SANTA CLARA COUNTY
HOUSING AUTHORITY

Basic Financial Statements and Supplementary Information

For the Year Ended June 30, 2018

MGO Certified Public Accountants

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
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June 30, 2018

Independent Auditor's Report

Members of the Board of Commissioners of the
Santa Clara County Housing Authority
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 Santa Clara County Housing Authority, California (Authority), as of and for the year ended June 30, 2018, 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: 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 31.5% of assets, 4.5% of net position, and 3.3% 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: 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.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective as of July 1, 2017, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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, schedule of changes in the net other postemployment benefits liability and related ratios, and schedule of other postemployment benefit contributions, 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 procedures performed as described above, and the reports of other auditors, 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 November 21, 2018, 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 Authority's 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
November 21, 2018

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This section of the Santa Clara County Housing Authority's (the Authority) financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the Authority's financial statements, which follows this section.

Financial Highlights

The beginning of the year net position as of July 1, 2017 was restated from $330.5 million to $328.0 resulting in a decrease of $2.5 million due to the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (GASB 75).

The assets and deferred outflows of resources of the Authority exceeded the liabilities and deferred inflows of resources by $364.3 million (net position). $5.8 million of the net position balance is restricted for specific purposes; $82.4 million is related to the Authority's investment in capital assets and is not available to meet on-going obligations and $276.1 million is unrestricted and available to meet on-going obligations.

- The Authority's total increase in net position of $36.3 million to $364.3 million is a result of an increase in operating activity from the following federal programs; Moving-To-Work, Public Housing Proceeds and Section 8 Rental Voucher Programs.

Overview of the Financial Statements

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

- The first two basic financial 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 government-wide and program financial statements.
- The Other Supplementary Information section 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.

The remainder of the overview section of 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 in the other supplementary information section provides 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 statement 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 $33.9 million as shown in the table below represents a decrease of $2.5 million due to restatements for accounting changes that is offset by an increase of $36.3 million related to current year operations. 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, 2018 and 2017 (in thousands):

	June 30		Increase (Decrease)	
	2018	2017	Amount	Percent (%)
Assets:				
Current assets	$ 128,364	$ 162,959	$ (34,595)	-21%
Noncurrent and other assets	157,352	169,941	(12,589)	-7%
Capital asssets	145,589	64,464	81,125	126%
Total assets	431,305	397,364	33,941	9%
Deferred outflows of resources related to pensions	21,135	4,000	17,135	428%
Liabilities:				
Current liabilities	5,736	5,514	222	4%
Noncurrent liabilities	79,874	64,321	15,553	24%
Total liabilities	85,610	69,835	15,775	23%
Deferred inflows of resources related to pensions	2,495	1,055	1,440	136%
Net Position				
Net investment in capital assets	82,434	14,698	67,736	461%
Restricted	5,803	4,997	806	16%
Unrestricted	276,098	310,779	(34,681)	-11%
Total net position	$ 364,335	$ 330,474	$ 33,861	10%

As previously discussed, the Authority adopted the provisions of GASB 75 effective July 1, 2017. The restatement of all 2017 amounts was not practical because the actuarial information was not available. As such, the cumulative effect of these changes are reported as a restatement of the beginning net position as of July 1, 2017 as discussed in Note 1 to the financial statements.

The Authority's net decrease in total current assets of $34.6 million is primarily due to the following:

- A decrease in the receivable from HUD of $37.3 million for MTW funds as of June 30, 2018 offset by a net increase in short term investments of $2.3 million, related to Public Housing Proceeds Program, Non-Federal Pool fund and Development Services.

The Authority's net decrease in noncurrent assets of $12.7 million was primarily due to the following:

- A decrease in escrow deposit of $31.5 million related to the release of funds held in escrow for the purchase of the East Santa Clara and the Race Street properties in the City of San Jose and the Buena Vista mobile home park in the City of Palo Alto.
- A decrease of $1.9 million due to change in net pension asset.
- The above decreases were offset by a net increase in notes receivable of $21.9 million which included the Alvarado and Bellarmino housing projects and the payoff of the City of San Jose loans for Blossom River, Helzer Court, Pinmore Garden and Morrone Garden properties.
- An increase in capital assets of $81.1 million is primarily due to the following:
    - Current year purchase of land by the Authority located at East Santa Clara Street, San Jose ($30.4 million) and Race Street, San Jose ($12.0 million).
    - Capital assets included current year additions of $40.4 million for the purchase of Buena Vista Mobile Home Park by Poco Way HDC, Inc., an affiliate of the Authority.
    - $1.0 million in construction in progress costs related to predevelopment activity of the East Santa Clara, Buena Vista and Race Street projects.

  The above additions were offset by depreciation expense of $2.8 million (See Note 6 to the basic financial statements to see discussion on the Authority's capital asset activity).

The Authority's net increase in total liabilities of $15.8 million is primarily due to the following:

- An increase of $19.3 million, which included current year additions of $14.5 million related to the City of Palo Alto loan to Poco Way HDC, Inc. for the acquisition of the Buena Vista Mobile Home Park, $1.7 million net OPEB liability due to the implementation of GASB 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions) and $2.8 million in annual interest accruals; offset by a decrease of $3.7 million in scheduled debt service payments.

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, 2018 and 2017 is shown in the following table (in thousands):

	June 30		Increase (Decrease)	
	2018	2017	Amount	Percent (%)
Operating revenues				
Rental income	$ 8,813	$ 8,139	$ 674	8%
Service fees	361	329	32	10%
Housing assistance payment earned	338,461	284,468	53,993	19%
HUD administrative fees	16,743	16,379	364	2%
Other	5,763	9,131	(3,368)	-37%
Total operating revenues	370,141	318,446	51,695	16%
Operating expenses				
Wages and benefits	16,766	15,563	1,203	8%
Pension and OPEB expense	1,971	259	1,712	661%
Administrative	2,123	6,217	(4,094)	-66%
Tenant services	600	546	54	10%
Utilities	1,034	956	78	8%
Maintenance and operations	1,722	1,717	5	0%
General	1,295	1,776	(481)	-27%
Depreciation and amortization	2,790	2,882	(92)	-3%
Housing assistance payments	302,556	265,977	36,579	14%
Other	4,300	5,925	(1,625)	-27%
Total operating expenses	335,157	301,818	33,339	11%
Operating income	34,984	16,628	18,356	110%
Nonoperating revenues (expenses)				
Federal claims court judgement fund	-	53,862	(53,862)	-100%
Gain on disposition of capital assets	-	771	(771)	-100%
Investment income	4,285	3,843	442	12%
Interest expense	(2,930)	(3,153)	223	-7%
Total nonoperating revenues (expenses)	1,355	55,323	(53,968)	-98%
Income before special items	36,339	71,951	(35,612)	-49%
Special items	-	2,727	(2,727)	-100%
Change in net position	36,339	74,678	(38,339)	-51%
Net position, beginning of year, as previously stated	330,474	255,796	74,678	29%
Change in accounting principle (Note 1)	(2,478)	-	(2,478)	n/a
Net position, beginning of year	327,996	255,796	72,200	28%
Net position, end of year	$ 364,335	$ 330,474	$ 33,861	10%

Revenues: As compared to 2017, the 2018 operating revenues increased by $51.7 million primarily due to the following:

- $49.5 million of the 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 1.096 to 1.105 and increase in the proration factor by 2.75%. In addition, an increase in tenant protection funding by $1.3 million for 104 additional units awarded by HUD.
- A $7.6 million increase in VASH funding for 2018. This increase is because HUD uses prior year (2017) expenditure and lease up levels for current year funding. In 2017, VASH had a 12% increase in lease up rate which resulted in higher HAP expenditures.
- The above increases were offset by decreases of $3.2 million in COC grant revenues related to the transition of the grants to Santa Clara County on July 1, 2017. In addition, other revenues decreased by $3.4 million due to decrease in developer fees in 2018.

Expenses: As compared to 2017, total operating expenses in 2018 increased by $33.3 million, mainly due to the following:

- HAPs payments increased by $36.6 million due to the following reasons:
  - $36.1 million increase in the Section 8 HCV programs is due to the following contributing factors.
    - The continuing impact of the increase in program payments standards to 110% of the FMR implemented in 2017.
    - The change in rent reasonableness determination from average to highest rent.
    - Implementation of vacancy loss payments to Owners.
    - A 1.3% increase in the lease up rate.
    - A $1.1 million increase of tenant protection payments related to the 104 additional units awarded by HUD.
  - $3.1 million increase in VASH program is related to the following:
    - The continuing impact of the increase in program payments standards to 120% of the FMR implemented in 2017.
    - A 5.4 % increase in the lease up rate.
  - The above increases were offset by a decrease of $3.1 million in COC grant expenditures related to the transition of the grant to the Santa Clara County on July 1, 2017.

- Wages and benefits increased by $1.2 million, pension and OPEB expense was $1.7 million due to the difference in how pension and OPEB costs are measured under GASB Statement Nos. 68 and 75 respectively. Prior to GASB Statement Nos. 68 and 75, pension and OPEB costs were related to the annual actuarially determined contribution requirements. Under the new standards, pension and OPEB costs are measured as the change in the net pension and OPEB liability or asset and the related deferred outflows and inflows of resources.

- The above increases were offset by a decrease in administrative expense of $4.1 million due to a one-time prior year expense of $3.9 million related to the settlement of litigation involving our section 8 voucher program and a decrease of $1.6 million in other expenses.

- Non-operating revenues decreased by $54.0 million primarily due to the settlement received from the U.S. Department of Justice in 2017 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 $70.8 million. As discussed in Note 15, "Moving-to-Work program", the eligible uses of MTW funds are defined in the MTW agreements and states that the eligibility would be as under Sections 9(d)(1), 9(e)(1) and 8(o) of the 1937 Act and the Authority may use MTW Reserves for activities that would be eligible for Public Housing and Voucher programs.

In addition, at the end of the fiscal year, the unrestricted net position for the Conventional Housing, the Public Housing Capital, the Section 8 Rental Voucher, the Section 8 Moderate Rehabilitation, the Real Estate Services and the Development Services programs were $12.0 thousand, $2.0 million, $17.0 million, $223.5 thousand, $1.0 million and $3.3 million, respectively.

Capital Acquisitions and Construction Activities

During the fiscal year ended June 30, 2018, the Authority had significant activity related to acquisition, construction and rehabilitation of various projects. The Authority purchased land located at East Santa Clara Street, San Jose, Race Street, San Jose, and the Buena Vista Mobile Home Park by Poco Way HDC, Inc., an affiliate of the Authority. 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 Alvarado Park, L.P and Bellarmino Place L.P. from the Authority. Additional information on the Authority's capital assets can be found in Note 6 to the basic financial statements.

Long-Term Debt Activity (in thousands)

	June 30		Increase (Decrease)	
	2018	2017	Amount	Percent (%
Section 8 Rental Voucher Program				
Notes payable	973	1,398	(425)	-30%
Other Payables				
Payment in lieu of taxes	3	3	-	0%
Accrued vacation and sick leave	1,284	1,125	159	14%
Other blended component units	62,182	48,369	13,813	29%
Interest payable	14,944	14,687	257	2%
Total primary government	$ 79,386	$ 65,582	$ 13,804	21%

Long-Term debt included current year additions of $14.5 million related to the City of Palo Alto loan to Poco Way HDC, Inc. for the acquisition of the Buena Vista Mobile Home Park. In addition, there was an increase of $2.8 million in annual interest accruals offset by a decrease of $3.7 million in 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 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.

SANTA CLARA COUNTY HOUSING AUTHORITY

(A Component Unit of the County of Santa Clara)

Statement of Net Position

June 30, 2018

	Primary Government - Business-type Activities	Discretely Presented Component Units
Assets:		
Current assets:		
Unrestricted cash and cash equivalents (Note 3)	$ 12,495,333	$ 13,554,567
Unrestricted short term investments (Note 3)	49,658,555	-
Accounts receivable:		
Tenants	4,922	153,509
HUD (Note 15)	56,338,223	56,401
Others	426,095	713,106
Interest receivable	216,956	-
Due from component units and related parties (Note 9)	1,541,045	-
Prepaid expenses	396,072	610,129
Restricted cash and cash equivalents (Note 3)	7,286,941	21,470,707
Total current assets	128,364,142	36,558,419
Noncurrent assets:		
Long term investments (Note 3)	19,433,510	-
Long-term receivables from non-related parties (Note 4)	5,684,929	-
Long-term receivables from component units and related parties (Note 9)	120,864,140	-
Net pension asset (Note 12)	2,862,815	-
Equity interest in affiliated limited partnerships (Note 9)	8,503,496	-
Deposits in escrow	3,350	-
Other assets	-	1,561,775
Capital assets (Note 6):		
Nondepreciable	105,178,403	73,198,605
Depreciable	40,410,489	305,229,131
Total capital assets	145,588,892	378,427,736
Total noncurrent assets	302,941,132	379,989,511
Total assets	431,305,274	416,547,930
Deferred outflows of resources:		
Pension related (Note 12)	15,801,163	-
Other post employment benefits (OPEB) related (Note 13)	5,334,042	-
Total deferred outflows of resources	21,135,205	-

See accompanying notes to the basic financial statements

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Statement of Net Position
June 30, 2018

	Primary Government - Business-type Activities	Discretely Presented Component Units
Liabilities:		
Current liabilities:		
Accounts payable	1,010,285	5,040,953
Accrued wages and benefits	539,733	-
Accrued interest payable (Notes 7 and 17)	1,095,536	2,722,606
Intergovernmental payable	63,860	-
Due to other programs	-	-
Payable to component units and related parties	328,438	1,332,212
Due to primary government	-	6,687,336
Other accrued liabilities	122,853	-
Tenant security deposits	391,342	1,092,444
Unearned revenue (Note 9)	1,258,855	97,850
Current portion of accrued vacation and sick leave (Note 7)	182,525	-
Current portion of long-term obligations (Notes 7 and 17)	742,477	4,223,352
Total current liabilities	5,735,904	21,196,753
Noncurrent liabilities:		
FSS escrow (Note 2)	738,880	-
Accrued vacation and sick leave, net of current portion (Note 7)	1,101,441	-
Payable to component units and related parties, net of current portion	45,098	-
Long-term interest payable (Notes 7 and 17)	13,848,674	12,058,218
Long-term obligations, net of current portion (Notes 7 and 17)	62,415,059	203,591,152
Advance from primary government	-	94,364,680
Other noncurrent liabilities	-	13,113
Net OPEB liability (Note 13)	1,725,542	-
Total noncurrent liabilities	79,874,694	310,027,163
Total liabilities	85,610,598	331,223,916
Deferred inflows of resources:		
Pension related (Note 12)	733,975	-
OPEB related (Note 13)	1,760,931	-
Total deferred inflows of resources	2,494,906	-
Net position:		
Net investment in capital assets	82,434,006	83,032,146
Restricted	5,803,257	20,374,861
Unrestricted	276,097,712	(18,082,993)
Total net position	$ 364,334,975	$ 85,324,014

See accompanying notes to the basic financial statements

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

	Primary Government - Business-type Activities	Discretely Presented Component Units
Operating revenues:		
Rental income	$ 8,813,005	$ 38,411,903
Service fees	360,465	-
Housing assistance payments earned	338,461,351	-
HUD administrative fees	16,742,514	-
Other	5,763,376	621,685
Total operating revenues	370,140,711	39,033,588
Operating expenses:		
Wages and benefits	16,766,322	-
Pension and OPEB expense (Notes 12 and 13)	1,971,115	-
Administrative	2,123,028	4,560,661
Tenant services	599,920	-
Utilities	1,034,414	2,881,141
Maintenance and operations	1,722,118	4,309,362
General	1,294,811	596,191
Depreciation and amortization	2,790,000	11,968,966
Housing assistance payments	302,555,694	-
Other	4,299,529	1,618,307
Total operating expenses	335,156,951	25,934,628
Operating income	34,983,760	13,098,960
Nonoperating revenues (expenses):		
Investment income	4,284,766	136,672
Interest expense	(2,929,640)	(11,463,643)
Other nonoperating expenses, net	-	(4,030,160)
Total nonoperating revenues (expenses)	1,355,126	(15,357,131)
Income (loss) before capital contributions	36,338,886	(2,258,171)
Capital contributions	-	(578,665)
Change in net position	36,338,886	(2,836,836)
Net position, beginning of year, as previously reported	330,474,179	88,160,850
Change in accounting principle (Note 1)	(2,478,090)	-
Net position, beginning of year, as restated	327,996,089	88,160,850
Net position, end of year	$ 364,334,975	$ 85,324,014

See accompanying notes to the basic financial statements

SANTA CLARA COUNTY HOUSING AUTHORITY

(A Component Unit of the County of Santa Clara)

Statement of Cash Flows

For the Year Ended June 30, 2018

	Primary Government - Business-type Activities
Cash flows from operating activities:	
Receipts from tenants	$ 8,976,811
Receipts from customers and others	5,611,827
Receipts from housing assistance programs	392,501,839
Payments to suppliers for goods and services	(11,352,987)
Housing assistance payments on behalf of tenants	(302,546,980)
Payments to employees for services	(31,467,625)
Net cash provided by operating activities	61,722,885
Cash flows from noncapital financing activities:	
Decrease of loans and other receivables to non-related parties	23,064
Increase of receivables from related parties and component units	(21,837,764)
Net cash provided by noncapital financing activities	(21,814,700)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(83,912,234)
Deposits released from escrow for acquisition of capital assets	31,480,535
Proceeds from long-term liabilities	14,500,000
Repayments of short-term and long-term liabilities	(686,282)
Interest and other fees paid	(2,600,094)
Net cash used in capital and related financing activities	(41,218,075)
Cash flows from investing activities:	
Interest received	3,620,364
Purchase of investments	(728,438)
Distribution from investment in partnerships	931,308
Net cash used in investing activities	3,746,179
Net change in cash and cash equivalents	2,436,289
Cash and cash equivalents, beginning of year	67,004,540
Cash and cash equivalents, end of year	$ 69,440,829

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, 2018

	Primary Government - Business-type Activities
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 34,983,760
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,790,000
Gain from forgiveness of debt	(332,735)
Decrease (increase) in:	
Receivables	37,157,364
Prepaid expenses	(21,781)
Net pension asset	1,878,991
Deferred outflows of resources	(16,075,862)
Increase (decrease) in:	
Accounts payable	(329,248)
Accrued wages and benefits	123,129
Intergovernmental payable	8,714
Tenant security deposits and FSS escrow	158,755
Unearned revenues	(33,618)
Accrued vacation and sick leave	158,925
Other liabilities	71,862
Net OPEB liabilities	(254,878)
Deferred inflows of resources	1,439,507
Net cash provided by operating activities	$ 61,722,885
Cash and cash equivalents:	
Unrestricted cash and cash equivalents	$ 12,495,333
Unrestricted short term investments	49,658,555
Restricted cash and cash equivalents	7,286,941
Total cash and cash equivalents	$ 69,440,829
Noncash investing activities	
Increase in accrued interest receivables	$ 658,105

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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. To mark the Authority's 50-year anniversary, on July 1, 2017 the Authority changed its name from the Housing Authority of the County of Santa Clara to Santa Clara County Housing Authority. 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 because 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 as 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, 2017 year-end, except for the Housing Development Corporation which has a June 30, 2018 year-end.

Blended Component Units

<u>Housing Development Corporation ("HDC")</u> - 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 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. HDC did not have any activity or balances to report for fiscal year 2018.

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. PRIDE did not have any activity from July 1, 2017 through the date when it was dissolved on September 7, 2017.

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.

Alvarado Park, L.P. - A California limited partnership formed on December 4, 2017 to develop and operate housing complexes located in San Jose, California. Alvarado Park, L.P.'s General Partner, Villa Garcia, Inc. (see below) is an Authority affiliated non-profit public benefit corporation that maintains a 0.01% ownership interest. The Authority, as the limited partner, owns 99.99% of the partnership. As the majority partner, the Authority can impose its will on Alvarado Park, LP. As a result, it is presented as a blended component unit.

Bellarmino Place L.P. - A California limited partnership formed on December 4, 2017 to develop and operate housing complexes located in San Jose, California. Bellarmino Place, LP's General Partner, Villa Garcia, Inc., is an Authority affiliated non-profit public benefit corporation that maintains a 0.01% ownership interest. The Authority, as the limited partner, owns 99.99% of the partnership. As the majority partner, the Authority can impose its will on Bellarmino Place, LP. As a result, it is presented as a blended component unit.

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) and as a Limited Partner for Willows/HACSC 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.

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 non-profit 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.

In March 2018, the Authority withdrew its three members in the Opportunity Center Associates HDC, Inc. board (see Note 17). In fiscal year 2019, Opportunity Center HDC, Inc will no longer be part of the Authority's financial reporting entity and the Authority will not have operational and financial responsibility.

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 legally obligated to finance deficits of Pinmore HDC, Inc. and has operational and financial responsibility.

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 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.

In September 2017, Poco Way HDC, Inc. acquired land in Palo Alto, California, from a third-party, which is currently operating under the name of Buena Vista Mobile Home Park (Buena Vista). Buena Vista includes 104 occupied mobile homes spaces, 12 studio units, and one single-family home, of which eight mobile home spaces and two studios are located on land leased from a third-party.

Poco Way 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 legally obligated to finance deficits of Poco Way HDC, Inc. and has operational and financial responsibility.

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 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. Rotary Plaza/HACSC 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 legally obligated to finance deficits of Poco Way HDC, Inc. and has operational and financial responsibility

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 three-member governing board is comprised of the Executive Director of the Authority and two Authority staff, the Authority is legally obligated to provide guarantees on behalf of its partnership and has operational and financial responsibility.

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.

On December 4, 2017, Alvarado Park L.P. and Bellarmino Place L.P. were formed with VGI as the General Partner with 0.01% ownership interest, to develop and operate affordable housing complexes located in San Jose, California. Prior to the formation of these partnerships, the Authority incurred predevelopment costs for the Race Street Senior and the Race Street Family projects on behalf of these partnerships. On December 4, 2017, the Authority transferred predevelopment costs in the amount of $89,953 and $90,399 to Alvarado Park, L.P. and Bellarmino Place, L.P., respectively.

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 three-member governing board is comprised of the Executive Director of the Authority and two Authority staff, the Authority is legally obligated to provide guarantees on behalf of its partnership and has operational and financial responsibility.

For all the partnerships of which the above entities are general partners, refer to Note 17 for detailed information.

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, 2017 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% or more 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, 2017. Refer to Note 17 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.

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:

<u>Section 8 Rental Voucher Program</u> 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 17,932 units.

<u>Moving to Work ("MTW") Program</u> 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 is responsible for managing Property Management contracts which includes, operations related to Property Management and Maintenance Services, Resident Services, and Program Compliance Monitoring Services. It is also responsible for 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.

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

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, 2018, 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.

Pension plan

For purposes of measuring the net pension asset/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.

Other postemployment benefit (OPEB) plan

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's OPEB plan and additions to/deduction from the OPEB plan's fiduciary net position have been determined pursuant to Governmental Accounting Standard Board (GASB) Statement No. 75. As such, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. OPEB 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, 2018, offsetting amounts of $5,281,058 were eliminated. The Authority also eliminated $41,892,220 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, $8,494,210 of internal charges for services, rent and interest expenses and $5,675,255 of prepaid rent payments has been eliminated for the year ended June 30, 2018.

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.

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, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions.* This statement addresses the accounting and financial reporting requirements for governments whose employees are provided with OPEB plans. The provisions of GASB Statement No. 75 separate accounting and financial reporting from how OPEB plans are funded and require changes in the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total OPEB liability. It also includes comprehensive disclosures regarding the OPEB liability, the sensitivity of the OPEB liability to the discount rate, and OPEB expense and related deferred outflows/inflows of resources disclosures (see Note 13).

The provisions of Statement No. 75 are effective for the Authority's fiscal year ending June 30, 2018. While restatement of all prior periods was not practical because the actuarial information was not available, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017 as follows:

Remove net OPEB asset measured pursuant to GASB Statement No. 45	$	(1,556,568)
Record net OPEB liability measured pursuant to GASB Statement No. 75		(1,980,419)
Record deferred outflows of resources pursuant to GASB Statement No. 75		1,058,897
Total restatement due to change in accounting principle	$	(2,478,090)

In addition to GASB Statement No. 75, the Authority implemented the following accounting standards:

- 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 irrevocable split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources.

- GASB Statement No. 85, *Omnibus 2017,* 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).

- GASB Statement No. 86, *Certain Debt Extinguishment Issues,* intends to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

These statements did not have a significant impact on the Authority's financial statements for the fiscal year ended June 30, 2018.

The Authority is currently analyzing its accounting practices to determine the potential impact on the financial statements of certain new accounting pronouncements issued by the GASB, including GASB Statement No. 83, *Certain Asset Retirement Obligations,* GASB Statement No. 84, *Fiduciary Activities,* GASB Statement No. 87, *Leases,* GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* and GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and 61.*

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, 2018 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	$ 12,495,333	$ 13,554,567	$ 26,049,900
Unrestricted short term investments	49,658,555	-	49,658,555
Restricted cash and cash equivalents	7,286,941	21,470,707	28,757,648
Long term investments	19,433,510	-	19,433,510
Total	$ 88,874,339	$ 35,025,274	$ 123,899,613
Deposits with financial institutions	$ 19,782,274	$ 35,025,274	$ 54,807,548
Investments	69,092,065	-	69,092,065
Total	$ 88,874,339	$ 35,025,274	$ 123,899,613

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.

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.

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 193 days. More information on LAIF investment pool can be found at http://www.treasurer.ca.gov/pmia-laif/laif/.

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.

A summary of the Authority's investments at June 30, 2018 is shown below:

Investment	Credit Rating	June 30, 2018	Maturities (in years) Less than 1	1-3	3-5
Money Market Mutual Fund	Not rated	245,198	245,198	-	-
State Local Agency Investment Fund	Not rated	49,413,357	49,413,357	-	-
Negotiable Certificates of Deposits	Not rated	8,230,609	985,024	3,873,768	3,371,817
Medium Term Bonds:					
Apple Inc.	Aa1	490,370	-	-	490,370
Berkshire Hathaway	Aa2	499,720	-	-	499,720
Microsoft	Aaa	488,885	-	-	488,885
Toyota	Aa3	489,760	-	-	489,760
General Electric Cap Corp Mtn BE	A2	293,289	-	-	293,289
Novartis	Aa3	485,670	-	-	485,670
Chevron	Aa2	487,820	-	-	487,820
U. S. Government Agencies:					
Federal National Mortgage Association	Aaa	2,713,788	-	973,270	1,740,518
Federal Home Loan Banks Bond	Aaa	2,365,640	-	-	2,365,640
Federal Home Ln Mtg Corp MTN	Aaa	1,927,170	-	-	1,927,170
Federal Farm CR Bk Bond	Aaa	960,789	-	-	960,789
Total investments		$ 69,092,065	$ 50,643,579	$ 4,847,038	$ 13,601,448

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, 2018 is shown below:

Type of Investment	
Investments by fair value hierarchy - Level 1:	
Corporate Bonds	$ 3,235,514
Investments by fair value hierarchy - Level 2:	
U.S. Federal Agency Securities	7,967,387
Negotiable Certificate of Deposits	8,230,609
Total investments by fair value hierarchy - Level 2	16,197,996
Investments not subject to fair value hierarchy:	
State Local Agency Investment Fund	49,413,357
Money Market Mutual Funds	245,198
Total investments	$ 69,092,065

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. In May 2018, the Authority assigned its interest in the promissory notes with an outstanding balance totaling $167,740, Deeds of Trust and Resale Restriction Agreements and Options to Purchase for seven San Pedro Gardens self-help homeowner units to the City of Morgan Hill as consideration for the City of Morgan Hill's forgiveness of an outstanding loan of $425,000 plus accrued interest (see Note 7); and assigned Resale Restriction Agreements and Options to Purchase to the City of Morgan Hill for eight San Pedro Gardens Self Help homeowner units for which promissory notes were previously assigned and/or paid.

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, 2018, the amount due to the Authority is $5,684,929.

Note 5 - Disposition of public housing properties

As of June 30, 2018, 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.

Note 6 - Capital assets

The primary government's capital assets activity for the year ended June 30, 2018 was as follows:

	June 30 2017	Additions	Reductions/ Transfers	June 30, 2018
Capital assets not being depreciated				
Land	$ 21,345,919	$ 82,834,000	$ -	$ 104,179,919
Construction in progress	493,706	1,008,546	(503,768)	998,484
Total capital assets not being depreciated	21,839,625	83,842,546	(503,768)	105,178,403
Capital assets being depreciated:				
Structures	84,488,945	311,426	-	84,800,371
Furniture and equipment	4,129,583	262,030	(108,338)	4,283,275
Total capital assets being depreciated	88,618,528	573,456	(108,338)	89,083,646
Less accumulated depreciation				
Structures	(42,043,219)	(2,691,605)	-	(44,734,824)
Furniture and equipment	(3,950,918)	(95,753)	108,338	(3,938,333)
Total accumulated depreciation	(45,994,137)	(2,787,358)	108,338	(48,673,157)
Total capital assets, being depreciated, net	42,624,391	(2,213,902)	-	40,410,489
Total capital assets, net	$ 64,464,016	$ 81,628,644	$ (503,768)	$ 145,588,892

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 from the Moving-to-Work program (see Notes 9 and 17), for the acquisition of the Buena Vista Mobile Home Park ("Buena Vista"). On May 23, 2017, the Authority entered into a purchase and sale agreement to purchase Buena Vista for $40,375,000. 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 (see Notes 1 and 17).

On March 28, 2017, the Authority's Board approved the purchase of the property located at 253 Race Street, in San Jose, California, for a total purchase price of $12,000,000. On June 6, 2018, the Authority closed escrow and acquired the property for $12,000,000 with Moving-to-Work funds. The Authority plans to develop two affordable housing projects on the site.

On April 25, 2017, the Authority's Board approved the use of Moving-to-Work funds to purchase the property located at 675 East Santa Clara Street and accessory sites, in San Jose, California, for a total purchase price of $30,459,000. On July 6, 2017, the Authority closed escrow and acquired the property for $30,459,000. The Authority plans to develop the property and deliver housing at a broad spectrum of income levels. It also plans to build office space for the Housing Authority.

The discretely presented component units' capital assets activity for the year ended December 31, 2017 is as follows:

	December 31, 2016	Additions	Reductions/ Transfers	December 31, 2017
Capital assets, not being depreciated:				
Land	$ 33,431,980	$ -	$ -	$ 33,431,980
Construction in progress	17,135,670	22,630,955	-	39,766,625
Total capital assets, not being depreciated	50,567,650	22,630,955	-	73,198,605
Capital assets, being depreciated:				
Structures	391,138,205	371,072	-	391,509,277
Furniture and equipment	6,017,739	162,769	-	6,180,508
Total capital assets, being depreciated	397,155,944	533,841	-	397,689,785
Less accumulated depreciation	(80,560,696)	(11,899,958)	-	(92,460,654)
Total capital assets, being depreciated, net	316,595,248	(11,366,117)	-	305,229,131
Total capital assets, net	$ 367,162,898	$ 11,264,838	$ -	$ 378,427,736

Note 7 - Long-term obligations

Outstanding long-term debt consisted of the following at June 30, 2018:

Type of Indebtedness (purpose)	Maturity	Interest Rate	Principal Installment	Original Issue Amount	Balance as of June 30, 2018
Section 8 Choice Voucher Program					
Notes Payable					
City of San Jose	9/23/2024	4%	$ 972,500	$ 972,500	$ 972,500
Blended Component Units (detailed information in Note 17)					62,182,386
Total primary government					$ 63,154,886

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

Primary Government	July 1, 2017	Additions	Retirements	June 30, 2018	Due within one year
Section 8 Rental Voucher Program:					
Notes payable to the					
City of Morgan Hill (See Note 4)	$ 425,000	$ -	$ 425,000	$ -	$ -
City of San Jose	972,500	-	-	972,500	20,000
Total notes payable	1,397,500	-	425,000	972,500	20,000
Blended component units:					
A.E. Associates LP	4,534,619	-	34,062	4,500,557	48,463
Blossom River Associates	15,297,710	-	196,591	15,101,119	215,000
Helzer Associates	20,522,195	-	215,533	20,306,662	245,000
Klamath Associates	1,116,626	-	29,756	1,086,870	33,382
Poco Way HDC, Inc.	-	14,500,000	-	14,500,000	-
Rotary Plaza/ HACSC HDC, Inc.	3,317,130	-	144,828	3,172,302	143,664
San Pedro Gardens Associates	1,585,629	-	14,915	1,570,714	16,627
S.P.G. Housing, Inc.	1,994,759	-	50,597	1,944,162	20,341
Total blended component units	48,368,668	14,500,000	686,282	62,182,386	722,477
Interest payable:					
Other programs	687,430	57,868	128,464	616,834	2,676
Blended component units	14,000,067	2,791,000	2,463,691	14,327,376	1,092,860
Total interest payable	14,687,497	2,848,868	2,592,155	14,944,210	1,095,536
Payment in lieu of taxes	3,030	-	380	2,650	-
Accrued vacation and sick leave	1,125,041	187,320	28,395	1,283,966	182,525
Total primary government	$ 65,581,736	$ 17,536,188	$ 3,732,212	$ 79,385,712	$ 2,020,538

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

	Principal	Interest
Year Ending June 30,		
2019	$ 20,000	$ 38,900
2020	-	38,900
2021	-	38,900
2022	-	38,900
2023	-	38,900
2024-2025	952,500	48,525
	$ 972,500	$ 243,025

The blended component units' long term debt are payable from excess distributable cash, that are generally subject to changes in net cash flows. See additional information on the debt in Note 17.

Note 8 - Deficit program net position

The following general partner entities have a deficit net position as of December 31, 2017:

A.E. Associates, LP	$	(2,957,726)
Avenida Espana HDC, Inc.		(2,370,900)
Blossom River Associates, LP		(6,022,659)
Bracher HDC. INC.		(878,867)
DeRose HDC, Inc.		(2,362,507)
Helzer Associates, LP		(4,583,872)
Klamath Associates LP		(224,842)
Pinmore HDC, Inc.		(2,475,957)
San Pedro Gardens Associates, Ltd.		(1,536,833)

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 value. The remaining deficits can be funded by the Authority's MTW funds under its MTW plan non-traditional activity 2012-4 (Create Affordable Housing Preservation Fund).

Note 9 - Related parties

The Authority has the following receivables from related parties and other component units as of June 30, 2018:

		Long-term Receivables						
Receivables due from Blended Component Units	**Short-term receivables**	**Notes Receivables**	**Lease/ Mortgage Receivables**	**Interest on Receivables**	**Development and Other Services**	**Subtotal**	**Elimination**	**Total**
AE Associates, Ltd.	$ 66,432	$ 34,237	$ 10,000	$ -	$ 25,693	$ 69,930	$ (136,230)	$ 132
Alvarado Park, LP	-	284,161	-	3,352	-	287,513	(89,953)	197,560
Avenida Espana HDC, Inc.	-	-	-	-	12,330,000	12,330,000	(12,330,000)	-
Bellarmino Place, LP	-	284,607	-	3,345	-	287,952	(90,399)	197,553
Blossom River Associates LP	16,797	9,540,474	-	-	-	9,540,474	(16,547)	9,540,724
Derose HDC, Inc.	626	-	-	-	-	-	-	626
Helzer Associates LP	20,572	8,753,500	-	-	-	8,753,500	(19,565)	8,754,507
Klamath Associates LP	112,586	-	-	-	-	-	(112,586)	-
Poco Way HDC, Inc.	-	26,000,000	-	-	-	26,000,000	(26,000,000)	-
Rotary Plaza/HACSC HDC, Inc.	33,744	3,265,770	-	-	-	3,265,770	(22,222)	3,277,292
San Pedro Garden Associates, Ltd.	149	20,000	78,085	-	-	98,085	(98,234)	-
S.P.G. Housing, Inc.	79,205	-	1,355,860	-	-	1,355,860	(1,322,860)	112,205
Villa Garcia, Inc.	-	-	-	-	-	-	-	-
Villa San Pedro HDC, Inc.	-	1,500,000	-	174,800	-	1,674,800	(1,653,625)	21,175
Total	**$ 330,111**	**$ 49,682,749**	**$ 1,443,945**	**$ 181,497**	**$ 12,355,693**	**$ 63,663,884**	**$ (41,892,221)**	**$ 22,101,774**

(Continued)

Receivables due from Discrete Component Units	Short-term receivables	Long-term Receivables: Notes Receivables	Long-term Receivables: Seller Take-Back Note	Long-term Receivables: Interest on Receivables	Long-term Receivables: Development and Other Services	Long-term Receivables: Subtotal	Total
Bascom/HACSC Associates LP	$ 16,262	$ -	$ -	$ -	$ -	$ -	$ 16,262
Bendorf Drive L.P.	15,134	1,804,808	9,277,939	991,865	-	12,074,612	12,089,746
Branham Lane LLC	121,396	2,591,456	-	-	-	2,591,456	2,712,852
Clarendon Street L.P.	1,033	920,000	6,887,472	301,115	-	8,108,587	8,109,620
Fairgrounds Luxuary Family Apartmentts L.P.	13,487	-	-	-	-	-	13,487
Fairgrounds Senior Housing L.P.	14,737	-	-	-	-	-	14,737
HACSC/Family Choices Associates LP	15,908	-	-	-	-	-	15,908
HACSC/Senior Choices Associates LP	35,140	-	-	-	-	-	35,140
Halford Avenue LLC	34,786	-	2,521,618	-	-	2,521,618	2,556,404
Hermocilla LLC	15,771	-	-	-	-	-	15,771
Huff Avenue LLC	559,713	-	-	-	4,756	4,756	564,469
Julian Street Partners L.P	225,609	-	22,802,850	3,409,611	-	26,212,461	26,438,070
Laurel Grove Lane L.P.	-	2,069,710	2,557,609	531,428	154,769	5,313,516	5,313,516
McCreery Avenue L.P.	27,248	-	10,346,647	574,425	-	10,921,072	10,948,320
Opportunity Center Associates, L.P.	58,452	-	-	-	-	-	58,452
Park Avenue Seniors, L.P.	-	5,459,541	6,000,000	763,191	150,858	12,373,590	12,373,590
Poinciana Drive LLC	34,748	-	1,486,604	-	-	1,486,604	1,521,352
Rincon Garden Associates L.P.	134,336	-	15,670,000	1,459,610	-	17,129,610	17,263,946
South Drive LLC	61,241	-	-	-	-	-	61,241
Willows/HACSC Associates	63,305	-	-	-	117,223	117,223	180,528
Total	**$ 1,448,306**	**$ 12,845,515**	**$ 77,550,739**	**$ 8,031,245**	**$ 427,606**	**$ 98,855,105**	**$ 100,303,411**
Total receivables due from blended component units (from previous page)							**22,101,774**
							$ 122,405,185
Due from component units and related parties, current portion							**$ 1,541,045**
Due from component units and related parties, net of current portion							**120,864,140**
							$ 122,405,185

Short-term receivables and other advances

The Authority earns fees for providing partnership management and other services. Outstanding fees are due in future years from available cash flow of affiliate entities.

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, 2018, 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, 2018, the balance on the note is $1,004,808.

Branham Lane LLC - In June 2018, the Authority loaned Branham Lane LLC $2,591,456 to refinance its loan with the City of San Jose loan (see Note 17). The loan bears 2% simple interest, with annual payments from excess/distributable cash, due in full by June 1, 2073.

Clarendon Street Associates L.P. - The Authority 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 is payable from excess/distributable cash. The balance as of June 30, 2018, 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, 2018 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, 2018 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, 2018, 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, 2018, is $5,060,044.

Furthermore, the Authority made loans to its blended component units. The amounts, which are included within the blended component units' December 31, 2017 financial statements, 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, 2018 was $34,237. The loan is non-interest bearing and is due October 2024.

Alvarado Park, LP - In December 2017, the Authority loaned Alvarado Park L.P. $970,000 to pay for pre-development costs associated with the affordable housing project for seniors located at Grand Avenue and Race Street in San Jose, California. The note bears simple interest at 3% annum and has a maturity date of November 30, 2092. As of June 30, 2018, the balance on the note is $284,161.

Bellarmino Place LP - In December 2017, the Authority loaned Bellarmino Place L.P. $1,130,000 to pay for pre-development costs associated with the affordable housing project for families located at Grand Avenue and Race Street in San Jose, California. The note bears simple interest at 3% annum and has a maturity date of November 30, 2092. As of June 30, 2018, the balance on the note is $284,607.

Blossom River Associates LP - In June 2018, the Authority loaned Blossom River Associates LP $9,540,474 to refinance its loan with the City of San Jose loan (see Note 17). This note bears 2% simple interest, with annual payments from excess/distributable cash, due in full by June 1, 2073.

Helzer Associates LP - In June 2018, the Authority loaned Helzer Associates LP $8,753,500 to refinance its loan with the City of San Jose loan (see Note 17). This note bears 2% simple interest, with annual payments from excess/distributable cash, due in full by June 1, 2073.

Poco Way HDC, Inc. – As discussed in Note 6, in September 2017, the Authority loaned its affiliate, Park Way HDC, Inc., $26,000,000 to provide additional funds to acquire Buena Vista. This loan bears 3% simple interest, payable from excess/distributable cash to be repaid in full by September 2092. Interest shall not begin to accrue until the earlier of (i) the date that major improvements to Buena Vista are complete or (ii) September 29, 2017.

Rotary Plaza/HACSC HDC, Inc. - In June 2018, the Authority loaned Rotary Plaza/ HACSC HDC, Inc. $3,265,770 to refinance its loan with the City of San Jose loan (see Note 17). This loan bears 2% simple interest, with annual payments from excess/distributable cash, due in full by June 1, 2073.

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, 2018 was $20,000. The loan is non-interest bearing and is due on demand.

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, 2018, 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, 2018, the lease receivable balance is $10,000.

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, 2018, the lease receivable is $78,085.

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, 2018, the lease receivable is $1,355,860.

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, 2017, the outstanding amount is $9,277,939.

Clarendon Street, L.P. - In 2013, Clarendon Street, L.P. entered 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 excess/distributable cash, with the entire principal and interest due in full by December 31, 2068. As of December 31, 2017, the outstanding amount is $6,887,472.

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, 2018, the outstanding amount is $2,521,618.

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, 2018, 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 55th anniversary of the completion date or June 1, 2073, and payable from residual receipts. As of June 30, 2018, 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, 2017, 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, 2018, 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, 2018, the outstanding amount is $1,486,604.

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, 2018, the outstanding amount is $15,670,000.

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, 2017 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.	$ 8,687,237
Bracher HDC, Inc.	HACSC/Choices Senior Associates HACSC/Choices Family Associates	(928,140)
DeRose HDC, Inc.	Bascom HACSC Associates Blossom River Associates Hermocilla LLC	(2,415,133)
Opportunity Center HDC, Inc.	Opportunity Center Associates, L.P.	1,565,838
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	(4,063,422)
Rotary Plaza/HACSC HDC, Inc	Huff Avenue LLC	3,657,119
SPG Housing Inc.	Branham Lane LLC Halford Avenue LLC Klamath Associates L.P. Poinciana Drive LLC San Pedro Gardens Associates, Ltd South Drive LLC	849,059
Villa Garcia, Inc.	Clarendon Street L.P.	1,281
Villa San Pedro HDC, Inc.	Bendorf Drive, LP	1,149,657
Total		$ 8,503,496

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, 2018, the Authority has an unearned revenue balance in the amount of $1,242,736 related to this ground lease.

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, 2018, 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	-	12,173,674	-	Unlimited	HAP Contract
Blossom River Associates LP	-	250,000	-	-	-	-
Clarendon Street L.P.	575,000	-	4,607,978	-	-	HAP Contract
DeRose Garden Apartments (SPG Housing, Inc.)	-	175,000	-	-	-	-
HACSC/Family Choices Associates L.P.	-	-	182,073	-	-	-
Julian Street Partners L.P.	-	-	7,412,370	-	Unlimited	HAP Contract
Laurel Grove Lane L.P.	-	-	-	42,020,000	-	HAP Contract
McCreery Avenue L.P.	750,000	-	10,823,725	-	-	HAP Contract
Park Avenue Seniors, L.P.	-	-	-	39,030,000		HAP Contract
Rincon Garden Associates, L.P.	-	-	494,339	-	Unlimited	HAP Contract
Rotary Plaza/HACSC HDC, Inc.	-	194,000	-	-	-	-
San Pedro Gardens Associates, Ltd.	-	80,000	-	-	-	-
Willows/HACSC Associates	643,000	-	-	-	-	-
Total	**$ 2,618,000**	**$ 849,000**	**$ 35,694,159**	**$ 81,050,000**		

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, 2018, the principal amount payable for the A series issues was $11,035,000.

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, 2018, the remaining 2 notes, which are the Multifamily Housing Revenue Construction/Permanent Tranche A and Tranche B have balances of $4,224,183 and $1,400,807, respectively.

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, 2018, the principal amount payable for this issue was $7,410,000.

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, 2018, the principal amount payable for this issue was $5,615,000.

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, 2018, the principal amount payable for the A-1 series issue was $13,040,000.

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, 2018, the principal amount payable on the bond issue was $3,772,000.

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, 2018, the Authority has the following outstanding conduit debt with non-Authority related entities:

Partnerships	Projects	Number of Units	Original Issue	Balance June 30, 2018
MP Timberwood Associates	Timberwood	286	$ 18,415,000	$ 9,985,000
Monte Vista Associates, LP	Monte Vista Terrace	150	13,000,000	7,652,000
MP Latham Associates	Lathm Park	74	4,500,000	1,012,933
Total		510		$ 18,649,933

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, except for a reduction in automobile coverage from $5 million to $1 million. The Authority did not have settled claims that exceeded its 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 American International Group (AIG).

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.

Liabilities	Deductible	Coverage	Excess
Commercial Property	$ 25,000	$ 34,268,684	N/A
Commercial Liability	25,000	10,000,000	N/A
Automobile	500	1,000,000	N/A
Directors and Officers Liabilty	-	2,000,000	N/A
Worker's Compensation	-	750,000	Statutory

There were no claims and no changes in the Authority’s claims liability during the fiscal years ended June 30, 2018 and 2017.

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 https://www.calpers.ca.gov/page/employers/actuarial-services/gasb.

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. Classic and non-classic members with five years of total service are eligible to retire, with statutorily reduced benefits, at age 50 and 52, respectively. 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.

The Plan's provisions and benefits in effect at fiscal year ended June 30, 2018 are summarized as follows:

Hire Date	Prior to January 1, 2013 (Classic)	On or After January 1, 2013 (Non-classic)
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	7.000%	6.250%
Required employer contribution rates	7.628%	7.628%

Employees Covered – At June 30, 2018, based on the measurement period ended June 30, 2017, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	115
Active employees	126
Total	312

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, 2017, the employer's 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 7.63% and the employee contribution rate 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 for non-classic members (employees hired after January 1, 2013) is 7.63 percent of annual payroll and the employee's contribution rate is 6.25 percent. For the year ended June 30, 2018, the Authority contributed the actuarially determined contribution in the amount of $907,800 and a one-time contribution in the amount of $10,895,000 that was approved by Board Resolution 17-11 to reduce the Authority's total pension liability. The contributions made during the year ended June 30, 2018 are reported as deferred outflows of resources on the statement of net position as discussed below.

B. Net Pension Liability (Asset)

The Authority's net pension liability (asset) for the 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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. At June 30, 2018, the Authority reported a net pension asset of $2.9 million for the Plan. A summary of principal assumptions and methods used to determine the net pension liability (asset) is shown below.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by Entry Age and Services
Mortality[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1] The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale. Further details of the Experience Study can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions – In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

Discount Rate - The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 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 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 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 (PERF) cash flows. Taking into account historical returns of all the PERF 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 PERF 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 calculated using both short-term and long-term returns. The expected rate of return was then set equal 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. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%

1 An expected inflation of 2.5 percent used for this period.
2 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, 2017	$ 52,271,777	$ 57,013,583	$ (4,741,806)
Changes for the year:			
Service cost	1,681,600	-	1,681,600
Interest on total pension liability	4,010,164	-	4,010,164
Differences between expected and actual experiences	400,225	-	400,225
Changes in assumptions	3,588,716	-	3,588,716
Contributions from employer	-	820,619	(820,619)
Contributions from employees	-	714,664	(714,664)
Net investment income	-	6,350,608	(6,350,608)
Benefit payments, including refunds of employee contributions	(2,030,601)	(2,030,601)	-
Administrative expense	-	(84,177)	84,177
Net change	7,650,104	5,771,113	1,878,991
Balances reported at June 30, 2018	$ 59,921,881	$ 62,784,696	$ (2,862,815)

<u>Sensitivity of the Net Pension Liability (Asset) to Changes in Discount Rate</u> - The following presents the net pension liability (asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Net Pension Liability (Asset)	$ 6,021,274	$ (2,862,815)	$ (10,155,042)

<u>Pension Plan Fiduciary Net Position</u>

Detailed information about the pension plan fiduciary net position is available in the separately issued CalPERS financial reports.

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

For the year ended June 30, 2018, the Authority recognized pension expense of $1.6 million. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions form the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,802,800	$ -
Changes of assumptions	2,808,560	(394,531)
Difference between expected and actual experiences	313,220	(339,444)
Net difference between projected and actual earnings on plan investments	876,583	-
Total	$ 15,801,163	$ (733,975)

The $11.8 million reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred inflows and outflow of resources will be recognized as future pension expense as follows.

Year Ended June 30,	
2018	$ 553,643
2019	1,515,631
2020	1,133,789
2021	61,325
	$ 3,264,388

Note 13 –Other postemployment benefits

A. General Information about the OPEB Plans

Plan description - The Authority provides eligible employees with post-retirement medical healthcare benefits. Upon retirement, qualified employees and spouses/domestic partners are eligible for continued medical coverage up to the Employer Coverage Cap in effect on the date of the employee's retirement. 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.

Benefits provided - 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.

	Years of Service with the Authority		
Minimum Retirement Age *	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 monthly contributions of up to the $1,780 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.

Employees Covered – At June 30, 2018, based on the GASB Statement No. 75 actuarial report measured as of June 30, 2017 for the year ended June 30, 2018 the following employees were covered by the benefit terms for the OPEB plan:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	-
Active employees	123
Total	166

Contributions – The Authority makes contributions on an actuarial basis, funding the full Actuarially Determined Contributions (ADC). The Authority's contribution to the plan occur as benefits are paid to the retirees or as contributions to CERBT. Benefit payments occur in the form of direct payments for premiums and taxes (explicit subsidies) and indirect payments to retirees in the form of higher premiums for active employees (implicit subsidies).

Benefits and other contributions paid by the Authority during the measurement period and those made in the year following the measurement period but prior to the fiscal year ended June 30, 2018 are shown below.

	Employer Contributions for the Measurement Period	
	July 1, 2016 thru June 30, 2017	July 1, 2017 thru June 30, 2018
Employer additonal contributions to CERBT	$ 435,190	$ 2,613,452
Employer contributions in the form of direct benefit payments (not reimbursed by CERBT)	434,643	424,163
Implicit contributions	189,064	143,425
Total	$ 1,058,897	$ 3,181,040

The amount of implicit contributions paid are reflected as a reduction in (active) employee premium. In addition, the Board approved Resolution 17-11 to provide a one-time contribution in the amount of $2,613,452 to reduce the Authority's total OPEB liability. The contributions made during the year ended June 30, 2018 are reported as deferred outflows of resources on the statement of net position as discussed below.

B. Net OPEB Liability

The Authority's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured as of June 30, 2017 (measurement date), using an annual actuarial valuation as of June 30, 2017. A summary of principal actuarial assumptions and methods used to determine the net OPEB liability is as follows:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Measurement Period	June 30, 2016 to June 30, 2017
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Discount Rate	5.50%
Inflation	2.75%
Medical trend	Medical plan premiums and claims costs by age are assumed to increase once each year. Increases over the prior year's levels are assumed to be effective on the dates

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2018	Actual	2022	6.00%
2019	7.50%	2023	5.50%
2020	7.00%	2024	5.00%
2021	6.50%	2025 & later	5.00%

The PMEHCA mimimum required contributions and dental and vision premiums are all assumed to increase by 4.5% per year

Mortality	MacLeod Watts Scale 2017 applied generationally.

Discount Rate - The discount rate used to measure the total OPEB liability was 5.5%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table shows the changes in net OPEB liability for the year ended June 30, 2018:

	Total OPEB Liability	OPEB Plan Net Position	Net OPEB Liability
Balances calculated at July 1, 2017	$ 10,923,243	$ 8,942,824	$ 1,980,419
Changes for the year:			
Service cost	237,588	-	237,588
Interest on total OPEB liability	730,136	-	730,136
Differences between expected and actual experiences	(1,983,828)	-	(1,983,828)
Changes in assumptions	2,479,214	-	2,479,214
Contributions from employer	-	1,058,897	(1,058,897)
Net investment income	-	663,997	(663,997)
Benefit payments	(623,707)	(623,707)	-
Administrative expense	-	(4,907)	4,907
Net change	839,403	1,094,280	(254,877)
Balances reported at June 30, 2018	$ 11,762,646	$ 10,037,104	$ 1,725,542

C. Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the fiscal year end 2018 is 5.5%. The impact of a 1% increase or decrease in the discount rate assumption is shown below:

	Discount Rate -1% (4.5%)	Current Discount Rate (5.5%)	Discount Rate +1% (6.5%)
Net OPEB Liability	$ 2,806,662	$ 1,725,542	$ 942,541

The healthcare cost trend rate was assumed to start at 8.0% and grade down to 5.0% for years 2024 and thereafter. The impact of a 1% increase or decrease in this assumption is shown below:

	Heathcare Trend Rate (less 1%)	Current Heathcare Trend Rate	Heathcare Trend Rate (plus 1%)
Net OPEB Liability	$ 172,958	$ 1,725,542	$ 3,922,606

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report.

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized OPEB expense of $0.4 million. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 3,181,040	$ -
Changes of assumptions	2,153,002	-
Difference between expected and actual experiences	-	(1,722,798)
Net difference between projected and actual earnings on plan investments	-	(38,133)
Total	$ 5,334,042	$ (1,760,931)

The $3.2 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

Other amounts reported as deferred inflows and outflow of resources will be recognized as future OPEB expense as follows.

Year Ended June 30,	
2019	$ 55,649
2020	55,649
2021	55,649
2022	55,648
2023	65,182
Thereafter	104,294
	$ 392,071

Note 14 - Commitments and contingent liabilities

Lawsuit and claims

The Authority is subject to lawsuits and claims which arise out of the normal course of its activities. In the opinion of the management of the Authority and its 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.

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, 2018, approximately 96% 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.

Note 15 - Moving-to-Work program

Pursuant to the 2008 Appropriations Act, HUD and the Santa Clara County Housing Authority (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. 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 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 MTW-PHA 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 ($55,640,950 as of June 30, 2018) as revenues and receivables on its financial statements.

The following program changes were implemented in calendar years 2017 and 2018.

- Change in rent reasonableness determination from average to highest rent, effective March 2018.
- HCV vacancy payments to Section 8 owners, effective March 2017.

During the year ended June 30, 2018, 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	Race Street Operations	Park Avenue	East Santa Clara Street Project	MTW Reserves	Moving To Work Program
Unrestricted net position at June 30, 2017, as previously reported	$ 1,899,457	$ 7,869,024	$ 152,181	$ 8,021,205	$ -	$ 8,858,633	$ 30,459,000	$ 101,478,594	$ 140,796,227
Implementation of GASB Statement No. 75	-	(1,858,401)	-	(1,858,401)	-	-	-	-	-
Balance at June 30, 2017, as restated	1,899,457	6,010,623	152,181	6,162,804	-	8,858,633	30,459,000	101,478,594	140,796,227
Year ended June 30, 2018 operating activity:									
HAP earned	-	-	-	-	-	-	-	318,810,055	318,810,055
Administrative fees earned	-	-	-	-	-	-	-	15,572,583	15,572,583
Public Housing rental income	19,200	-	-	-	-	-	-	-	-
Operating subsidy	-	-	-	-	-	-	-	14,170	14,170
Other income	85,853	628,694	-	628,694	28,008	378,112	-	47,092	453,212
50% of fraud recovery	-	29,508	-	29,508	-	-	-	29,509	29,509
HAP expense	-	(281,238,947)	(1,113,723)	(282,352,670)	-	-	-	-	-
Administrative and operational expenses	(73,550)	(18,724,935)	(81,015)	(18,805,950)	(4,548)	-	(91,948)	-	(96,496)
Net increase/(decrease) in long term obligation	-	(425,000)	-	(425,000)	-	-	-	-	-
Net decrease/(increase) in capital assets	27,858	37,832	-	37,832	(12,000,000)	-	(30,459,000)	-	(42,459,000)
Year ended June 30, 2018 transfers in (out):									
Transfer reimbursement from HARA for executive compensation per HUD regulations	-	141,857	-	141,857	-	-	-	-	-
Transfer from HARA to cover Eklund Park's operating expenses	8,975	-	-	-	-	-	-	-	-
Transfer related to year-end pension (GASB 68) adjustments	-	97,669	-	97,669	-	-	-	-	-
Transfer equity from closed Continuum of Care Program	-	238,899	-	238,899	-	-	-	-	-
Transfer equity from closed Family Self Sufficiency Program	-	186,733	-	186,733	-	-	-	-	-
Transfer from Acquisition and Development Funds to purchase Race Street Property	-	-	-	-	11,500,000	-	-	(11,565,000)	(65,000)
Transfer from Acquisition and Development Funds for maintenance of the East Santa Clara Street Property	-	-	-	-	-	-	40,000	-	40,000
Transfer out to Preservation Fund for the purchase of the Buena Vista Property	-	-	-	-	-	-	-	(25,729,509)	(25,729,509)
Transfer out to Preservation Fund to payoff City of San Jose loans related to affiliate entities of the Authority	-	-	-	-	-	-	-	(24,187,435)	(24,187,435)
Transfer out to VASH, FUP and NED Programs to cover CY 2017 HAP deficit	-	-	-	-	-	-	-	(806,296)	(806,296)
Transfer out to Preservation funds for FY 2018 Asset Management activities	-	-	-	-	-	-	-	(497,294)	(497,294)
Other interfund transfers between MTW and MTW related programs	14,170	310,046,718	1,042,557	311,089,275	-	-	46,212	(311,149,657)	(311,103,445)
Subtotal year ended June 30, 2018 activity	82,506	11,019,028	(152,181)	10,866,847	(476,540)	378,112	(30,464,736)	(39,461,782)	(70,024,946)
Unrestricted net position at June 30, 2018	$ 1,981,963	$ 17,029,651	$ -	$ 17,029,651	$ (476,540)	$ 9,236,745	$ (5,736)	$ 62,016,812	$ 70,771,281

Note 16 – Condensed blended component unit information

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

	AE Associates, Ltd. (1)(2)	Alvarado Park LP (2)	Avenida Espana HDC, Inc. (1)(2)	Bellarmino Place LP (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	$ 585,108	$ -	$ 806,960	$ -	$ 3,278,491	$ 20,394	$ 24,076	$ 2,047,825	$ 39,236
Due from component units and related parties	-	-	467,253	-	-	30,329	45,000	-	-
Other noncurrent assets	-	-	8,687,237	-	-	(928,140)	(2,415,133)	-	-
Capital assets	3,591,564	89,953	-	90,399	11,593,919	-	-	17,200,416	1,747,677
Total assets	4,176,672	89,953	9,961,450	90,399	14,872,410	(877,417)	(2,346,057)	19,248,241	1,786,913
Current liabilities	178,650	-	1,450	-	844,860	1,450	1,450	817,896	67,319
Due to component units and related parties	146,230	89,953	12,330,900	90,399	16,546	-	15,000	221,618	112,586
Noncurrent liabilities	6,809,518	-	-	-	20,033,663	-	-	22,792,599	1,831,850
Total liabilities	7,134,398	89,953	12,332,350	90,399	20,895,069	1,450	16,450	23,832,113	2,011,755
Net position:									
Net investment in capital assets	(908,993)	89,953	-	90,399	(3,507,200)	-	-	(3,106,246)	660,807
Restricted	357,316	-	-	-	2,854,874	-	-	1,291,001	25,341
Unrestricted	(2,406,049)	(89,953)	(2,370,900)	(90,399)	(5,370,333)	(878,867)	(2,362,507)	(2,768,627)	(910,990)
Total net position	$ (2,957,726)	$ -	$ (2,370,900)	$ -	$ (6,022,659)	$ (878,867)	$ (2,362,507)	$ (4,583,872)	$ (224,842)

	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	$ -	$ 1,491,586	$ 788,163	$ 542,185	$ 255,030	$ 730,320	$ 1,838,034	$ 1,169,440
Due from component units and related parties	29,564	106,529	10,921,072	558,691	-	363,263	7,056,618	10,151,821
Other noncurrent assets	1,565,838	(4,063,422)	-	3,657,119	-	849,059	1,281	1,149,657
Capital assets	-	-	40,375,000	4,190,645	982,006	4,452,549	-	-
Total assets	1,595,402	(2,465,307)	52,084,235	8,948,640	1,237,036	6,395,191	8,895,933	12,470,918
Current liabilities	-	1,450	1,450	567,847	89,785	174,831	1,450	1,450
Due to component units and related parties	-	9,200	26,016,989	22,358	133,332	1,402,604	-	1,653,625
Noncurrent liabilities	-	-	14,500,000	4,252,222	2,550,752	1,923,821	-	-
Total liabilities	-	10,650	40,518,439	4,842,427	2,773,869	3,501,256	1,450	1,655,075
Net position:								
Net investment in capital assets	-	-	25,875,000	1,018,343	(588,708)	2,508,387	-	-
Restricted	-	-	-	93,324	130,645	196,060	-	-
Unrestricted	1,595,402	(2,475,957)	(14,309,204)	2,994,546	(1,078,770)	189,488	8,894,483	10,815,843
Total net position	$ 1,595,402	$ (2,475,957)	$ 11,565,796	$ 4,106,213	$ (1,536,833)	$ 2,893,935	$ 8,894,483	$ 10,815,843

(1) Component unit was audited by other auditors.
(2) As of December 31, 2017

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

	AE Associates, Ltd. (1)(2)	Alvarado Park LP (2)	Avenida Espana HDC, Inc. (1)(2)	Bellarmino Place LP (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	$ 767,218	$ -	$ 390,697	$ -	$ 2,597,946	$ 30,000	$ 223,713	$ 2,808,261	$ 262,579
Operating expenses	824,997	-	309,630	-	1,886,389	436,905	475,516	1,888,963	250,590
Operating income (loss)	(57,779)	-	81,067	-	711,557	(406,905)	(251,803)	919,298	11,989
Nonoperating revenues (expenses), net	(98,152)	-	668	-	(1,146,376)	-	-	(1,181,234)	(71,124)
Change in net position	(155,931)	-	81,735	-	(434,819)	(406,905)	(251,803)	(261,936)	(59,135)
Net position, beginning of year	(2,801,795)	-	(2,452,635)	-	(5,587,840)	(471,962)	(2,110,704)	(4,321,936)	(165,707)
Net position, end of year	$ (2,957,726)	$ -	$ (2,370,900)	$ -	$ (6,022,659)	$ (878,867)	$ (2,362,507)	$ (4,583,872)	$ (224,842)

	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	$ 28,211	$ 1,499,917	$ 16,989	$ 1,705,644	$ 259,716	$ 1,134,135	$ -	$ 13,113
Operating expenses	357,927	230,096	151,928	916,122	215,263	758,290	12,771	12,116
Operating income (loss)	(329,716)	1,269,821	(134,939)	789,522	44,453	375,845	(12,771)	997
Nonoperating revenues (expenses), net	-	-	252,291	(168,189)	(62,091)	(22,009)	170,088	291,398
Change in net position	(329,716)	1,269,821	117,352	621,333	(17,638)	353,836	157,317	292,395
Net position, beginning 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
Net position, end of year	$ 1,595,402	$ (2,475,957)	$ 11,565,796	$ 4,106,213	$ (1,536,833)	$ 2,893,935	$ 8,894,483	$ 10,815,843

(1) Component unit was audited by other auditors.
(2) For the year ended December 31, 2017

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Notes to Financial Statements
June 30, 2018

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

	AE Associates, Ltd. (1)(2)	Alvarado Park LP (2)	Avenida Espana HDC, Inc. (1)(2)	Bellarmino Place LP (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	$ 137,178	$ -	$ 140,223	$ -	$ 221,863	$ 20,394	$ 23,296	$ 787,634	$ 6,031
Investing activites	(63,285)	-	249,754	-	(96,901)	-	-	(159,674)	(6,055)
Financing activites	(34,244)	-	-	-	(205,000)	-	-	(235,000)	(31,139)
Net change in cash and cash equivalents	39,649	-	389,977	-	(80,038)	20,394	23,296	392,960	(31,163)
Cash and cash equivalents, beginning of year	506,394	-	416,983	-	3,287,459	-	-	1,608,001	67,167
Cash and cash equivalents, end of year	$ 546,043	$ -	$ 806,960	$ -	$ 3,207,421	$ 20,394	$ 23,296	$ 2,000,961	$ 36,004

	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	$ -	$ 1,488,160	$ 107,859	$ 329,823	$ 57,568	$ 324,291	$ 155,727	$ 180,060
Investing activities	-	(97)	-	(17,449)	(5,888)	(15,840)	82,355	-
Financing activities	-	-	94,235	(147,288)	(16,421)	(90,605)	-	-
Net change in cash and cash equivalents	-	1,488,063	202,094	165,086	35,259	217,846	238,082	180,060
Cash and cash equivalents, beginning of year	-	1,517	569,080	356,183	215,656	480,675	1,599,952	989,380
Cash and cash equivalents, end of year	$ -	$ 1,489,580	$ 771,174	$ 521,269	$ 250,915	$ 698,521	$ 1,838,034	$ 1,169,440

(1) Component unit was audited by other auditors.
(2) For the year ended December 31, 2017

Note 17 – 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.

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
RHCP Loan	$ 2,399,135	$ 3,285,000	$ 5,684,135	$ 41,711
City of San Jose	-	1,221,323	1,221,323	48,463
Subtotal	2,399,135	4,506,323	6,905,458	90,174
Less unamortized permanent loan costs	-	(5,766)	(5,766)	-
Total	$ 2,399,135	$ 4,500,557	$ 6,899,692	$ 90,174

Blossom River Associates L.P.

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.

As discussed in Note 9, Blossom River Associates L.P. refinanced its loan with the City of San Jose in June 2018. The principal and interest payable balances of $4,134,900 and $5,405,574, respectively, were repaid with proceeds from a new note payable to the Authority in the amount of $9,540,474, bearing 2% simple interest, with annual payments from excess/distributable cash, due in full by June 1, 2073.

	December 31, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
1998 Series A Bonds	$ 241,367	$ 11,140,000	$ 11,381,367	$ 456,367
City of San Jose Note	5,345,097	4,134,900	9,479,997	197,553
Subtotal	5,586,464	15,274,900	20,861,364	653,920
Less unamortized permanent loan costs	-	(173,781)	(173,781)	-
Total	$ 5,586,464	$ 15,101,119	$ 20,687,583	$ 653,920

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.

As discussed in Note 9, Helzer Associates L.P. refinanced its loan with the City of San Jose in June 2018. The principal and interest payable balances of $5,909,660 and $2,843,840, respectively, were repaid with proceeds from a new note payable to the Authority in the amount of $8,753,500, bearing 2% simple interest, with annual payments from excess/distributable cash, due in full by June 1, 2073.

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
1999 Series A Bonds	$ 77,260	$ 14,498,000	$ 14,575,260	$ 322,260
City of San Jose Note	2,921,492	5,916,366	8,837,858	190,555
CalHFA Note	-	333,547	333,547	-
Subtotal	2,998,752	20,747,913	23,746,665	512,815
Less unamortized permanent loan costs	-	(441,251)	(441,251)	-
Total	$ 2,998,752	$ 20,306,662	$ 23,305,414	$ 512,815

Klamath Associates L.P.

Long-term debt

Citibank Loan - The loan with an original amount of $750,000, bears an adjustable interest rate and is payable in monthly installments of $5,045, that was reduced to $5,007, until maturity in May 2027. Interest was adjusted in June 2017 to 6.58% and calculated by applying 2.42% 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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 2,308	$ 420,879	$ 423,187	$ 35,690
City of Santa Clara Note	778,362	681,176	1,459,538	-
Subtotal	780,670	1,102,055	1,882,725	35,690
Less unamortized permanent loan costs	-	(15,185)	(15,185)	-
Total	$ 780,670	$ 1,086,870	$ 1,867,540	$ 35,690

Poco Way HDC, Inc.

Buena Vista Mobile Home Park Property Acquisition and Ground Lease

As discussed in Notes 1 and 6, in September 2017, .Poco Way HDC, Inc. acquired the property known as Buena Vista for $40.4 million and entered into loans with the Authority in the amount of $26 million and with the City of Palo Alto in the amount of $14.5 million. Pursuant to the Memorandum of Understanding by and among the County of Santa Clara, the City of Palo Alto, and the Authority, Poco Way HDC, Inc. intends to preserve Buena Vista as a mobile home park, or equivalent, for up to 50 years. Poco Way HDC, Inc. expects to complete major improvements and renovations to the property as funding becomes available.

As discussed in Note 1, Poco Way HDC, Inc. leases a portion of Buena Vista from a third-party, which includes eight occupied mobile home spaces and two studios. On September 29, 2017, Poco Way HDC, Inc. entered into a three-year ground lease agreement with Caritas Acquisitions IV, LLC (Caritas), the property management company of Buena Vista, to lease the land purchased from the third-party and sublease a portion of the land that is leased from the third-party. Poco Way HDC, Inc. will earn an annual asset management fee in the amount equal to 5% of annual gross revenue generated from Buena Vista. Upon satisfaction of the milestones set forth in the Schedule of Performance and execution of the Transition Plan and Improvement Plan pursuant to the ground lease, Caritas shall negotiate a longer term ground lease of at least 32 additional years, which will supersede and replace this ground lease.

Long-term debt

City of Palo Alto Note - The note bears 3% simple interest, payable from excess/distributable cash, to be repaid in full by September 2092. Interest shall not begin to accrue until the earlier of (i) the date that major improvements to Buena Vista are complete or (ii) September 29, 2023.

	December 31, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
City of Palo Alto Note	$ -	$ 14,500,000	$ 14,500,000	$ -

Commitment

Poco Way HDC, Inc. also has a commitment from the County of Santa Clara (County) for a loan in the maximum amount of $14.5 million, which will bear 3% simple interest, payable from excess/distributable cash, to be repaid in full by September 2092. Interest shall not begin to accrue until the earlier of (i) the date that major improvements to Buena Vista are complete or (ii) September 29, 2027. Pursuant to the Disbursement Agreement, the County shall only make disbursements of loan proceeds to Poco Way HDC, Inc. for eligible expenses with proper written requests and supporting documents. There were no disbursements made as of December 31, 2017.

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.

As discussed in Note 9, Rotary Plaza/ HACSC HDC, Inc. refinanced Morrone Gardens' City of San Jose loan in June 2018. The principal and interest payable balances of $1,802,332 and $1,463,241, respectively, were repaid with proceeds from a new note payable to the Authority in the amount of $3,265,770, bearing 2% simple interest, with annual payments from excess/distributable cash, due in full by June 1, 2073.

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

	December 31, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
CCRC Note	$ -	$ 1,288,092	$ 1,288,092	$ 143,664
City of San Jose Note	1,427,785	1,802,332	3,230,117	287,391
County of Santa Clara	83,190	95,000	178,190	-
Subtotal	1,510,975	3,185,424	4,696,399	431,055
Less unamortized permanent loan costs	-	(13,122)	(13,122)	-
Total	$ 1,510,975	$ 3,172,302	$ 4,683,277	$ 431,055

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 148	$ 88,740	$ 88,888	$ 16,627
RHCP Loan	1,049,459	1,489,500	2,538,959	52,942
Subtotal	1,049,607	1,578,240	2,627,847	69,569
Less unamortized permanent loan costs	-	(7,526)	(7,526)	-
Total	$ 1,049,607	$ 1,570,714	$ 2,620,321	$ 69,569

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 1,773	$ 544,162	$ 545,935	$ 22,114
City of San Jose Note	-	1,400,000	1,400,000	-
Total	$ 1,773	$ 1,944,162	$ 1,945,935	$ 22,114

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 April 2042. 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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Tax-exempt bonds				
Series A and Series B	$ 161,018	$ 5,225,000	$ 5,386,018	$ 256,018
City of San Jose Note	1,829,073	6,979,530	8,808,603	406,533
Total	$ 1,990,091	$ 12,204,530	$ 14,194,621	$ 662,551

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.

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 duly monthly, with the entire principal and interest due in full in October 2045.

	December 31, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
CHRP Loan	$ 1,100,839	$ 4,156,798	$ 5,257,637	$ 327,191
CalHFA Loan	54,493	11,384,627	11,439,120	224,256
Subtotal	1,155,332	15,541,425	16,696,757	551,447
Less unamortized				
permanent loan costs	-	(286,759)	(286,759)	-
Total	$ 1,155,332	$ 15,254,666	$ 16,409,998	$ 551,447

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.

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. As discussed in Note 9, Branham Lane LLC Inc. refinanced its loan with the City of San Jose loan in June 2018. The principal and interest payable balances of $1,488,125 and $1,103,331, respectively, were repaid with proceeds from a new note payable to the Authority in the amount of $2,591,456, bearing 2% simple interest, with annual payments from excess/distributable cash, due in full by June 1, 2073.

	December 31, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 10,620	$ 967,064	$ 977,684	$ 106,542
City of San Jose Note	1,160,136	1,488,125	2,648,261	81,785
Subtotal	1,170,756	2,455,189	3,625,945	188,327
Less unamortized				
permanent loan costs	-	(33,527)	(33,527)	-
Total	$ 1,170,756	$ 2,421,662	$ 3,592,418	$ 188,327

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, 2017							
	Interest Payable		Principal		Total		Amounts due within one year	
Bank of the West (Tranche A)	$	14,153	$	4,288,807	$	4,302,960	$	144,732
Bank of the West (Tranche B)		3,484		1,493,147		1,496,631		189,480
Subtotal		17,637		5,781,954		5,799,591		334,212
Less unamortized permanent loan costs		-		(93,277)		(93,277)		-
Total	$	17,637	$	5,688,677	$	5,706,314	$	334,212

<u>Fairground Luxury Family Apartments, L.P.</u>

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

<u>California Housing Finance Authority (CalHFA)</u> - 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.

<u>City of San Jose Loan</u> - 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, 2017							
	Interest Payable		Principal		Total		Amounts due within one year	
CalHFA Loan	$	106,506	$	22,153,687	$	22,260,193	$	390,836
City of San Jose Note		3,367,103		17,245,082		20,612,185		-
Subtotal		3,473,609		39,398,769		42,872,378		390,836
Less unamortized permanent loan costs		-		(124,191)		(124,191)		-
Total	$	3,473,609	$	39,274,578	$	42,748,187	$	390,836

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.

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.

	Interest Payable	Principal	Total	Amounts due within one year
City of San Jose Revenue Bonds	$ 55,550	$ 11,280,000	$ 11,335,550	$ 495,550
City of San Jose Note	394,436	8,036,582	8,431,018	-
County of Santa Clara Note	32,646	1,071,606	1,104,252	-
Subtotal	482,632	20,388,188	20,870,820	495,550
Less unamortized permanent loan costs	-	(362,878)	(362,878)	-
Total	$ 482,632	$ 20,025,310	$ 20,507,942	$ 495,550

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.

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
City of Santa Clara Note	$ 632,267	$ 3,892,000	$ 4,524,267	$ 293,316
Series 2001 A Bonds	199,756	7,475,000	7,674,756	334,756
California HCD	959,200	4,050,500	5,009,700	154,066
Subtotal	1,791,223	15,417,500	17,208,723	782,138
Less unamortized permanent loan costs	-	(237,593)	(237,593)	-
Total	$ 1,791,223	$ 15,179,907	$ 16,971,130	$ 782,138

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
City of Santa Clara Note	$ 1,668,830	$ 5,317,000	$ 6,985,830	$ 47,213
Series 2001 A Bonds	154,119	5,665,000	5,819,119	259,119
Subtotal	1,822,949	10,982,000	12,804,949	306,332
Less unamortized permanent loan costs	-	(204,993)	(204,993)	-
Total	$ 1,822,949	$ 10,777,007	$ 12,599,956	$ 306,332

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.PG. 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, 2017, 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 $15,447. 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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ -	$ 1,586,543	$ 1,586,543	$ 97,309
City of San Jose Note	13,158	116,994	130,152	130,152
Subtotal	13,158	1,703,537	1,716,695	227,461
Less unamortized permanent loan costs	-	(81,587)	(81,587)	-
Total	$ 13,158	$ 1,621,950	$ 1,635,108	$ 227,461

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.

	Interest Payable	Principal	Total	Amounts due within one year
City of San Jose Note	$ 27,577	$ 468,540	$ 496,117	$ -
ARCS Note	18,204	3,267,753	3,285,957	109,374
Subtotal	45,781	3,736,293	3,782,074	109,374
Less unamortized permanent loan costs	-	(86,740)	(86,740)	-
Total	$ 45,781	$ 3,649,553	$ 3,695,334	$ 109,374

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%.

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Revenue Bonds 2010 Series A-1 Loan	$ 144,704	$ 13,555,000	$ 13,699,704	$ 1,174,704
Less unamortized permanent loan costs	-	(496,738)	(496,738)	-
Total	$ 144,704	$ 13,058,262	$ 13,202,966	$ 1,174,704

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, Inc. 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 $357,016 in 2017.

	December 31, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
California Municipal Finance Authority (CalMFA)	$ -	$ 22,266,513	$ 22,266,513	$ -

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.

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%.

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.

	December 31, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 37,320	$ 11,337,643	$ 11,374,963	$ 249,584
City of San Jose Note	89,146	3,495,823	3,584,969	289,791
Subtotal	126,466	14,833,466	14,959,932	539,375
Less unamortized permanent loan costs	-	(297,851)	(297,851)	-
Total	$ 126,466	$ 14,535,615	$ 14,662,081	$ 539,375

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.

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
MHP Loan	$ 2,090,921	$ 7,500,000	$ 9,590,921	$ 92,133
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	2,090,921	10,700,000	12,790,921	92,133
Less unamortized permanent loan costs	-	(25,656)	(25,656)	-
Total	$ 2,090,921	$ 10,674,344	$ 12,765,265	$ 92,133

Subsequent Event

In March 2018, the Authority withdrew its three members from the board of Opportunity Center HDC, Inc., which is the general partner of the Opportunity Center Associates L.P. (OPC). The OPC is reported as a discrete component unit of the Authority for the fiscal year 2018. In fiscal year 2019, the OPC will no longer be part of the Authority's financial reporting entity.

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, Inc. 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 November 1, 2049. Capitalized interest was $8,461 in 2017.

	December 31, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
California Municipal Finance Authority (CalMFA)	$ -	$ 1,543,094	$ 1,543,094	$ -

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, 2017, 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.

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
2008 Series A-1 and A-2 Bonds	$ -	$ 13,741,225	$ 13,741,225	$ 553,519
Less unamortized permanent loan costs	-	(212,553)	(212,553)	-
Total	$ -	$ 13,528,672	$ 13,528,672	$ 553,519

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 until 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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 6,294	$ 940,623	$ 946,917	$ 106,412
City of Santa Clara Note	443,566	1,550,000	1,993,566	246,139
Subtotal	449,860	2,490,623	2,940,483	352,551
Less unamortized permanent loan costs	-	(19,667)	(19,667)	-
Total	$ 449,860	$ 2,470,956	$ 2,920,816	$ 352,551

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. On June 1, 2017, California Affordable Housing Fund 2000-1, LLC's limited partner (99.9%) interest was assigned to HACSC Housing Partners, LLC which in turn assigned its interest to Bracher HDC, Inc.

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, 2017			
	Interest Payable	Principal	Total	Amounts due within one year
Series 2005 Bonds	$ 4,246	$ 3,809,000	$ 3,813,246	$ 79,246
LCD Note	1,459	18,600	20,059	20,059
Subtotal	5,705	3,827,600	3,833,305	99,305
Less unamortized permanent loan costs	-	(188,392)	(188,392)	-
Total	$ 5,705	$ 3,639,208	$ 3,644,913	$ 99,305

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SANTA CLARA COUNTY HOUSING AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

Last Four Fiscal Years *

	Fiscal Year Ended June 30,			
	2018	**2017**	**2016**	**2015**
Measurement period	2017	2016	2015	2014
Total pension liability				
Service cost	$ 1,681,600	$ 1,375,763	$ 1,327,942	$ 1,413,145
Interest on the total pension liability	4,010,164	3,735,363	3,522,787	3,356,632
Differences between expected and actual experience	400,225	(187,868)	(539,512)	-
Changes of assumptions	3,588,716	-	(932,527)	-
Benefit payments, including refunds of employee contributions	(2,030,601)	(1,959,484)	(1,856,519)	(2,064,928)
Net change in total pension liability	7,650,104	2,963,774	1,522,171	2,704,849
Total pension liability, beginning	52,271,777	49,308,003	47,785,832	45,080,983
Total pension liability, ending	**$ 59,921,881**	**$ 52,271,777**	**$ 49,308,003**	**$ 47,785,832**
Plan fiduciary net position				
Plan to plan resource movement	$ -	$ -	$ (10)	$ -
Contributions, employer	820,619	772,938	724,610	824,681
Contributions, employee	714,664	680,032	654,082	670,406
Net investment income	6,350,608	268,603	1,237,885	8,433,099
Benefit payments, including refunds of employee contributions	(2,030,601)	(1,959,484)	(1,856,519)	(2,064,928)
Administrative expenses	(84,177)	(34,913)	(64,468)	-
Net change in plan fiduciary net position	5,771,113	(272,824)	695,580	7,863,258
Plan fiduciary net position, beginning	57,013,583	57,286,407	56,590,827	48,727,569
Plan fiduciary net position, ending	**$ 62,784,696**	**$ 57,013,583**	**$ 57,286,407**	**$ 56,590,827**
Plan net pension liability (asset)	**$ (2,862,815)**	**$ (4,741,806)**	**$ (7,978,404)**	**$ (8,804,995)**
Plan fiduciary net position as a percentage of the total pension liability (asset)	**104.8%**	**109.1%**	**116.2%**	**118.4%**
Covered payroll	**$ 10,830,164**	**$ 9,799,581**	**$ 9,296,061**	**$ 9,370,369**
Plan net pension liability (asset) as a percentage of covered payroll	**-26.4%**	**-48.4%**	**-85.8%**	**-94.0%**

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, 2016 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 - In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* 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.

SANTA CLARA COUNTY HOUSING AUTHORITY
Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last Five Fiscal Years *

Miscellaneous Plan	**Fiscal Year Ended June 30,**				
	2018	**2017**	**2016**	**2015**	**2014**
Actuarially determined contributions (ADC)	$ 907,800	$ 821,104	$ 767,798	$ 724,610	$ 824,681
Contributions in relation to the ADC	(11,802,800)	(821,104)	(767,798)	(724,610)	(824,681)
Contribution deficiency (excess)	**$ (10,895,000)**	**$ -**	**$ -**	**$ -**	$ -
Covered payroll	$ 12,060,330	$ 10,830,164	$ 9,799,581	$ 9,296,061	$ 9,370,369
Contributions as a percentage of covered payroll	97.86%	7.58%	7.84%	7.79%	8.80%

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2018 were as follows:

ADC for fiscal year	June 30, 2018
Actuarial valuation date	June 30, 2015
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 five years of information is shown.

SANTA CLARA COUNTY HOUSING AUTHORITY

Required Supplementary Information (Unaudited)

Schedule of Changes in Net OPEB Liability and Related Ratios

Last Fiscal Year *

	Fiscal Year 2018
Measurement period	2017
Total pension liability	
Service cost	$ 237,588
Interest on the total pension liability	730,136
Differences between expected and actual experience	(1,983,828)
Changes of assumptions	2,479,214
Benefit payments, including refunds of employee contributions	(623,707)
Net change in total pension liability	839,403
Total pension liability, beginning	10,923,243
Total pension liability, ending	**$ 11,762,646**
Plan fiduciary net position	
Contributions, employer	$ 1,058,897
Net investment income	663,997
Benefit payments, including refunds of employee contributions	(623,707)
Administrative expenses	(4,907)
Net change in plan fiduciary net position	1,094,280
Plan fiduciary net position, beginning	8,942,824
Plan fiduciary net position, ending	**$ 10,037,104**
Plan net pension liability	**$ 1,725,542**
Plan fiduciary net position as a percentage of the total pension liability	**85.3%**
Covered payroll	**$ 11,058,300**
Plan net pension liability as a percentage of covered payroll	**15.6%**

Note to schedule:

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only one year of information is shown.

SANTA CLARA COUNTY HOUSING AUTHORITY
Required Supplementary Information (Unaudited)
Schedule of OPEB Contributions
Last Fiscal Year *

OPEB Plan

Fiscal year ended June	**2018**
Actuarially determined contributions (ADC)	$ 594,813
Contributions in relation to the ADC	(3,181,037)
Contribution deficiency (excess)	**$ (2,586,224)**
Covered payroll	$ 12,060,330
Contributions as a percentage of covered payroll	26.38%

See note 13 to the basic financial statements for the actuarial methods and assumptions used to set the actuarially determined contributions the fiscal year ended June 30, 2018.

* Fiscal year ended June 30, 2018 was the first year of implementation of GASB Statement No. 75, therefore only one year of information is shown.

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position - Discretely Presented Component Units
December 31, 2017

	Bascom HACSC Associates (1)	Bendorf 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)
Assets:											
Current assets:											
Cash:											
Unrestricted	$ 510,456	$ 403,876	$ 178,373	$ 483,877	$ 1,744,765	$ 1,718,932	$ 513,144	$ 162,000	$ 202,330	$ 479,923	$ 520,316
Tenant security deposits	61,201	41,063	12,997	50,699	239,745	107,463	38,645	44,410	1,800	40,050	58,222
Total cash	571,657	444,939	191,370	534,576	1,984,510	1,826,395	551,789	206,410	204,130	519,973	578,538
Accounts receivable:											
Tenants	-	12,933	581	23	8,771	4,894	1,377	907	-	-	7,488
HUD	-	24	807	3,629	6,086	1,885	4,728	-	-	-	14
Others	714	7,529	1,903	1,723	5,291	-	1,949	-	656	1,700	-
Total accounts receivable, net	714	20,486	3,291	5,375	20,148	6,779	8,054	907	656	1,700	7,502
Prepaid expenses	31,783	26,735	11,154	24,101	107,742	83,647	64,473	12,695	1,652	20,724	15,364
Restricted cash and cash equivalents	1,452,210	2,252,878	78,324	814,939	1,692,473	2,519,931	1,808,261	1,587,154	21,011	69,080	781,915
Total current assets	2,056,364	2,745,038	284,139	1,378,991	3,804,873	4,436,752	2,432,577	1,807,166	227,449	611,477	1,383,319
Noncurrent assets:											
Prepaid costs, net	-	46,162	-	30,225	42,685	48,685	-	-	-	-	-
Capital assets:											
Nondepreciable	4,062,833	3,785,006	1,697,718	231,491	40,077	-	3,818,724	2,612,715	-	1,524,051	2,768,902
Depreciable	8,764,018	33,042,759	2,336,651	20,828,612	52,604,270	27,849,955	10,481,478	7,643,029	2,351,777	2,994,883	4,458,700
Total capital assets	12,826,851	36,827,765	4,034,369	21,060,103	52,644,347	27,849,955	14,300,202	10,255,744	2,351,777	4,518,934	7,227,602
Total noncurrent assets	12,826,851	36,873,927	4,034,369	21,090,328	52,687,032	27,898,640	14,300,202	10,255,744	2,351,777	4,518,934	7,227,602
Total assets	14,883,215	39,618,965	4,318,508	22,469,319	56,491,905	32,335,392	16,732,779	12,062,910	2,579,226	5,130,411	8,610,921
Liabilities:											
Current liabilities:											
Accounts payable	32,204	75,524	28,155	52,020	1,268,087	458,880	49,200	68,422	13,057	31,756	34,073
Payable to related parties	7,500	-	-	5,464	269,144	396,783	5,000	5,000	34,603	-	539,655
Due to primary government	16,055	1,076	120,933	413,094	13,487	21,999	34,719	29,194	194,569	101,775	-
Tenant security deposits	61,198	41,063	12,996	50,699	237,925	106,296	38,645	44,410	1,800	40,050	58,214
Unearned revenues	491	5,952	2,885	1,435	5,601	4,108	566	1,587	-	-	1,694
Interest payable	567,551	381,684	92,405	17,637	106,506	55,550	647,138	201,332	-	13,158	18,204
Current portion of long-term obligations	95,000	169,763	95,922	316,575	284,330	440,000	135,000	105,000	-	214,303	91,170
Total current liabilities	779,999	675,062	353,296	856,924	2,185,080	1,483,616	910,268	454,945	244,029	401,042	743,010
Noncurrent liabilities:											
Interest payable, net of current portion	1,422,540	773,648	1,078,351	-	3,367,103	427,082	1,144,085	1,621,617	-	-	27,577
Long-term obligations, net of current portion	12,109,530	15,084,903	2,325,740	5,372,102	38,990,248	19,585,310	15,044,907	10,672,007	-	1,407,647	3,558,383
Other noncurrent liabilities	-	13,113	-	-	-	-	-	-	-	-	-
Advance from primary government	-	12,046,710	-	7,684,157	-	-	-	-	2,315,430	-	624,835
Total liabilities	14,312,069	28,593,436	3,757,387	13,913,183	44,542,431	21,496,008	17,099,260	12,748,569	2,559,459	1,808,689	4,953,805
Net position:											
Net investment in capital assets	622,321	10,490,352	1,612,707	7,563,955	13,369,769	7,824,645	(879,705)	(521,263)	(169,841)	2,896,984	3,578,049
Restricted	1,452,210	2,252,878	78,324	814,939	1,692,473	2,519,931	1,808,261	1,587,154	21,011	69,080	781,915
Unrestricted (deficits)	(1,503,385)	(1,717,701)	(1,129,910)	177,242	(3,112,768)	494,808	(1,295,037)	(1,751,550)	168,597	355,658	(702,848)
Total net position	$ 571,146	$ 11,025,529	$ 561,121	$ 8,556,136	$ 11,949,474	$ 10,839,384	$ (366,481)	$ (685,659)	$ 19,767	$ 3,321,722	$ 3,657,116

(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)

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position - Discretely Presented Component Units
December 31, 2017

	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
Assets:											
Current assets:											
Cash:											
Unrestricted	$ 3,158,449	$ 168,532	$ 205,211	$ 206,471	$ 162,789	$ 227,641	$ 1,782,807	$ 344,945	$ 379,730	$ -	$ 13,554,567
Tenant security deposits	160,303	-	88,875	28,700	-	6,000	66,864	28,789	20,020	-	1,095,846
Total cash	3,318,752	168,532	294,086	235,171	162,789	233,641	1,849,671	373,734	399,750	-	14,650,413
Accounts receivable:											
Tenants	9,081	-	52	6,704	-	-	99,625	1,073	-	-	153,509
HUD	38,404	-	685	-	-	-	-	-	139	-	56,401
Others	14,460	80,629	232,092	193,959	168,910	600	991	-	-	-	713,106
Total accounts receivable, net	61,945	80,629	232,829	200,663	168,910	600	100,616	1,073	139	-	923,016
Prepaid expenses	55,559	-	30,659	11,585	-	921	63,698	7,542	40,095	-	610,129
Restricted cash and cash equivalents	3,341,890	-	605,649	558,481	-	12,606	2,180,967	44,001	553,091	-	20,374,861
Total current assets	6,778,146	249,161	1,163,223	1,005,900	331,699	247,768	4,194,952	426,350	993,075	-	36,558,419
Noncurrent assets:											
Prepaid costs, net	80,562	-	64,000	-	-	-	22,062	-	1,227,394	-	1,561,775
Capital assets:											
Nondepreciable	-	32,114,419	1,506,600	1,997,041	16,127,403	-	-	1,857,880	-	(946,255)	73,198,605
Depreciable	62,397,282	-	38,485,522	11,752,253	-	1,411,048	33,365,583	2,648,427	1,366,267	(19,553,383)	305,229,131
Total capital assets	62,397,282	32,114,419	39,992,122	13,749,294	16,127,403	1,411,048	33,365,583	4,506,307	1,366,267	(20,499,638)	378,427,736
Total noncurrent assets	62,477,844	32,114,419	40,056,122	13,749,294	16,127,403	1,411,048	33,387,645	4,506,307	2,593,661	(20,499,638)	379,989,511
Total assets	69,255,990	32,363,580	41,219,345	14,755,194	16,459,102	1,658,816	37,582,597	4,932,657	3,586,736	(20,499,638)	416,547,930
Liabilities:											
Current liabilities:	-										
Accounts payable	288,573	1,783,950	69,071	313,268	327,741	7,772	89,981	23,311	25,908	-	5,040,953
Payable to related parties	19,418	-	-	-	-	34,602	12,668	-	2,375	-	1,332,212
Due to primary government	2,594,128	-	1,157,462	29,564	-	223,857	1,484,950	60,693	189,781	-	6,687,336
Tenant security deposits	160,300	-	88,869	28,700	-	6,000	66,475	28,787	20,017	-	1,092,444
Unearned revenues	12,068	-	5,730	52,560	-	-	1,720	1,279	174	-	97,850
Interest payable	144,704	-	126,466	92,133	-	-	-	252,433	5,705	-	2,722,606
Current portion of long-term obligations	1,030,000	-	412,909	86,143	-	-	553,519	100,118	93,600	-	4,223,352
Total current liabilities	4,249,191	1,783,950	1,860,507	602,368	327,741	272,231	2,209,313	466,621	337,560	-	21,196,753
Noncurrent liabilities:						-					
Interest payable, net of current portion	-	-	-	1,998,788	-	-	-	197,427	-	-	12,058,218
Long-term obligations, net of current portion	12,028,262	22,266,513	14,122,706	10,588,201	1,543,094	-	12,975,153	2,370,838	3,545,608	-	203,591,152
Other noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	13,113
Advance from primary government	25,628,760	5,186,919	10,824,475	-	12,178,333	1,254,510	16,620,551	-	-	-	94,364,680
Total liabilities	41,906,213	29,237,382	26,807,688	13,189,357	14,049,168	1,526,741	31,805,017	3,034,886	3,883,168	-	331,223,916
Net position:											
Net investment in capital assets	26,536,170	5,220,587	15,109,860	3,074,950	3,124,768	148,155	4,166,911	2,035,351	(2,272,941)	(20,499,638)	83,032,146
Restricted	3,341,890	-	605,649	558,481	-	12,606	2,180,967	44,001	553,091	-	20,374,861
Unrestricted (deficits)	(2,528,283)	(2,094,389)	(1,303,852)	(2,067,594)	(714,834)	(28,686)	(570,298)	(181,581)	1,423,418	-	(18,082,993)
Total net position	$ 27,349,777	$ 3,126,198	$ 14,411,657	$ 1,565,837	$ 2,409,934	$ 132,075	$ 5,777,580	$ 1,897,771	$ (296,432)	$ (20,499,638)	$ 85,324,014

(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.

SANTA CLARA COUNTY HOUSING AUTHORITY
(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, 2017

	Bascom HACSC Associates (1)	Bendorf 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	$ 1,638,983	$ 1,836,005	$ 722,565	$ 1,621,461	$ 5,536,817	$ 3,866,961	$ 1,771,859	$ 1,227,012	$ 273,120	$ 1,177,580	$ 1,554,085
Tenant revenue - other	-	19,609	-	10,332	8,129	-	29,438	38,337	-	-	-
Donation and other	7,274	775	8,777	17,325	25,169	16,844	826	-	17,790	139,837	20,145
Total operating revenues	1,646,257	1,856,389	731,342	1,649,118	5,570,115	3,883,805	1,802,123	1,265,349	290,910	1,317,417	1,574,230
Operating expenses:											
Administrative	256,200	268,356	154,270	310,607	82,139	55,563	235,930	188,375	66,244	206,890	258,775
Utilities	135,014	103,533	70,288	71,191	478,346	224,286	124,134	140,597	12,725	125,321	96,740
Maintenance and operations	235,585	200,648	136,240	216,772	586,131	116,277	262,177	310,558	37,728	229,443	125,935
Marketing and leasing	-	552	-	1,219	-	266	-	-	-	-	-
Insurance and taxes	73,265	76,950	99,063	65,944	175,638	65,619	99,569	58,054	7,229	121,495	91,944
Other general expenses	-	-	-	-	243,897	348,700	-	-	39		-
Depreciation and amortization	398,649	1,020,266	146,275	642,145	1,984,193	1,028,720	550,732	391,065	142,188	328,387	228,055
Total operating expenses	1,098,713	1,670,305	606,136	1,307,878	3,550,344	1,839,431	1,272,542	1,088,649	266,153	1,011,536	801,449
Operating income (loss)	547,544	186,084	125,206	341,240	2,019,771	2,044,374	529,581	176,700	24,757	305,881	772,781
Nonoperating revenues (expenses):											
Investment income	31,490	6,021	35	834	8,116	1,136	40,892	32,535	5	420	246
Interest expense	(562,053)	(1,182,792)	(116,536)	(416,357)	(1,965,057)	(1,003,150)	(658,457)	(455,410)	(441)	(109,063)	(237,755)
Partnership and asset management fees	(22,500)	(13,113)	(10,000)	(5,464)	(60,954)	(244,102)	(20,000)	(20,000)	-	(15,000)	(10,000)
Ground lease	-	-	-	-	(1,684,937)	(604,470)	-	-	-	-	-
Incentive, issuer and investor service fees	-	-	-	-	(120,550)	(209,111)	(18,588)	(13,081)	-	-	-
Bond and loan fees	(24,201)	-		(8,000)	-	(35,496)	(10,808)	(9,542)	-	(4,338)	(3,094)
Other nonoperating revenue (expense), net	-	-	-	-	(4,425)	-	-	-	-	-	-
Total nonoperating revenues (expenses)	(577,264)	(1,189,884)	(126,501)	(428,987)	(3,827,807)	(2,095,193)	(666,961)	(465,498)	(436)	(127,981)	(250,603)
Income (loss) before capital contributions	(29,720)	(1,003,800)	(1,295)	(87,747)	(1,808,036)	(50,819)	(137,380)	(288,798)	24,321	177,900	522,178
Capital contributions (distributions)	-	-	-	-	(24,517)	(32,389)	-	-	-	-	-
Change in net position	(29,720)	(1,003,800)	(1,295)	(87,747)	(1,832,553)	(83,208)	(137,380)	(288,798)	24,321	177,900	522,178
Net position, beginning 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
Net position, ending of year	$ 571,146	$ 11,025,529	$ 561,121	$ 8,556,136	$ 11,949,474	$ 10,839,384	$ (366,481)	$ (685,659)	$ 19,767	$ 3,321,722	$ 3,657,116

(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)

SANTA CLARA COUNTY HOUSING AUTHORITY
(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, 2017

	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	$ 7,607,950	$ -	$ 2,023,431	$ 1,233,834	$ -	$ 225,462	$ 4,380,308	$ 913,863	$ 800,607	$ -	$ 38,411,903
Tenant revenue - other	-	-	34,506	-	-	-	-	-	-	-	140,351
Donation and other	52,992	1,418	41,224	26,325	1,267	60,257	29,221	3,559	10,309	-	481,334
Total operating revenues	7,660,942	1,418	2,099,161	1,260,159	1,267	285,719	4,409,529	917,422	810,916	-	39,033,588
Operating expenses:											
Administrative	924,554	-	279,032	390,763	-	56,273	492,961	191,659	142,070	-	4,560,661
Utilities	482,511	-	185,672	134,775	-	9,479	325,820	78,315	82,394	-	2,881,141
Maintenance and operations	751,191	-	255,856	338,691	-	21,998	267,787	119,535	96,810	-	4,309,362
Marketing and leasing	9,307	-	2,704	-	-	-	-	-	-	-	14,048
Insurance and taxes	211,788	-	128,237	117,899	-	4,540	101,925	51,812	53,288	-	1,604,259
Other general expenses	-	2,295	-	-	1,227	33	-	-	-	-	596,191
Depreciation and amortization	2,110,949	-	1,090,538	430,562	-	85,312	1,097,402	149,307	144,221	-	11,968,966
Total operating expenses	4,490,300	2,295	1,942,039	1,412,690	1,227	177,635	2,285,895	590,628	518,783	-	25,934,628
Operating income (loss)	3,170,642	(877)	157,122	(152,531)	40	108,084	2,123,634	326,794	292,133	-	13,098,960
Nonoperating revenues (expenses):											
Investment income	8,531	441	358	787	910	3	3,437	29	446	-	136,672
Interest expense	(1,850,726)	-	(814,143)	(225,583)	-	(316)	(1,674,959)	(134,360)	(56,485)	-	(11,463,643)
Partnership and asset management fees	(58,252)	-	(30,000)	(28,211)	-	-	(38,003)	(15,000)	(49,950)	-	(640,549)
Ground lease	(6)	-	-	-	-	-	-	-	(30,685)	-	(2,320,098)
Incentive, issuer and investor service fees	(161,821)	-	-	-	-	-	(92,620)	-	(25,000)	-	(640,771)
Bond and loan fees	(215,412)	-	(21,393)	(3,000)	-	-	(12,668)	-	(56,947)	-	(404,899)
Other nonoperating revenue (expense), net	(19,418)	-	-	-	-	-	-	-	-	-	(23,843)
Total nonoperating revenues (expenses)	(2,297,104)	441	(865,178)	(256,007)	910	(313)	(1,814,813)	(149,331)	(218,621)	-	(15,357,131)
Income (loss) before capital contributions	873,538	(436)	(708,056)	(408,538)	950	107,771	308,821	177,463	73,512	-	(2,258,171)
Capital contributions (distributions)	(282,597)	-	(2,500)	-	100	-	(236,762)	-	-	-	(578,665)
Change in net position	590,941	(436)	(710,556)	(408,538)	1,050	107,771	72,059	177,463	73,512	-	(2,836,836)
Net position, beginning 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
Net position, ending of year	$ 27,349,777	$ 3,126,198	$ 14,411,657	$ 1,565,837	$ 2,409,934	$ 132,075	$ 5,777,580	$ 1,897,771	$ (296,432)	$ (20,499,638)	$ 85,324,014

(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.

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position by Programs
For the Year Ended June 30, 2018

	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
Assets:											
Current assets:											
Unrestricted cash and cash equivalents	$ 18,290	$ 140	$ -	$ 2,078	$ 88,417	$ 195,136	$ 4,204	$ 258,679	$ 215,462	$ 20,463	$ 108,789
Unrestricted short term investments	-	8,951	-	-	-	-	6,069,519	-	-	-	-
Accounts receivable:											
Tenants	-	-	-	-	-	-	-	-	-	-	-
HUD	-	-	-	122,021	-	-	-	56,208,577	3,124	4,501	-
Others	-	-	-	-	-	-	-	329,649	-	62	716
Interest receivable	-	-	-	-	-	-	26,664	-	-	-	-
Due from other programs	-	-	-	18,632	907,776	15,783	41,140	352,335	558	-	110,546
Due from component units and related parties	-	-	-	-	33,130	-	-	-	-	-	153,479
Prepaid expenses	2,241	-	-	-	92,215	-	-	684,845	-	-	32,216
Restricted cash and cash equivalents	400	-	-	-	-	607,901	-	8,100	-	-	9,728
Restricted cash in FSS escrow	-	-	-	-	717,753	21,127	-	-	-	-	-
Total current assets	20,931	9,091	-	142,731	1,839,291	839,947	6,141,527	57,842,185	219,144	25,026	415,474
Noncurrent assets:											
Long term investments	-	-	-	-	-	-	-	-	-	-	-
Long-term receivables from non-related parties	-	-	-	-	-	-	-	-	-	-	-
Long-term receivables from component units and related parties	-	1,961,333	-	-	1,614,893	-	59,646,559	9,236,744	-	-	513
Net pension asset	-	-	-	-	2,335,280	(40,110)	-	-	14,231	-	233,266
Equity interest in affiliated limited partnerships	-	-	-	-	-	-	-	-	-	-	-
Deposits in escrow	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	4,301,829	-	-	295,422
Capital assets:											
Nondepreciable	391,907	-	-	-	3,959,739	-	5,333,062	42,459,000	-	-	-
Depreciable	522,618	-	-	-	508,404	-	-	-	-	-	-
Total capital assets	914,525	-	-	-	4,468,143	-	5,333,062	42,459,000	-	-	-
Total noncurrent assets	914,525	1,961,333	-	-	8,418,316	(40,110)	64,979,621	55,997,573	14,231	-	529,201
Total assets	935,456	1,970,424	-	142,731	10,257,607	799,837	71,121,148	113,839,758	233,375	25,026	944,675
Deferred outflows of resources:											
Pension items	-	-	-	-	13,318,646	409,020	-	-	37,698	-	1,028,097
Other post employment benefits (OPEB) items	-	-	-	-	4,500,020	166,040	-	-	9,191	-	321,932
Total deferred outflows of resources	-	-	-	-	17,818,666	575,060	-	-	46,889	-	1,350,029

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position by Programs
For the Year Ended June 30, 2018

	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
Liabilities:											
Current liabilities:											
Accounts payable	3,369	-	-	24,053	133,046	14,708	-	57,619	2,511	-	12,747
Accrued wages and benefits	164	-	-	3,025	261,573	7,998	-	-	319	-	21,732
Accrued interest payable	-	-	-	-	2,676	-	-	-	-	-	-
Intergovernmental payable	-	-	-	-	-	7,736	-	43,740	12,384	-	-
Due to other programs	2,809	-	-	111,839	725,392	374,827	-	500,000	24,951	25,026	952,144
Due to component units and related parties	-	-	-	-	-	-	-	-	-	-	4,416
Other accrued liabilities	-	-	-	-	108	6	-	-	-	-	9,782
Tenant security deposits	400	-	-	-	-	-	-	8,100	-	-	-
Unearned revenue	-	-	-	-	-	-	-	18	-	-	-
Current portion of accrued vacation and sick leave	-	-	-	571	79,473	2,531	-	-	109	-	5,238
Current portion of long-term debt	-	-	-	-	20,000	-	-	-	-	-	-
Total current liabilities	6,742	-	-	139,488	1,222,268	407,806	-	609,477	40,274	25,026	1,006,059
FSS escrow	-	-	-	-	717,753	21,127	-	-	-	-	-
Accrued vacation and sick leave, net of current portion	-	-	-	3,243	480,279	15,214	-	-	652	-	31,187
Payable to component units and related parties, net of current portion	-	-	-	-	-	-	-	-	-	-	-
Other obligations, net of current portion	-	-	-	-	-	-	-	-	-	-	-
Long-term interest payable	-	-	-	-	614,158	-	-	-	-	-	-
Long-term obligations, net of current portion	2,650	-	-	-	952,500	-	-	-	-	-	-
Net OPEB liability	-	-	-	-	1,453,128	79,641	-	-	6,467	-	85,600
Total liabilities	9,392	-	-	142,731	5,440,086	523,788	-	609,477	47,393	25,026	1,122,846
Deferred inflows of resources:											
Pension items	-	-	-	-	625,103	24,512	-	-	2,740	-	43,461
OPEB items	-	-	-	-	1,485,790	81,695	-	-	6,611	-	81,367
Total deferred inflows of resources	-	-	-	-	2,110,893	106,207	-	-	9,351	-	124,828
Net position:											
Net investment in capital assets	914,525	-	-	-	3,495,643	-	5,333,062	42,459,000	-	-	-
Restricted	-	-	-	-	-	254,439	-	-	-	-	9,728
Unrestricted	11,539	1,970,424	-	-	17,029,651	490,463	65,788,086	70,771,281	223,520	-	1,037,302
Total net position	$ 926,064	$ 1,970,424	$ -	$ -	$ 20,525,294	$ 744,902	$ 71,121,148	$ 113,230,281	$ 223,520	$ -	$ 1,047,030

(Continued)

(1) Component units were audited by other auditors.
(2) As of December 31, 2017

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position by Programs (Continued)
For the Year Ended June 30, 2018

	Development Services	Acquisition Development	Non-Federal Pooled Funds	Facilities Consolidation	HARA	Preservation Programs	Internal Service Programs	Blended Component Units (1)(2)	Elimination/ Reclassification	Total
Assets:										
Current assets:										
Unrestricted cash and cash equivalents	$ 740,157	$ 171,786	$ 1,411,904	$ -	$ 600,362	$ 24,462	$ 586,395	$ 8,048,609	$ -	$ 12,495,333
Unrestricted short term investments	-	-	1,505,487	-	42,074,598	-	-	-	-	49,658,555
Accounts receivable:										
Tenants	-	-	-	-	-	-	-	4,922	-	4,922
HUD	-	-	-	-	-	-	-	-	-	56,338,223
Others	-	-	-	-	34,226	1,325	12	60,105	-	426,095
Interest receivable	-	-	6,617	-	183,675	-	-	-	-	216,956
Due from other programs	925,415	-	-	-	2,017,537	-	891,336	-	(5,281,058)	-
Due from component units and related parties	-	-	-	-	3,755	-	-	1,379,754	(29,073)	1,541,045
Prepaid expenses	34,959	-	-	-	200	-	127,233	171,809	(749,646)	396,072
Restricted cash and cash equivalents	-	-	-	-	590,529	-	-	5,331,403	-	6,548,061
Restricted cash in FSS escrow	-	-	-	-	-	-	-	-	-	738,880
Total current assets	1,700,531	171,786	2,924,008	-	45,504,882	25,787	1,604,976	14,996,602	(6,059,777)	128,364,142
Noncurrent assets:										
Long term investments	-	-	-	-	19,433,510	-	-	-	-	19,433,510
Long-term receivables from non-related parties	-	5,684,929	-	-	-	-	-	-	-	5,684,929
Long-term receivables from component units and related parties	5,627	10,666,422	4,756	-	-	51,240,054	-	28,116,398	(41,629,159)	120,864,140
Net pension asset	320,148	-	-	-	-	-	-	-	-	2,862,815
Equity interest in affiliated limited partnerships	-	-	-	-	-	-	-	8,503,496	-	8,503,496
Deposits in escrow	-	-	-	-	-	3,350	-	-	-	3,350
Other assets	328,358	-	-	-	-	-	-	-	(4,925,609)	-
Capital assets:										
Nondepreciable	-	168,717	-	-	1,844,411	559,697	12,514	50,449,356	-	105,178,403
Depreciable	-	-	-	-	5,294,803	-	219,892	33,864,772	-	40,410,489
Total capital assets	-	168,717	-	-	7,139,214	559,697	232,406	84,314,128	-	145,588,892
Total noncurrent assets	654,133	16,520,068	4,756	-	26,572,724	51,803,101	232,406	120,934,022	(46,554,768)	302,941,132
Total assets	2,354,664	16,691,854	2,928,764	-	72,077,606	51,828,888	1,837,382	135,930,624	(52,614,545)	431,305,274
Deferred outflows of resources:										
Pension items	1,007,702	-	-	-	-	-	-	-	-	15,801,163
Other post employment benefits (OPEB) items	336,859	-	-	-	-	-	-	-	-	5,334,042
Total deferred outflows of resources	1,344,561	-	-	-	-	-	-	-	-	21,135,205

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position by Programs (Continued)
For the Year Ended June 30, 2018

	Development Services	Acquisition Development	Non-Federal Pooled Funds	Facilities Consolidation	HARA	Preservation Programs	Internal Service Programs	Blended Component Units (1)(2)	Elimination/ Reclassification	Total
Liabilities:										
Current liabilities:										
Accounts payable	27,020	-	28,649	-	52,920	8,805	220,676	424,162	-	1,010,285
Accrued wages and benefits	41,086	-	-	-	-	-	203,836	-	-	539,733
Accrued interest payable	-	-	-	-	-	-	-	1,092,860	-	1,095,536
Intergovernmental payable	-	-	-	-	-	-	-	-	-	63,860
Due to other programs	48,260	503,768	-	-	1,219,650	-	792,392	-	(5,281,058)	-
Due to component units and related parties	-	-	-	-	-	-	-	396,572	(72,550)	328,438
Other accrued liabilities	60	-	-	-	-	-	-	112,897	-	122,853
Tenant security deposits	-	-	-	-	-	-	-	382,842	-	391,342
Unearned revenue	-	-	-	-	1,992,383	-	-	16,100	(749,646)	1,258,855
Current portion of accrued vacation and sick leave	9,260	-	-	-	-	-	85,343	-	-	182,525
Current portion of long-term debt	-	-	-	-	-	-	-	722,477	-	742,477
Total current liabilities	125,686	503,768	28,649	-	3,264,953	8,805	1,302,247	3,147,910	(6,103,254)	5,735,904
FSS escrow	-	-	-	-	-	-	-	-	-	738,880
Accrued vacation and sick leave, net of current portion	58,143	-	-	-	-	-	512,723	-	-	1,101,441
Payable to component units and related parties, net of current portion	-	-	-	-	-	-	-	41,630,780	(41,585,682)	45,098
Other obligations, net of current portion	-	-	-	-	4,925,609	-	-	-	(4,925,609)	-
Long-term interest payable	-	-	-	-	-	-	-	13,234,516	-	13,848,674
Long-term obligations, net of current portion	-	-	-	-	-	-	-	61,459,909	-	62,415,059
Net OPEB liability	100,706	-	-	-	-	-	-	-	-	1,725,542
Total liabilities	284,535	503,768	28,649	-	8,190,562	8,805	1,814,970	119,473,115	(52,614,545)	85,610,598
Deferred inflows of resources:										
Pension items	38,159	-	-	-	-	-	-	-	-	733,975
OPEB items	105,468	-	-	-	-	-	-	-	-	1,760,931
Total deferred inflows of resources	143,627	-	-	-	-	-	-	-	-	2,494,906
Net position:										
Net investment in capital assets	-	168,717	-	-	7,139,214	559,697	232,406	22,131,742	-	82,434,006
Restricted	-	-	-	-	590,529	-	-	4,948,561	-	5,803,257
Unrestricted	3,271,063	16,019,369	2,900,115	-	56,157,301	51,260,386	(209,994)	(10,622,794)	-	276,097,712
Total net position	$ 3,271,063	$ 16,188,086	$ 2,900,115	$ -	$ 63,887,044	$ 51,820,083	$ 22,412	$ 16,457,509	$ -	$ 364,334,975

(1) Component units were audited by other auditors.
(2) As of December 31, 2017

SANTA CLARA COUNTY HOUSING AUTHORITY
(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, 2018

	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
Operating revenues:											
Rental income	$ 19,200	$ -	$ -	$ -	$ -	$ -	$ -	$ 28,008	$ -	$ -	$ -
Service fees	-	-	-	-	-	-	-	-	-	-	55,468
Housing assistance payments earned	-	-	-	-	-	18,363,246	-	318,810,055	1,197,528	90,522	-
HUD administrative fees	-	-	-	-	-	1,059,198	-	15,572,583	109,633	1,100	-
FSS coordinator fees	-	-	-	359,939	-	-	-	-	-	-	-
Operating subsidy	-	-	-	-	-	-	-	14,170	-	-	-
Other operating revenues	347	-	-	-	658,203	-	254,448	76,315	-	-	532,207
Total operating revenues	19,547	-	-	359,939	658,203	19,422,444	254,448	334,501,131	1,307,161	91,622	587,675
Operating expenses:											
Wages and benefits	3,055	-	-	-	8,112,154	401,014	-	315	10,632	1,095	605,018
Pension and OPEB expense	-	-	-	-	1,658,397	90,747	-	-	7,379	-	101,008
Administrative	846	-	-	-	803,624	38,072	103,287	6	4,565	-	98,295
Tenant services	2,425	-	-	359,939	44,232	-	-	-	-	-	-
Utilities	5,865	-	-	-	-	-	-	18,625	-	-	4,600
Maintenance and operations	22,860	-	-	-	-	-	-	74,250	-	-	6,623
General	4,392	-	-	-	100,214	3,165	-	199	140	-	6,217
Indirect allocation	-	-	-	-	7,194,050	395,587	-	-	32,087	-	413,416
Depreciation and amortization	27,859	-	-	-	50,607	-	-	-	-	-	-
Housing assistance payments	-	-	-	-	282,352,670	18,915,102	-	-	1,197,528	90,394	-
Other	6,248	-	-	-	803,773	176,781	-	3,100	2,418	-	38,724
Total operating expenses	73,550	-	-	359,939	301,119,721	20,020,468	103,287	96,495	1,254,749	91,489	1,273,901
Operating income (loss)	(54,003)	-	-	-	(300,461,518)	(598,024)	151,161	334,404,636	52,412	133	(686,226)
Nonoperating revenues (expenses):											
Investment income	-	85,506	-	-	-	-	2,158,172	378,396	-	-	-
Interest expense	-	-	-	-	(38,900)	-	-	-	-	-	-
Total nonoperating revenues (expenses)	-	85,506	-	-	(38,900)	-	2,158,172	378,396	-	-	-
Income (loss) before transfers	(54,003)	85,506	-	-	(300,500,418)	(598,024)	2,309,333	334,783,032	52,412	133	(686,226)
Transfers in	23,145	-	56,813	-	312,144,109	1,084,961	-	11,919,075	-	106,179	647,544
Transfers out	-	-	(243,546)	-	(389,676)	-	(474,713)	(374,268,054)	-	(238,899)	-
Change in net position	(30,858)	85,506	(186,733)	-	11,254,015	486,937	1,834,620	(27,565,947)	52,412	(132,587)	(38,682)
Net position, beginning of year, as previously reported	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
Change in accounting principle	-	-	-	-	(1,858,401)	(42,339)	-	-	(3,447)	-	(67,259)
Net position, beginning of year, as restated	956,922	1,884,918	186,733	-	9,271,279	257,965	69,286,528	140,796,228	171,108	132,587	1,085,712
Net position, end of year	$ 926,064	$ 1,970,424	$ -	$ -	$ 20,525,294	$ 744,902	$ 71,121,148	$ 113,230,281	$ 223,520	$ -	$ 1,047,030

(Continued)

(1) Component units were audited by other auditors.
(2) For the year ended December 31, 2017

SANTA CLARA COUNTY HOUSING AUTHORITY
(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, 2018

	Development Services	Acquisition Development	Non-Federal Pooled Funds	HARA	Preservation Programs	Internal Service Programs	Blended Component Units (1)(2)	Elimination/ Reclassification	Total
Operating revenues:									
Rental income	$ -	$ -	$ -	$ 651,653	$ -	$ -	$ 8,765,797	$ (651,653)	$ 8,813,005
Service fees	-	-	-	-	-	8,494,210	304,997	(8,494,210)	360,465
Housing assistance payments earned	-	-	-	-	-	-	-	-	338,461,351
HUD administrative fees	-	-	-	-	-	-	-	-	16,742,514
FSS coordinator fees	-	-	-	-	-	-	-	-	359,939
Operating subsidy	-	-	-	-	-	-	-	-	14,170
Other operating revenues	1,035,867	-	86,042	79,243	-	(750)	2,667,345	-	5,389,267
Total operating revenues	1,035,867	-	86,042	730,896	-	8,493,460	11,738,139	(9,145,863)	370,140,711
Operating expenses:									
Wages and benefits	1,045,312	-	-	-	-	5,886,487	701,240	-	16,766,322
Pension and OPEB expense	113,584	-	-	-	-	-	-	-	1,971,115
Administrative	65,817	-	5,141	1,247	(350)	694,309	308,169	-	2,123,028
Tenant services	-	-	-	-	-	-	193,324	-	599,920
Utilities	-	-	-	-	-	159,108	846,216	-	1,034,414
Maintenance and operations	-	-	-	-	-	285,801	1,332,584	-	1,722,118
General	23,126	-	85,097	95,960	-	95,649	880,652	-	1,294,811
Indirect allocation	459,070	-	-	-	-	-	-	(8,494,210)	-
Depreciation and amortization	-	-	-	364,630	-	76,730	2,270,174	-	2,790,000
Housing assistance payments	-	-	-	-	-	-	-	-	302,555,694
Other	2	-	-	323,880	32,883	1,368,229	2,195,144	(651,653)	4,299,529
Total operating expenses	1,706,911	-	90,238	785,717	32,533	8,566,313	8,727,503	(9,145,863)	335,156,951
Operating income (loss)	(671,044)	-	(4,196)	(54,821)	(32,533)	(72,853)	3,010,636	-	34,983,760
Nonoperating revenues (expenses):									
Investment income	8,663	343,975	12,104	410,204	31,736	-	856,010	-	4,284,766
Interest expense	-	-	-	-	-	-	(2,890,740)	-	(2,929,640)
Total nonoperating revenues (expenses)	8,663	343,975	12,104	410,204	31,736	-	(2,034,730)	-	1,355,126
Income (loss) before transfers	(662,381)	343,975	7,908	355,383	(797)	(72,853)	975,906	-	36,338,886
Transfers in	-	11,593,243	-	-	50,239,238	72,045	-	(387,886,352)	-
Transfers out	-	(11,568,243)	-	(230,677)	(472,544)	-	-	387,886,352	-
Change in net position	(662,381)	368,975	7,908	124,706	49,765,897	(808)	975,906	-	36,338,886
Net position, beginning of year, as previously reported	4,022,137	15,819,111	2,892,207	63,762,338	2,054,186	441,171	15,481,603	-	330,474,179
Change in accounting principle	(88,693)	-	-	-	-	(417,951)	-	-	(2,478,090)
Net position, beginning of year, as restated	3,933,444	15,819,111	2,892,207	63,762,338	2,054,186	23,220	15,481,603	-	327,996,089
Net position, end of year	$ 3,271,063	$ 16,188,086	$ 2,900,115	$ 63,887,044	$ 51,820,083	$ 22,412	$ 16,457,509	$ -	$ 364,334,975

(1) Component units were audited by other auditors.
(2) For the year ended December 31, 2017

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position - Blended Component Units
December 31, 2017

	AE Associates, Ltd. (1)	Alvarado Park LP	Avenida Espana HDC, Inc. (1)	Bellarmino Place LP	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)
Assets:										
Current assets:										
Cash and cash equivalents	$ 157,924	$ -	$ 806,960	$ -	$ 251,879	$ 20,394	$ 23,296	$ 577,100	$ 1,389	$ -
Accounts receivable:										
Tenants	815	-	-	-	216	-	-	3,876	11	-
Others	4,625	-	-	-	38,491	-	-	-	-	-
Due from component units and related parties	-	-	441,560	-	-	30,329	45,000	-	-	29,564
Prepaid expenses	33,625	-	-	-	32,363	-	780	42,988	3,221	-
Restricted cash and cash equivalents	388,119	-	-	-	2,955,542	-	-	1,423,861	34,615	-
Total current assets	585,108	-	1,248,520	-	3,278,491	50,723	69,076	2,047,825	39,236	29,564
Noncurrent assets:										
Long-term receivables from component units and related parties	-	-	25,693	-	-	-	-	-	-	-
Equity interest in affiliated limited partnerships	-	-	8,687,237	-	-	(928,140)	(2,415,133)	-	-	1,565,838
Capital assets:										
Nondepreciable	557,324	89,953	-	90,399	5,929,158	-	-	2,690,280	717,242	-
Depreciable	3,034,240	-	-	-	5,664,761	-	-	14,510,136	1,030,435	-
Total capital assets	3,591,564	89,953	-	90,399	11,593,919	-	-	17,200,416	1,747,677	-
Total noncurrent assets	3,591,564	89,953	8,712,930	90,399	11,593,919	(928,140)	(2,415,133)	17,200,416	1,747,677	1,565,838
Total assets	4,176,672	89,953	9,961,450	90,399	14,872,410	(877,417)	(2,346,057)	19,248,241	1,786,913	1,595,402
Liabilities:										
Current liabilities:										
Accounts payable	56,758	-	1,450	-	85,401	1,450	1,450	55,693	22,355	-
Accrued interest payable	41,711	-	-	-	438,920	-	-	267,815	2,308	-
Due to component units and related parties	66,300	-	900	-	16,546	-	15,000	221,618	112,586	-
Other accrued liabilities	-	-	-	-	-	-	-	112,897	-	-
Tenant security deposits	30,803	-	-	-	100,668	-	-	132,860	9,274	-
Unearned revenue	915	-	-	-	4,871	-	-	3,631	-	-
Current portion of long-term debt	48,463	-	-	-	215,000	-	-	245,000	33,382	-
Total current liabilities	244,950	-	2,350	-	861,406	1,450	16,450	1,039,514	179,905	-
Long-term payable to component units and related parties	79,930	89,953	12,330,000	90,399	-	-	-	-	-	-
Long-term interest payable	2,357,424	-	-	-	5,147,544	-	-	2,730,937	778,362	-
Long-term obligations, net of current portion	4,452,094	-	-	-	14,886,119	-	-	20,061,662	1,053,488	-
Total liabilities	7,134,398	89,953	12,332,350	90,399	20,895,069	1,450	16,450	23,832,113	2,011,755	-
Net position:										
Net investment in capital assets	(908,993)	89,953	-	90,399	(3,507,200)	-	-	(3,106,246)	660,807	-
Restricted	357,316	-	-	-	2,854,874	-	-	1,291,001	25,341	-
Unrestricted	(2,406,049)	(89,953)	(2,370,900)	(90,399)	(5,370,333)	(878,867)	(2,362,507)	(2,768,627)	(910,990)	1,595,402
Total net position	$ (2,957,726)	$ -	$ (2,370,900)	$ -	$ (6,022,659)	$ (878,867)	$ (2,362,507)	$ (4,583,872)	$ (224,842)	$ 1,595,402

(1) Component unit was audited by other auditors.

(Continued)

SANTA CLARA COUNTY HOUSING AUTHORITY
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position - Blended Component Units
December 31, 2017

	Pinmore HDC, Inc. (1)	Poco Way HDC, Inc. (1)	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
Assets:									
Current assets:									
Cash and cash equivalents	$ 1,489,580	$ 771,174	$ 371,976	$ 116,400	$ 453,063	$ 1,838,034	$ 1,169,440	$ -	$ 8,048,609
Accounts receivable:									
Tenants	-	-	-	-	4	-	-	-	4,922
Others	-	16,989	-	-	-	-	-	-	60,105
Due from component units and related parties	106,529	-	558,691	-	363,263	-	13,113	(208,295)	1,379,754
Prepaid expenses	2,006	-	20,916	4,115	31,795	-	-	-	171,809
Restricted cash and cash equivalents	-	-	149,293	134,515	245,458	-	-	-	5,331,403
Total current assets	1,598,115	788,163	1,100,876	255,030	1,093,583	1,838,034	1,182,553	(208,295)	14,996,602
Noncurrent assets:									
Long-term receivables from component units and related parties	-	10,921,072	-	-	-	7,056,618	10,138,708	(25,693)	28,116,398
Equity interest in affiliated limited partnerships	(4,063,422)	-	3,657,119	-	849,059	1,281	1,149,657	-	8,503,496
Capital assets:									
Nondepreciable	-	40,375,000	-	-	-	-	-	-	50,449,356
Depreciable	-	-	4,190,645	982,006	4,452,549	-	-	-	33,864,772
Total capital assets	-	40,375,000	4,190,645	982,006	4,452,549	-	-	-	84,314,128
Total noncurrent assets	(4,063,422)	51,296,072	7,847,764	982,006	5,301,608	7,057,899	11,288,365	(25,693)	120,934,022
Total assets	(2,465,307)	52,084,235	8,948,640	1,237,036	6,395,191	8,895,933	12,470,918	(233,988)	135,930,624
Liabilities:									
Current liabilities:									
Accounts payable	1,450	1,450	80,705	16,342	96,758	1,450	1,450	-	424,162
Accrued interest payable	-	-	287,391	52,942	1,773	-	-	-	1,092,860
Due to component units and related parties	9,200	16,989	22,358	43,626	79,744	-	-	(208,295)	396,572
Other accrued liabilities	-	-	-	-	-	-	-	-	112,897
Tenant security deposits	-	-	55,969	3,870	49,398	-	-	-	382,842
Unearned revenue	-	-	118	4	6,561	-	-	-	16,100
Current portion of long-term debt	-	-	143,664	16,627	20,341	-	-	-	722,477
Total current liabilities	10,650	18,439	590,205	133,411	254,575	1,450	1,450	(208,295)	3,147,910
Long-term payable to component units		-							
and related parties	-	26,000,000	-	89,706	1,322,860	-	1,653,625	(25,693)	41,630,780
Long-term interest payable	-	-	1,223,584	996,665	-	-	-	-	13,234,516
Long-term obligations, net of current portion	-	14,500,000	3,028,638	1,554,087	1,923,821	-	-	-	61,459,909
Total liabilities	10,650	40,518,439	4,842,427	2,773,869	3,501,256	1,450	1,655,075	(233,988)	119,473,115
Net position:									
Net investment in capital assets	-	25,875,000	1,018,343	(588,708)	2,508,387	-	-	-	22,131,742
Restricted	-	-	93,324	130,645	196,060	-	-	-	4,948,561
Unrestricted	(2,475,957)	(14,309,204)	2,994,546	(1,078,770)	189,488	8,894,483	10,815,843	-	(10,622,794)
Total net position	$ (2,475,957)	$ 11,565,796	$ 4,106,213	$ (1,536,833)	$ 2,893,935	$ 8,894,483	$ 10,815,843	$ -	$ 16,457,509

(1) Component unit was audited by other auditors.

SANTA CLARA COUNTY HOUSING AUTHORITY

(A Component Unit of the County of Santa Clara)

Combining Statement of Revenues, Expenses and Changes in Net Position

Blended Component Units

For the Year Ended December 31, 2017

	AE Associates, Ltd. (1)	Alvardo Park LP	Avenida Espana HDC, Inc. (1)	Bellarmino Place LP	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)
Operating revenues:										
Rental income	$ 757,090	$ -	$ -	$ -	$ 2,495,654	$ -	$ -	$ 2,799,157	$ 259,842	$ -
Service fees	-	-	136,256	-	-	30,000	15,000	-	-	28,211
Other operating revenues	10,128	-	254,441	-	102,292	-	208,713	9,104	2,737	-
Total operating revenues	767,218	-	390,697	-	2,597,946	30,000	223,713	2,808,261	262,579	28,211
Operating expenses:										
Wages and benefits	95,023	-	-	-	170,610	-	-	181,661	56,329	-
Administrative	41,621	-	12,864	-	59,366	9,150	10,056	27,431	11,507	-
Tenant services	33,997	-	-	-	37,441	-	-	35,120	9,258	-
Utilities	111,509	-	-	-	187,805	-	-	246,228	24,899	-
Maintenance and operations	191,899	-	-	-	433,934	-	-	274,580	59,182	-
General	48,924	-	3,250	-	211,823	1,577	635	134,601	14,947	-
Depreciation and amortization	226,365	-	-	-	627,160	-	-	822,480	53,204	-
Other	75,659	-	293,516	-	158,250	426,178	464,825	166,862	21,264	357,927
Total operating expenses	824,997	-	309,630	-	1,886,389	436,905	475,516	1,888,963	250,590	357,927
Operating income (loss)	(57,779)	-	81,067	-	711,557	(406,905)	(251,803)	919,298	11,989	(329,716)
Nonoperating revenues (expenses):										
Investment income	398	-	668	-	96,686	-	-	4,404	29	-
Interest expense	(98,550)	-	-	-	(1,243,062)	-	-	(1,185,638)	(71,153)	-
Total nonoperating revenues (expenses)	(98,152)	-	668	-	(1,146,376)	-	-	(1,181,234)	(71,124)	-
Change in net position	(155,931)	-	81,735	-	(434,819)	(406,905)	(251,803)	(261,936)	(59,135)	(329,716)
Net position, beginning of year	(2,801,795)	-	(2,452,635)	-	(5,587,840)	(471,962)	(2,110,704)	(4,321,936)	(165,707)	1,925,118
Net position, end of year	$ (2,957,726)	$ -	$ (2,370,900)	$ -	$ (6,022,659)	$ (878,867)	$ (2,362,507)	$ (4,583,872)	$ (224,842)	$ 1,595,402

(1) Component unit was audited by other auditors.

(Continued)

SANTA CLARA COUNTY HOUSING AUTHORITY

(A Component Unit of the County of Santa Clara)

Combining Statement of Revenues, Expenses and Changes in Net Position

Blended Component Units

For the Year Ended December 31, 2017

	Pinmore HDC, Inc. (1)	Poco Way HDC, Inc. (1)	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	$ -	$ -	$ 1,168,957	$ 258,556	$ 1,026,541	$ -	$ -	$ -	$ 8,765,797
Service fees	74,917	-	-	-	7,500	-	13,113	-	304,997
Other operating revenues	1,425,000	16,989	536,687	1,160	100,094	-	-	-	2,667,345
Total operating revenues	1,499,917	16,989	1,705,644	259,716	1,134,135	-	13,113	-	11,738,139
Operating expenses:									
Wages and benefits	-	-	96,178	24,212	77,227	-	-	-	701,240
Administrative	13,445	8,454	39,824	9,050	45,567	10,449	9,385	-	308,169
Tenant services	-	-	33,840	15,952	27,716	-	-	-	193,324
Utilities	-	-	153,269	24	122,482	-	-	-	846,216
Maintenance and operations	-	-	185,332	56,843	130,814	-	-	-	1,332,584
General	3,159	126,331	59,380	20,745	250,338	2,312	2,630	-	880,652
Depreciation and amortization	-	-	294,425	75,052	171,488	-	-	-	2,270,174
Other	213,492	17,143	53,874	13,385	(67,342)	10	101	-	2,195,144
Total operating expenses	230,096	151,928	916,122	215,263	758,290	12,771	12,116	-	8,727,503
Operating income (loss)	1,269,821	(134,939)	789,522	44,453	375,845	(12,771)	997	-	3,010,636
Nonoperating revenues (expenses):									
Investment income	-	252,291	175	67	181	170,088	331,023	-	856,010
Interest expense	-	-	(168,364)	(62,158)	(22,190)	-	(39,625)	-	(2,890,740)
Total nonoperating revenues (expenses)	-	252,291	(168,189)	(62,091)	(22,009)	170,088	291,398	-	(2,034,730)
Change in net position	1,269,821	117,352	621,333	(17,638)	353,836	157,317	292,395	-	975,906
Net position, beginning of year	(3,745,778)	11,448,444	3,484,880	(1,519,195)	2,540,099	8,737,166	10,523,448	-	15,481,603
Net position, end of year	$ (2,475,957)	$ 11,565,796	$ 4,106,213	$ (1,536,833)	$ 2,893,935	$ 8,894,483	$ 10,815,843	$ -	$ 16,457,509

(1) Component unit was audited by other auditors.