,555
Restricted cash and cash equivalents	400	-	-	-	-	2,396	-	-	-	-	7,158	-
Restricted cash in FSS escrow	-	-	-	-	609,715	24,738	-	-	-	-	-	-
Total current assets	<u>23,697</u>	<u>9,090</u>	<u>186,733</u>	<u>22,925</u>	<u>2,071,918</u>	<u>255,127</u>	<u>2,425,450</u>	<u>96,560,301</u>	<u>195,910</u>	<u>152,796</u>	<u>487,978</u>	<u>3,256,434</u>
Noncurrent assets:												
Long term investments	-	-	-	-	-	-	-	-	-	-	-	-
Self-help loans receivable	-	-	-	-	167,740	-	-	-	-	-	-	-
Long-term receivables from non-related parties	-	-	-	-	-	-	-	-	-	-	-	-
Long-term receivables from component units and related parties	-	1,875,828	-	-	1,689,674	-	61,528,396	8,858,633	-	-	-	-
Net pension asset	-	-	-	5,797	3,777,566	57,396	-	-	23,521	109,228	322,224	446,074
Net OPEB asset	-	-	-	-	1,083,663	-	-	-	-	-	18,810	36,143
Equity interest in affiliated limited partnerships	-	-	-	-	-	-	-	-	-	-	-	-
Deposits in escrow	-	-	-	-	-	-	-	30,459,000	-	-	-	-
Other assets	-	-	-	-	-	-	-	4,986,674	-	-	325,859	362,722
Capital assets:												
Nondepreciable	391,907	-	-	-	3,959,739	-	5,333,062	-	-	-	-	-
Depreciable	550,476	-	-	-	546,236	-	-	-	-	-	-	-
Total capital assets	<u>942,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,505,975</u>	<u>-</u>	<u>5,333,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>942,383</u>	<u>1,875,828</u>	<u>-</u>	<u>5,797</u>	<u>11,224,618</u>	<u>57,396</u>	<u>66,861,458</u>	<u>44,304,307</u>	<u>23,521</u>	<u>109,228</u>	<u>666,893</u>	<u>844,939</u>
Total assets	<u>966,080</u>	<u>1,884,918</u>	<u>186,733</u>	<u>28,722</u>	<u>13,296,536</u>	<u>312,523</u>	<u>69,286,908</u>	<u>140,864,608</u>	<u>219,431</u>	<u>262,024</u>	<u>1,154,871</u>	<u>4,101,373</u>
Deferred outflows of resources - pension items	-	-	-	5,931	3,407,275	160,215	-	-	11,756	14,887	249,664	150,718
<b>Liabilities:</b>												
Current liabilities:												
Accounts payable	4,654	-	-	23,017	282,466	13,703	-	-	2,276	609	12,968	11,980
Accrued wages and benefits	66	-	-	3,126	193,604	9,775	-	-	1,132	1,817	21,606	24,463
Accrued interest payable	-	-	-	-	-	-	-	-	-	-	16,697	-
Intergovernmental payable	-	-	-	-	-	11,150	-	43,740	256	-	-	-
Due to other programs	1,008	-	-	6,253	1,092,113	56,986	380	10,123	47,595	123,727	71,751	82,959
Due to component units and related parties	-	-	-	-	-	-	-	-	-	-	4,966	-
Other accrued liabilities	-	-	-	-	442	17	-	14,517	4	3	7,158	13
Tenant security deposits	400	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of accrued vacation and sick leave	-	-	-	448	81,986	4,054	-	-	282	1,628	9,514	10,128
Current portion of long-term debt	-	-	-	-	20,000	-	-	-	-	-	-	-
Total current liabilities	<u>6,128</u>	<u>-</u>	<u>-</u>	<u>32,844</u>	<u>1,670,611</u>	<u>95,685</u>	<u>380</u>	<u>68,380</u>	<u>51,545</u>	<u>127,784</u>	<u>144,660</u>	<u>129,543</u>
FSS escrow	-	-	-	-	609,715	24,738	-	-	-	-	-	-
Accrued vacation and sick leave, net of current portion	-	-	-	1,809	356,033	16,873	-	-	1,147	7,135	44,514	45,423
Payable to component units and related parties, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-
Other obligations, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-
Long-term interest payable	-	-	-	-	670,734	-	-	-	-	-	-	-
Long-term obligations, net of current portion	<u>3,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,377,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>9,158</u>	<u>-</u>	<u>-</u>	<u>34,653</u>	<u>4,684,593</u>	<u>137,296</u>	<u>380</u>	<u>68,380</u>	<u>52,692</u>	<u>134,919</u>	<u>189,174</u>	<u>174,966</u>
Deferred inflows of resources - pension items	-	-	-	-	889,538	35,138	-	-	3,940	9,405	62,390	54,988
<b>Net position:</b>												
Net investment in capital assets	942,383	-	-	-	3,108,475	-	5,333,062	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-	7,158	-
Unrestricted	14,539	1,884,918	186,733	-	8,021,205	300,304	63,953,466	140,796,228	174,555	132,587	1,145,813	4,022,137
Total net position	<u>\$ 956,922</u>	<u>\$ 1,884,918</u>	<u>\$ 186,733</u>	<u>\$ -</u>	<u>\$ 11,129,680</u>	<u>\$ 300,304</u>	<u>\$ 69,286,528</u>	<u>\$ 140,796,228</u>	<u>\$ 174,555</u>	<u>\$ 132,587</u>	<u>\$ 1,152,971</u>	<u>\$ 4,022,137</u>

(1) Component units were audited by other auditors.

(2) As of December 31, 2016

(Continued)



**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**

(A Component Unit of the County of Santa Clara)  
Combining Statement of Net Position by Programs  
For the Year Ended June 30, 2017

	Acquisition Development	Non-Federal Pooled Funds	Facilities Consolidation	HARA	Preservation Programs	Internal Service Programs	Blended Component Units			Elimination/ Reclassification	Total
							Housing Development Corporation	Property Management, Inc. (1)(2)	Other Entities (1)(2)		
<b>Assets:</b>											
Current assets:											
Unrestricted cash and cash equivalents	\$ 285,603	\$ 2,294,037	\$ -	\$ 1,638,036	\$ 203,624	\$ 302,545	\$ -	\$ -	\$ 5,159,611	\$ -	\$ 13,666,931
Unrestricted short term investments	-	-	-	42,247,240	-	-	-	-	-	-	47,366,371
Accounts receivable:											
Tenants	-	-	-	-	-	-	-	-	6,857	-	9,973
HUD	-	-	-	-	-	-	-	-	(24)	-	93,636,197
Others	-	-	-	100,576	-	12	-	-	74,922	-	511,991
Interest receivable	-	-	-	100,049	-	-	-	-	-	-	112,149
Due from other programs	-	-	-	571,328	-	1,468,891	-	-	-	(3,255,293)	-
Due from component units and related parties	-	-	-	-	-	-	-	-	1,148,185	(426)	1,309,488
Prepaid expenses	-	-	-	200	-	131,507	-	-	157,612	(651,653)	374,291
Restricted cash and cash equivalents	-	-	-	387,995	-	-	-	-	4,938,836	-	5,336,785
Restricted cash in FSS escrow	-	-	-	-	-	-	-	-	-	-	634,453
Total current assets	285,603	2,294,037	-	45,045,424	203,624	1,902,955	-	-	11,485,999	(3,907,372)	162,958,629
Noncurrent assets:											
Long term investments	-	-	-	18,803,582	-	-	-	-	-	-	18,803,582
Self-help loans receivable	-	-	-	-	-	-	-	-	-	-	167,740
Long-term receivables from non-related parties	5,707,993	-	-	-	-	-	-	-	-	-	5,707,993
Long-term receivables from component units and related parties	9,763,675	604,835	-	236,349	1,209,046	-	-	-	28,053,131	(15,697,529)	98,122,038
Net pension asset	-	-	-	-	-	-	-	-	-	-	4,741,806
Net OPEB asset	-	-	-	-	-	417,951	-	-	-	-	1,556,567
Equity interest in affiliated limited partnerships	-	-	-	-	-	-	-	-	9,357,749	-	9,357,749
Deposits in escrow	24,885	-	-	500,000	500,000	-	-	-	-	-	31,483,885
Other assets	-	-	-	-	-	-	-	-	-	(5,675,255)	-
Capital assets:											
Nondepreciable	135,777	-	-	1,896,421	228,715	-	-	-	9,894,004	-	21,839,625
Depreciable	-	-	-	5,659,433	-	153,500	-	-	35,714,746	-	42,624,391
Total capital assets	135,777	-	-	7,555,854	228,715	153,500	-	-	45,608,750	-	64,464,016
Total noncurrent assets	15,632,330	604,835	-	27,095,785	1,937,761	571,451	-	-	83,019,630	(21,372,784)	234,405,376
Total assets	15,917,933	2,898,872	-	72,141,209	2,141,385	2,474,406	-	-	94,505,629	(25,280,156)	397,364,005
Deferred outflows of resources - pension items	-	-	-	-	-	-	-	-	-	-	4,000,446
<b>Liabilities:</b>											
Current liabilities:											
Accounts payable	94,623	4,995	-	83,385	87,199	234,494	-	-	483,164	-	1,339,533
Accrued wages and benefits	-	-	-	-	-	161,015	-	-	-	-	416,604
Accrued interest payable	-	-	-	-	-	-	-	-	977,971	-	994,668
Intergovernmental payable	-	-	-	-	-	-	-	-	-	-	55,146
Due to other programs	-	1,670	-	669,926	-	1,090,802	-	-	-	(3,255,293)	-
Due to component units and related parties	4,199	-	-	-	-	-	-	-	109,970	(426)	118,709
Other accrued liabilities	-	-	-	25,230	-	2,857	-	-	370	-	50,611
Tenant security deposits	-	-	-	-	-	-	-	-	336,614	-	337,014
Unearned revenue	-	-	-	1,925,075	-	-	-	-	19,051	(651,653)	1,292,473
Current portion of accrued vacation and sick leave	-	-	-	-	-	102,881	-	-	-	-	210,921
Current portion of long-term debt	-	-	-	-	-	-	-	-	678,518	-	698,518
Total current liabilities	98,822	6,665	-	2,703,616	87,199	1,592,049	-	-	2,605,658	(3,907,372)	5,514,197
FSS escrow	-	-	-	-	-	-	-	-	-	-	634,453
Accrued vacation and sick leave, net of current portion	-	-	-	-	-	441,186	-	-	-	-	914,120
Payable to component units and related parties, net of current portion	-	-	-	-	-	-	-	-	15,706,123	(15,697,529)	8,594
Other obligations, net of current portion	-	-	-	5,675,255	-	-	-	-	-	(5,675,255)	-
Long-term interest payable	-	-	-	-	-	-	-	-	13,022,095	-	13,692,829
Long-term obligations, net of current portion	-	-	-	-	-	-	-	-	47,690,150	-	49,070,680
Total liabilities	98,822	6,665	-	8,378,871	87,199	2,033,235	-	-	79,024,026	(25,280,156)	69,834,873
Deferred inflows of resources - pension items	-	-	-	-	-	-	-	-	-	-	1,055,399
<b>Net position:</b>											
Net investment in capital assets	135,777	-	-	7,555,854	228,715	153,500	-	-	(2,759,918)	-	14,697,848
Restricted	-	-	-	387,995	-	-	-	-	4,602,222	-	4,997,375
Unrestricted	15,683,334	2,892,207	-	55,818,489	1,825,471	287,671	-	-	13,639,299	-	310,778,956
Total net position	\$ 15,819,111	\$ 2,892,207	\$ -	\$ 63,762,338	\$ 2,054,186	\$ 441,171	\$ -	\$ -	\$ 15,481,603	\$ -	\$ 330,474,179

(1) Component units were audited by other auditors.

(2) As of December 31, 2016

**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 by Programs  
For the Year Ended June 30, 2017

	Conventional Housing Program	Public Housing Capital	Family Self Sufficiency	Residential Opportunity Self Sufficiency	Section 8 Rental Voucher	Special Purpose Voucher	Public Housing Proceeds Program	Moving To Work	Section 8 Moderate Rehabilitation	Continuum of Care	Real Estate Services	Development Services
Operating revenues:												
Rental income	\$ 19,747	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service fees	-	-	-	-	-	-	-	-	-	-	16,137	-
Housing assistance payments earned	-	-	-	-	-	10,737,763	-	269,319,754	1,171,708	3,238,816	-	-
HUD administrative fees	-	-	-	-	-	1,149,627	-	14,965,555	106,137	157,917	-	-
FSS coordinator fees	-	-	-	329,584	-	-	-	-	-	-	-	-
Operating subsidy	-	-	-	-	-	-	-	16,173	-	-	-	-
Other operating revenues	5,212	-	-	324	173,148	880	137,637	12,657	125	-	490,164	3,981,809
Total operating revenues	24,959	-	-	329,908	173,148	11,888,270	137,637	284,314,139	1,277,970	3,396,733	506,301	3,981,809
Operating expenses:												
Wages and benefits	2,786	-	-	-	7,304,166	446,458	-	-	29,513	122,559	662,962	727,739
Pension expense	-	-	-	-	218,754	10,957	-	-	969	-	17,564	10,977
Administrative	3,858	-	-	-	1,026,302	40,692	3,859,968	82	4,855	7,926	91,951	56,152
Tenant services	2,237	-	-	329,908	58,495	-	-	-	-	-	-	-
Utilities	3,188	-	-	-	-	-	-	-	-	-	1,752	-
Maintenance and operations	29,534	-	-	-	-	-	-	-	-	-	6,057	125
General	6,101	-	-	-	96,289	2,987	-	-	127	340	16,649	356,232
Indirect allocation	-	-	-	-	7,009,401	387,897	-	-	31,537	87,837	450,942	489,107
Depreciation and amortization	27,859	-	-	-	47,642	-	-	-	-	-	-	-
Housing assistance payments	-	-	-	-	246,249,578	15,381,887	-	-	1,171,708	3,174,104	-	-
Other	3,529	-	-	-	450,419	53,138	-	-	1,400	3,965	350,817	26,996
Total operating expenses	79,092	-	-	329,908	262,461,046	16,324,016	3,859,968	82	1,240,109	3,396,731	1,598,694	1,667,328
Operating income (loss)	(54,133)	-	-	-	(262,287,898)	(4,435,746)	(3,722,331)	284,314,057	37,861	2	(1,092,393)	2,314,481
Nonoperating revenues (expenses):												
Federal claims court judgement funds (Note 15)	-	-	-	-	-	-	-	-	-	-	-	-
Gain on disposition of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	85,835	-	-	1,594	-	2,113,317	309,540	-	-	1,239	16,870
Interest expense	-	-	-	-	(43,150)	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	-	85,835	-	-	(41,556)	-	2,113,317	309,540	-	-	1,239	16,870
Income (loss) before transfers and special items	(54,133)	85,835	-	-	(262,329,454)	(4,435,746)	(1,609,014)	284,623,597	37,861	2	(1,091,154)	2,331,351
Transfers in	23,961	-	-	-	259,319,502	2,610,606	-	38,857,725	-	-	294,450	-
Transfers out	-	-	(42,440)	-	(298,088)	-	-	(297,657,093)	-	-	(13,925)	-
Special items	-	-	-	-	-	-	-	2,727,416	-	-	-	-
Change in net position	(30,172)	85,835	(42,440)	-	(3,308,040)	(1,825,140)	(1,609,014)	28,551,645	37,861	2	(810,629)	2,331,351
Net position, beginning of year	987,094	1,799,083	229,173	-	14,437,720	2,125,444	70,895,542	112,244,583	136,694	132,585	1,963,600	1,690,786
Net position, end of year	\$ 956,922	\$ 1,884,918	\$ 186,733	\$ -	\$ 11,129,680	\$ 300,304	\$ 69,286,528	\$ 140,796,228	\$ 174,555	\$ 132,587	\$ 1,152,971	\$ 4,022,137

(Continued)

- (1) Component units were audited by other auditors.  
(2) For the year ended December 31, 2016

**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 by Programs  
For the Year Ended June 30, 2017

	Acquisition Development	Non-Federal Pooled Funds	Facilities Consolidation	HARA	Preservation Programs	Internal Service Programs	Blended Component Units			Elimination/ Reclassification	Total
							Housing Development Corporation	Property Management, Inc. (1)(2)	Other Entities (1)(2)		
Operating revenues:											
Rental income	\$ -	\$ -	\$ -	\$ 777,248	\$ -	\$ -	\$ -	\$ -	\$ 8,119,548	\$ (777,216)	\$ 8,139,327
Service fees	-	-	-	-	-	8,456,721	-	-	313,057	(8,456,721)	329,194
Housing assistance payments earned	-	-	-	-	-	-	-	-	-	-	284,468,041
HUD administrative fees	-	-	-	-	-	-	-	-	-	-	16,379,236
FSS coordinator fees	-	-	-	-	-	-	-	-	-	-	329,584
Operating subsidy	-	-	-	-	-	-	-	-	-	-	16,173
Other operating revenues	-	604,835	-	424,822	-	24,786	383,561	173,214	2,371,484	-	8,784,658
Total operating revenues	-	604,835	-	1,202,070	-	8,481,507	383,561	173,214	10,804,089	(9,233,937)	318,446,213
Operating expenses:											
Wages and benefits	-	-	-	242	-	5,572,335	-	-	694,164	-	15,562,924
Pension expense	-	-	-	-	-	-	-	-	-	-	259,221
Administrative	28	45	6	11,413	350	767,833	10,235	12,200	322,735	-	6,216,631
Tenant services	-	-	-	382	-	-	-	-	154,979	-	546,001
Utilities	-	-	-	197	-	155,886	-	-	795,485	-	956,508
Maintenance and operations	-	-	-	1,302	-	409,789	-	-	1,269,014	-	1,715,821
General	-	29,431	-	383,667	-	85,634	69,324	5,920	723,913	-	1,776,614
Indirect allocation	-	-	-	-	-	-	-	-	-	(8,456,721)	-
Depreciation and amortization	-	-	-	366,793	-	121,329	-	-	2,318,077	-	2,881,700
Housing assistance payments	-	-	-	-	-	-	-	-	-	-	265,977,277
Other	732,705	667,295	18,000	335,086	-	1,362,984	6,580	14,354	2,675,203	(777,216)	5,925,255
Total operating expenses	732,733	696,771	18,006	1,099,082	350	8,475,790	86,139	32,474	8,953,570	(9,233,937)	301,817,952
Operating income (loss)	(732,733)	(91,936)	(18,006)	102,988	(350)	5,717	297,422	140,740	1,850,519	-	16,628,261
Nonoperating revenues (expenses):											
Federal claims court judgement funds (Note 15)	-	-	-	53,861,734	-	-	-	-	-	-	53,861,734
Gain on disposition of capital assets	-	-	-	770,673	-	-	-	-	-	-	770,673
Investment income	267,566	-	1,010	171,349	31,097	-	166,342	-	843,809	(166,337)	3,843,231
Interest expense	-	-	-	(166,337)	-	-	(166,337)	-	(2,943,709)	166,337	(3,153,196)
Total nonoperating revenues (expenses)	267,566	-	1,010	54,637,419	31,097	-	5	-	(2,099,900)	-	55,322,442
Income (loss) before transfers and special items	(465,167)	(91,936)	(16,996)	54,740,407	30,747	5,717	297,427	140,740	(249,381)	-	71,950,703
Transfers in	30,434,309	2,000,000	-	15,121,511	1,030,524	-	-	-	-	(349,692,588)	-
Transfers out	(31,799,629)	-	(1,615,049)	(15,235,839)	(1,030,525)	-	-	-	(2,000,000)	349,692,588	-
Special items	-	-	-	-	-	-	-	-	-	-	2,727,416
Change in net position	(1,830,487)	1,908,064	(1,632,045)	54,626,079	30,746	5,717	297,427	140,740	(2,249,381)	-	74,678,119
Net position, beginning of year	17,649,598	984,143	1,632,045	9,136,259	2,023,440	435,454	(297,427)	(140,740)	17,730,984	-	255,796,060
Net position, end of year	\$ 15,819,111	\$ 2,892,207	\$ -	\$ 63,762,338	\$ 2,054,186	\$ 441,171	\$ -	\$ -	\$ 15,481,603	\$ -	\$ 330,474,179

- (1) Component units were audited by other auditors.  
(2) For the year ended December 31, 2016

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Combining Statement of Net Position - Other Blended Component Units  
December 31, 2016

	AE Associates, Ltd. (1)	Avenida España HDC, Inc. (1)	Blossom River Associates LP (1)	Bracher HDC, Inc. (1)	DeRose HDC, Inc. (1)	Helzer Associates LP (1)	Klamath Associates LP (1)	Opportunity Center HDC, Inc. (1)	Pinmore HDC, Inc. (1)	Poco Way HDC, Inc. (1)
<b>Assets:</b>										
Current assets:										
Cash and cash equivalents	\$ 169,862	\$ 416,983	\$ 551,621	\$ -	\$ -	\$ 210,639	\$ 44,592	\$ -	\$ 1,517	\$ 569,080
Accounts receivable:										
Tenants	744	-	765	-	-	465	1,303	-	-	-
HUD	-	-	-	-	-	-	-	-	-	-
Others	1,022	-	9,736	-	2,504	-	278	-	-	754
Due from component units and related parties	-	366,255	-	30,000	45,000	-	-	28,610	125,777	-
Prepaid expenses	35,184	1,250	27,199	-	-	42,160	3,279	-	1,956	-
Restricted cash and cash equivalents	336,532	-	2,735,838	-	-	1,397,362	22,575	-	-	-
Total current assets	543,344	784,488	3,325,159	30,000	47,504	1,650,626	72,027	28,610	129,250	569,834
Noncurrent assets:										
Long-term receivables from component units and related parties	-	-	-	-	-	-	-	-	-	10,926,963
Equity interest in affiliated limited partnerships	-	9,092,877	-	(501,962)	(2,158,208)	-	-	1,896,508	(3,875,028)	-
Capital assets:										
Nondepreciable	557,324	-	5,929,158	-	-	2,690,280	717,242	-	-	-
Depreciable	3,197,138	-	6,195,020	-	-	15,172,942	1,077,584	-	-	-
Total capital assets	3,754,462	-	12,124,178	-	-	17,863,222	1,794,826	-	-	-
Total noncurrent assets	3,754,462	9,092,877	12,124,178	(501,962)	(2,158,208)	17,863,222	1,794,826	1,896,508	(3,875,028)	10,926,963
Total assets	4,297,806	9,877,365	15,449,337	(471,962)	(2,110,704)	19,513,848	1,866,853	1,925,118	(3,745,778)	11,496,797
<b>Liabilities:</b>										
Current liabilities:										
Accounts payable	61,416	-	115,543	-	-	89,176	17,493	-	-	599
Accrued interest payable	16,433	-	676,885	-	-	78,474	37,282	-	-	-
Due to component units and related parties	111,577	-	16,531	-	-	125,859	116,511	-	-	-
Other accrued liabilities	-	-	370	-	-	-	-	-	-	-
Tenant security deposits	30,153	-	82,729	-	-	121,801	5,842	-	-	-
Unearned revenue	581	-	7,232	-	-	1,215	1,315	-	-	-
Current portion of long-term debt	34,244	-	205,000	-	-	235,000	30,975	-	-	-
Total current liabilities	254,404	-	1,104,290	-	-	651,525	209,418	-	-	599
Long-term payable to component units and related parties	44,237	12,330,000	-	-	-	191,130	-	-	-	47,754
Long-term interest payable	2,300,585	-	4,840,177	-	-	2,705,934	737,491	-	-	-
Long-term obligations, net of current portion	4,500,375	-	15,092,710	-	-	20,287,195	1,085,651	-	-	-
Total liabilities	7,099,601	12,330,000	21,037,177	-	-	23,835,784	2,032,560	-	-	48,353
<b>Net position:</b>										
Net investment in capital assets	(780,157)	-	(3,173,532)	-	-	(2,658,973)	678,200	-	-	-
Restricted	306,379	-	2,653,109	-	-	1,275,561	16,733	-	-	-
Unrestricted	(2,328,017)	(2,452,635)	(5,067,417)	(471,962)	(2,110,704)	(2,938,524)	(860,640)	1,925,118	(3,745,778)	11,448,444
Total net position	\$ (2,801,795)	\$ (2,452,635)	\$ (5,587,840)	\$ (471,962)	\$ (2,110,704)	\$ (4,321,936)	\$ (165,707)	\$ 1,925,118	\$ (3,745,778)	\$ 11,448,444

(1) Component unit was audited by other auditors.

(Continued)

**HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA**  
(A Component Unit of the County of Santa Clara)  
Combining Statement of Net Position - Other Blended Component Units  
December 31, 2016

	Rotary Plaza/ HACSC HDC, Inc. (1)	San Pedro Gardens Associates, Ltd. (1)	S.P.G. Housing, Inc. (1)	Villa Garcia Inc. (1)	Villa San Pedro HDC, Inc. (1)	Elimination/ Reclassification	Total
<b>Assets:</b>							
Current assets:							
Cash and cash equivalents	\$ 222,474	\$ 100,362	\$ 283,149	\$ 1,599,952	\$ 989,380	\$ -	\$ 5,159,611
Accounts receivable:							
Tenants	-	7	3,573	-	-	-	6,857
HUD	-	-	(24)	-	-	-	(24)
Others	339	-	60,289	-	-	-	74,922
Due from component units and related parties	548,691	-	252,444	-	12,731	(261,323)	1,148,185
Prepaid expenses	13,242	4,185	27,288	877	992	-	157,612
Restricted cash and cash equivalents	133,709	115,294	197,526	-	-	-	4,938,836
Total current assets	918,455	219,848	824,245	1,600,829	1,003,103	(261,323)	11,485,999
Noncurrent assets:							
Long-term receivables from component units and related parties	-	-	-	7,141,580	9,984,588	-	28,053,131
Equity interest in affiliated limited partnerships	3,134,941	-	617,574	1,290	1,149,757	-	9,357,749
Capital assets:							
Nondepreciable	-	-	-	-	-	-	9,894,004
Depreciable	4,459,724	1,051,170	4,561,168	-	-	-	35,714,746
Total capital assets	4,459,724	1,051,170	4,561,168	-	-	-	45,608,750
Total noncurrent assets	7,594,665	1,051,170	5,178,742	7,142,870	11,134,345	-	83,019,630
Total assets	8,513,120	1,271,018	6,002,987	8,743,699	12,137,448	(261,323)	94,505,629
<b>Liabilities:</b>							
Current liabilities:							
Accounts payable	45,870	17,303	129,231	6,533	-	-	483,164
Accrued interest payable	140,968	25,991	1,938	-	-	-	977,971
Due to component units and related parties	-	-	815	-	-	(261,323)	109,970
Other accrued liabilities	-	-	-	-	-	-	370
Tenant security deposits	50,936	2,775	42,378	-	-	-	336,614
Unearned revenue	698	55	7,955	-	-	-	19,051
Current portion of long-term debt	134,646	16,298	22,355	-	-	-	678,518
Total current liabilities	373,118	62,422	204,672	6,533	-	(261,323)	2,605,658
Long-term payable to component units and related parties	39,456	153,734	1,285,812	-	1,614,000	-	15,706,123
Long-term interest payable	1,433,182	1,004,726	-	-	-	-	13,022,095
Long-term obligations, net of current portion	3,182,484	1,569,331	1,972,404	-	-	-	47,690,150
Total liabilities	5,028,240	2,790,213	3,462,888	6,533	1,614,000	(261,323)	79,024,026
<b>Net position:</b>							
Net investment in capital assets	1,142,594	(534,459)	2,566,409	-	-	-	(2,759,918)
Restricted	82,773	112,519	155,148	-	-	-	4,602,222
Unrestricted	2,259,513	(1,097,255)	(181,458)	8,737,166	10,523,448	-	13,639,299
Total net position	\$ 3,484,880	\$ (1,519,195)	\$ 2,540,099	\$ 8,737,166	\$ 10,523,448	\$ -	\$ 15,481,603

(1) Component unit was 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

Other Blended Component Units

For the Year Ended December 31, 2016

	AE Associates, Ltd. (1)	Avenida España HDC, Inc. (1)	Blossom River Associates LP (1)	Bracher HDC, Inc. (1)	DeRose HDC, Inc. (1)	Helzer Associates LP (1)	Klamath Associates LP (1)	Opportunity Center HDC, Inc. (1)	Pinmore HDC, Inc. (1)	Poco Way HDC, Inc. (1)
Operating revenues:										
Rental income	\$ 699,235	\$ -	\$ 2,433,248	\$ -	\$ -	\$ 2,517,887	\$ 274,121	\$ -	\$ -	\$ -
Service fees	-	133,452	-	30,000	15,000	-	-	27,257	87,117	-
Other operating revenues	13,556	137,631	36,007	-	38,934	8,027	2,894	377,821	1,325,000	-
Total operating revenues	712,791	271,083	2,469,255	30,000	53,934	2,525,914	277,015	405,078	1,412,117	-
Operating expenses:										
Wages and benefits	93,031	-	154,129	-	-	178,421	50,023	-	-	-
Administrative	52,494	9,750	67,305	-	15,042	39,120	20,136	-	1,037	3,315
Tenant services	33,337	-	34,790	-	-	647	9,584	-	-	-
Utilities	99,054	-	161,430	-	-	257,792	21,383	-	-	-
Maintenance and operations	198,522	-	337,618	-	-	255,465	30,690	-	-	-
General	51,438	625	97,689	-	1,970	221,705	15,733	-	11,843	1,200
Depreciation and amortization	225,586	-	627,941	-	-	869,275	53,147	-	-	-
Other	73,720	425,070	157,793	529,705	442,629	154,790	21,527	25,044	686,264	12,413
Total operating expenses	827,182	435,445	1,638,695	529,705	459,641	1,977,215	222,223	25,044	699,144	16,928
Operating income (loss)	(114,391)	(164,362)	830,560	(499,705)	(405,707)	548,699	54,792	380,034	712,973	(16,928)
Nonoperating revenues (expenses):										
Investment income	170	193	93,828	-	-	222	16	-	-	247,518
Interest expense	(98,550)	-	(1,251,048)	-	-	(1,196,702)	(73,672)	-	-	-
Total nonoperating revenues (expenses)	(98,380)	193	(1,157,220)	-	-	(1,196,480)	(73,656)	-	-	247,518
Income (loss) before capital contributions and transfers	(212,771)	(164,169)	(326,660)	(499,705)	(405,707)	(647,781)	(18,864)	380,034	712,973	230,590
Transfers out	-	-	-	-	-	-	-	-	-	-
Change in net position	(212,771)	(164,169)	(326,660)	(499,705)	(405,707)	(647,781)	(18,864)	380,034	712,973	230,590
Net position, beginning of year	(2,589,024)	(2,288,466)	(5,261,180)	27,743	(1,704,997)	(3,674,155)	(146,843)	1,545,084	(4,458,751)	11,217,854
Net position, end of year	<u>\$ (2,801,795)</u>	<u>\$ (2,452,635)</u>	<u>\$ (5,587,840)</u>	<u>\$ (471,962)</u>	<u>\$ (2,110,704)</u>	<u>\$ (4,321,936)</u>	<u>\$ (165,707)</u>	<u>\$ 1,925,118</u>	<u>\$ (3,745,778)</u>	<u>\$ 11,448,444</u>

(1) Component unit was audited by other auditors.

(Continued)

**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

Other Blended Component Units

For the Year Ended December 31, 2016

	Rotary Plaza/ HACSC HDC, Inc. (1)	San Pedro Gardens Associates (1)	S.P.G. Housing, Inc. (1)	Villa Garcia Inc. (1)	Villa San Pedro HDC, Inc. (1)	Elimination/ Reclassification	Total
Operating revenues:							
Rental income	\$ 1,078,646	\$ 233,585	\$ 882,826	\$ -	\$ -	\$ -	\$ 8,119,548
Service fees	-	-	7,500	-	12,731	-	313,057
Other operating revenues	388,872	103	42,639	-	-	-	2,371,484
Total operating revenues	1,467,518	233,688	932,965	-	12,731	-	10,804,089
Operating expenses:							
Wages and benefits	107,005	23,945	87,610	-	-	-	694,164
Administrative	42,694	18,258	38,111	10,546	4,927	-	322,735
Tenant services	33,533	15,318	27,770	-	-	-	154,979
Utilities	148,074	1,878	105,874	-	-	-	795,485
Maintenance and operations	155,163	48,581	242,975	-	-	-	1,269,014
General	56,754	20,875	243,147	438	496	-	723,913
Depreciation and amortization	300,442	75,785	165,901	-	-	-	2,318,077
Other	74,153	12,411	35,165	61	24,458	-	2,675,203
Total operating expenses	917,818	217,051	946,553	11,045	29,881	-	8,953,570
Operating income (loss)	549,700	16,637	(13,588)	(11,045)	(17,150)	-	1,850,519
Nonoperating revenues (expenses):							
Investment income	97	57	132	172,472	329,104	-	843,809
Interest expense	(189,542)	(62,222)	(38,223)	-	(33,750)	-	(2,943,709)
Total nonoperating revenues (expenses)	(189,445)	(62,165)	(38,091)	172,472	295,354	-	(2,099,900)
Income (loss) before capital contributions and transfers	360,255	(45,528)	(51,679)	161,427	278,204	-	(249,381)
Transfers out	-	-	-	(1,000,000)	(1,000,000)	-	(2,000,000)
Change in net position	360,255	(45,528)	(51,679)	(838,573)	(721,796)	-	(2,249,381)
Net position, beginning of year	3,124,625	(1,473,667)	2,591,778	9,575,739	11,245,244	-	17,730,984
Net position, end of year	\$ 3,484,880	\$ (1,519,195)	\$ 2,540,099	\$ 8,737,166	\$ 10,523,448	\$ -	\$ 15,481,603

(1) Component unit was audited by other auditors.

This page left intentionally blank.