HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

Basic Financial Statements and Supplementary Information

For the Year Ended June 30, 2016

mgo Certified Public Accountants

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

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June 30, 2016

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities (primary government) and the aggregate discretely presented component units of the Housing Authority of the County of Santa Clara, California (Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following blended component units: Property Management, Inc., AE Associates, Ltd., Avenida Espana HDC, Inc., Blossom River Associates LP, Bracher HDC Inc., DeRose HDC, Inc., Helzer Associates, LP, Klamath Associates LP, Opportunity Center HDC, Inc., 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 30.8% of assets, 6.9% of net position, and 4.3% 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 reports have 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.

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 and the aggregate discretely presented component units of the Authority as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedules of pension contributions, and schedule of funding progress – postemployment healthcare benefits as listed in accompanying the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 combining financial statements and schedules presented as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 21, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

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

Macias Gini & O'Connell LLP

Walnut Creek, California
December 21, 2016

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This section of the Housing Authority of the County of Santa Clara's (the Authority) financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the Authority's financial statements, which follows this section.

Financial Highlights

- Beginning of the year net position as of July 1, 2015 was restated from $211.7 million to $206.2 million resulting in a decrease of $5.5 million. The decrease was attributable to the following changes:
  - As required by GASB Statement No. 61 (The Financial Reporting Entity), the Authority reclassified certain discrete components units to blended component units, which resulted in a decrease of $7.8 million to the Authority's business-type activity's net position.
  - The reinstatement of equity interest in limited partnerships as of December 31, 2014 that were eliminated in fiscal year 2015 increased the Authority's net position by $2.3 million.
- The assets and deferred outflows of resources of the Authority exceeded the liabilities and deferred inflows of resources by $255.8 million (net position). $7.7 million of the net position balance is restricted for specific purposes; $13.9 million is related to the Authority's investment in capital assets and is not available to meet on-going obligations and $234.2 million is unrestricted and available for meeting on going obligations.
- The Authority's total increase in net position of $49.6 million to $255.8 million is primarily due to the following:
  - During the year, the operating activity resulted in an increase in net position of $43.7 million. The programs that primarily contributed to the increase for the year were the Moving-to-Work and the Public Housing Proceeds.
  - In addition to the above, $5.8 million increase in net position was related to a special item recorded for the Poco Way project related party transaction. On February 20, 2015, Poco Way HDC, Inc. sold the Poco Way project, a 130-unit affordable apartment complex for the low-income families located in San Jose to McCreery Avenue Associates, a California Limited Partnership. $5.8 million was recorded as a special item related to this transaction. (See footnote 17 of the Basic Financial Statements for details regarding this transaction).

Overview of the Financial Statements

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

- The first two statements are the government-wide financial statements that provide information about the Authority's overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.
- The basic financial statements also include Notes to Financial Statements section that provides further information and explanation on data that are in the Authority-wide and fund financial statements.
- The Notes to Financial Statements are followed by a Supplementary Information section, which presents the financial statements of the Authority's combining component unit financial statements,

combining schedules by program/fund on its federal and local programs, and other public housing combining schedules.

The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of these statements. The government-wide statements report information about the Authority as a whole, using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities as well as its deferred outflows and inflows of resources and net position. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid.

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

Individual Program Financial Schedules

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

Financial Analysis of the Authority

Net Position - The increase in net position of $44 million as shown in the table below represents a decrease of $5.5 million due to restatements for accounting changes that is offset by an increase of $49.5 million related to current year operations. For details explaining the restatements of the net position and the changes due to current year operations, refer to the Financial Highlights section noted above.

The following table indicates the net position as of June 30, 2016 and 2015 (in thousands):

	June 30		Increase (Decrease)	
	2016	2015	Amount	Percent (%)
Assets:				
Current assets	$ 145,765	$ 98,517	$ 47,248	48%
Noncurrent and other assets	119,482	103,669	15,813	15%
Capital asssets	72,342	55,313	17,029	31%
Total assets	337,589	257,499	80,090	31%
Deferred outflows of resources related to pensions	767	724	43	6%
Liabilities:				
Current liabilities	7,250	6,351	899	14%
Noncurrent liabilities	73,684	36,288	37,396	103%
Total liabilities	80,934	42,639	38,295	90%
Deferred inflows of resources related to pensions	1,626	3,848	(2,222)	-58%
Net Position				
Net investment in capital assets	13,922	25,628	(11,706)	-46%
Restricted	7,693	2,960	4,733	160%
Unrestricted	234,181	183,148	51,033	28%
Total net position	$ 255,796	$ 211,736	$ 44,060	21%

As previously discussed, the Authority reclassified its reporting entity and reinstated equity interest in certain limited partnerships as of December 31, 2014 that were eliminated in fiscal year 2015. The cumulative effect of this change is reported as a restatement of beginning net position as of July 1, 2015 as discussed in Note 1 to the financial statements. Absent of the change in accounting, the Authority's net increase in total assets of $80.1 million is primarily due to the following:

- An increase in the receivable from HUD of $41.4 million for Moving-to-Work (MTW) funds as of June 30, 2016. (See Note 15 to the financial statements for additional information on the MTW program).

- An increase in noncurrent and other assets of $ 15.8 million was primarily due to the following:

    - An increase of $11.6 million in seller take back loans for the sale of the Poco Way apartments and the land related to the Laurel Grove L.P. housing project, offset by the repayment of existing loans.
    - An increase in notes receivable of $2 million for the Laurel Grove housing projects and an increase of $2.5 million related to interest on seller take back notes and development and other services.
    - The above increases were offset by the change in the net pension and other assets of $0.3 million

- A decrease in capital assets of $17.7 million included a current year disposition of $16.8 million due to the sale of the Poco Way apartments and depreciation expense of $3 million; offset by an increase of $2.1 million for current year additions, which included Laurel Grove and Park Avenue construction in progress cost of $1.7 million. (See Note 6 to the financial statements to see discussion on the Authority's capital asset activity).

Absent of the restatement due to change in accounting, the Authority's net increase in total liabilities of $38.2 million is primarily due to the following:

- A decrease in long-term debt was primarily due to the transfer of debt associated with the sale of the Poco Way apartments for $9 million. Current year additions were $3.1 million offset by $ 12.2 million in retirements and 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, 2016 and 2015 is shown in the following table (in thousands):

	June 30		Increase (Decrease)	
	2016	2015	Amount	Percent (%)
Operating revenues				
Rental income	$ 9,115	$ 4,714	$ 4,401	93%
Service fees	697	932	(235)	-25%
Housing assistance payment earned	262,450	255,216	7,234	3%
HUD administrative fees	16,359	15,662	697	4%
Other	9,918	5,441	4,477	82%
Total operating revenues	298,539	281,964	16,575	6%
Operating expenses				
Wages and benefits	15,161	14,352	809	6%
Pension expense	(670)	(486)	(184)	n/a
Administrative	2,678	2,063	615	30%
Tenant services	544	524	20	4%
Utilities	931	598	333	56%
Maintenance and operations	1,656	1,101	555	50%
General	1,800	1,462	338	23%
Depreciation and amortization	2,980	1,570	1,410	90%
Housing assistance payments	220,742	210,463	10,279	5%
Other	9,045	4,898	4,147	85%
Total operating expenses	254,867	236,545	18,322	8%
Operating income	43,672	45,420	(1,748)	-4%
Nonoperating revenues (expenses)				
Gain on disposition of capital assets	12	2,239	(2,227)	n/a
Loss on disposal of capital assets	(11)	-		
Investment income	3,488	2,782	706	25%
Interest expense	(3,410)	(954)	(2,456)	257%
Total nonoperating revenues (expenses)	79	4,067	(3,988)	-98%
Income before capital contributions and special items	43,751	49,487	(5,736)	-12%
Capital contributions	-	191	(191)	-100%
Special items	5,803	17,224	(11,421)	n/a
Change in net position	49,554	66,901	(17,347)	-26%
Net position, beginning of year, as restated	206,242	144,835	61,407	42%
Net position, end of year	$ 255,796	$ 211,737	$ 44,059	21%

Revenues: As compared to 2015, revenues for 2016 increased by $16.6 million primarily due to the following:

- $7.2 million increase in the Housing Assistance Payments (HAPs) earned was primarily due to the increase in MTW Section 8 Housing Choice Voucher (HCV) HAPs funding. The increase in HAP funding was a result of an increase in the HUD renewal inflation factor from 1.00 to 1.055 offset by a 1.67% decrease in the proration factor.

- $4.4 million increase in rental income, is primarily due to the rental income from the following component units that were reclassified from discrete to blended in fiscal year 2016: Blossom River Associates, Helzer Associates L.P., and Klamath Associates L.P.

- Other operating revenues increased by $4.5 million, primarily due to an increase in developer fee of $1.4 million and Replacement Housing Factor (RHF) grants of $3.1 million.

Expenses: As compared to 2015, total operating expenses in 2016 increased by $18.3 million, mainly due to the following:

- $10.2 million increase in HAPs payments was due to an increase in payment standards (110% of fair market rent) for the Section 8 HCV program and market rent adjustments.

- The increase in miscellaneous expense of $4.1 million is primarily due to the following:

  - An increase of $1.5 million related to the loss associated with operating activities of the limited partnerships.

  - An increase $2.8 million due to the reclassification of the transfers out from RHF and the blended component units, for the Laurel Grove project and to establish the non-federal pool fund. These reclassifications were made due the timing of the transfers.

  - Wages and benefits increased by $0.8 million and a pension expense showed a negative $0.7 million due to the difference in how pension costs is measured under GASB Statement No. 68. Prior to GASB Statement No. 68, pension costs was related to the annual actuarially determined contribution requirements. Under the new standards, pension costs is measured as the change in the net pension liability or asset and the related deferred outflows and inflows of resources. These decreases were offset by a net increase in various categories of operating expenses for inflation.

Non-operating revenues decreased by $2.2 million due to a gain on disposition two public housing properties, Eklund Gardens I and II (CA059014), and their related improvements that was recognized in fiscal year 2015, but not available in 2016.

Financial Analysis of the Authority's Programs

At the end of the fiscal year, the unrestricted net position for the MTW program was $109.0 million. As discussed in Note 15, "Moving-to-Work program", the eligible uses of MTW funds are defined in the MTW agreements and states that the eligibility would be as under Sections 9(d)(1), 9(e)(1) and 8(o) of the 1937 Act and the Authority may use MTW Reserves for activities that would be eligible for Public Housing and Voucher programs. The unrestricted net position of the separately designated programs, HUD approved MTW activities: Acquisition Development, Facilities Consolidation program and Preservation program were $17.5 million, $1.6 million and $2.0 million, respectively, at the end of the fiscal year.

In addition, at the end of the fiscal year, the unrestricted net position for the Conventional Housing, the Section 8 Rental Voucher, the Real Estate Services and the Development Services programs were $16.9 thousand, $11.3 million, $2.0 million and $1.7 million, respectively.

Capital Acquisitions and Construction Activities

During the fiscal year ended June 30, 2016, the Authority's activities related to construction and rehabilitation of the various projects were not significant as most of the public housing projects were disposed of during the previous years. Of the remaining public housing of 20 units, 16 units were disposed in July 2014 and the final 4 units are being negotiated with HUD for their eventual disposition. Similarly, additions to furniture and equipment were also minimal. Additional information on the Authority's capital assets can be found in Note 6, "Capital Assets", to the basic financial statements.

Long-Term Debt Activity (in thousands)

	June 30		Increase (Decrease)	
	2016	2015 (as restated)	Amount	Percent (%)
Housing Development Corporation				
Lease Revenue Bonds	$ 7,300	$ 7,470	$ (170)	-2%
Section 8 Rental Voucher Program				
Notes payable	1,398	1,398	-	0%
Other Payables				
Payment in lieu of taxes	3	10	(7)	-70%
Accrued vacation and sick leave	1,013	1,011	2	0%
Other blended component units	49,723	59,360	(9,637)	-16%
Interest payable	14,244	13,499	745	6%
Total primary government	$ 73,681	$ 82,748	$ (9,067)	-11%

As discussed in the financial highlights section, the Authority changed the presentation of certain discrete component units to blended component units. As a result, the Authority restated the July 1, 2015 long-term obligation balance in the amount of $38.4 million to record the debt and related accrued interest in the amount of $8.1 million as of the other blended component units' year end of December 31, 2015. Current year additions of $3.1 million was offset by the scheduled debt service payments as discussed in the Financial Analysis section. Additional information on the Authority's Long-Term Debt Activity can be found in Note 8, "Long Term Obligations", to the basic financial statements.

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

Contact

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

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)
Statement of Net Position
June 30, 2016

	Primary Government - Business-type Activities	Discretely Presented Component Units
Assets:		
Current assets:		
Unrestricted cash and cash equivalents (Note 3)	$ 22,123,031	$ 9,318,375
Unrestricted short term investments (Note 3)	19,277,979	-
Accounts receivable:		
Tenants	10,362	19,150
HUD	92,310,500	26,613
Others	1,730,021	60,252
Interest receivable	29,896	-
Due from component units and related parties (Note 9)	1,487,254	514,076
Due from primary government	-	175,691
Prepaid expenses	512,405	399,788
Restricted cash and cash equivalents (Note 3)	7,324,156	18,545,494
Restricted short term investments (Note 3)	959,145	-
Total current assets	145,764,749	29,059,439
Noncurrent assets:		
Long term investments (Note 3)	7,785,700	-
Self-help loans receivable (Note 4)	167,740	-
Long-term receivables from non-related parties (Note 4)	5,760,000	-
Long-term receivables from component units and related parties (Note 9)	86,434,020	-
Net pension asset (Note 12)	7,978,404	-
Net OPEB asset (Note 13)	1,158,195	-
Equity interest in affiliated limited partnerships (Note 9)	9,474,784	
Other assets	723,444	4,515,507
Capital assets (Note 6):		
Nondepreciable	27,252,079	30,442,044
Depreciable	45,089,902	313,536,063
Total capital assets	72,341,981	343,978,107
Total noncurrent assets	191,824,268	348,493,614
Total assets	337,589,017	377,553,053
Deferred outflows of resources:		
Deferred pension contributions (Note 12)	767,798	-

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Statement of Net Position

June 30, 2016

	Primary Government - Business-type Activities	Discretely Presented Component Units
Liabilities:		
Current liabilities:		
Accounts payable	2,815,681	2,953,379
Accrued wages and benefits	438,377	-
Accrued interest payable (Notes 7 and 17)	903,430	2,865,315
Intergovernmental payable	63,143	-
Payable to component units and related parties	385,363	3,445,677
Due to primary government	-	3,318,877
Other accrued liabilities	28,295	879,959
Tenant security deposits	311,142	975,234
Unearned revenue	1,319,628	54,042
Current portion of accrued vacation and sick leave (Note 7)	123,295	-
Current portion of long-term obligations (Notes 7 and 17)	861,557	3,617,405
Total current liabilities	7,249,911	18,109,888
Noncurrent liabilities:		
FSS escrow (Note 2)	588,942	-
Accrued vacation and sick leave, net of current portion (Note 7)	890,163	-
Long-term interest payable (Notes 7 and 17)	13,345,721	16,403,414
Long-term obligations, net of current portion (Notes 7 and 17)	57,562,034	179,923,131
Payable to component units and related parties, net of current portion	1,297,613	-
Advance from primary government	-	87,474,793
Total noncurrent liabilities	73,684,473	283,801,338
Total liabilities	80,934,384	301,911,226
Deferred inflows of resources:		
Difference between expected and actual investment rates of return (Note 12)	1,626,371	-
Net position:		
Net investment in capital assets	13,921,801	160,437,571
Restricted	7,693,474	17,668,161
Unrestricted	234,180,785	(102,463,905)
Total net position	$ 255,796,060	$ 75,641,827

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	Primary Government - Business-type Activities	Discretely Presented Component Units
Operating revenues:		
Rental income	$ 9,114,834	$ 31,044,603
Service fees	697,020	-
Housing assistance payments earned	262,450,249	-
HUD administrative fees	16,359,049	-
Other	9,918,554	726,434
Total operating revenues	298,539,706	31,771,037
Operating expenses:		
Wages and benefits	15,160,655	-
Pension expense (Note 12)	(670,390)	-
Administrative	2,678,242	4,555,682
Tenant services	544,328	-
Utilities	931,479	2,355,951
Maintenance and operations	1,655,560	4,223,391
General	1,799,656	-
Depreciation and amortization	2,980,179	11,534,723
Housing assistance payments	220,742,494	-
Other	9,045,067	1,570,826
Total operating expenses	254,867,270	24,240,573
Operating income	43,672,436	7,530,464
Nonoperating revenues (expenses):		
Gain on disposition of capital assets to related party (Note 5)	11,566	-
Loss on disposal of capital assets	(11,363)	(333,152)
Investment income	3,488,072	161,192
Interest expense	(3,409,721)	(11,165,312)
Other nonoperating expenses, net	-	(3,927,798)
Total nonoperating revenues (expenses)	78,554	(15,265,070)
Income (loss) before capital contributions and special items	43,750,990	(7,734,606)
Capital contributions	-	11,409,261
Special items (Note 17)	5,803,367	(5,803,367)
Change in net position	49,554,357	(2,128,712)
Net position, beginning of year, as previously reported	211,736,114	69,942,124
Change in reporting entity (Note 1)	(5,494,411)	7,828,415
Net position, beginning of year, as restated (Note 1)	206,241,703	77,770,539
Net position, end of year	$ 255,796,060	$ 75,641,827

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, 2016

	Primary Government - Business-type Activities
Cash flows from operating activities:	
Receipts from tenants	$ 9,194,074
Receipts from customers and others	7,291,203
Receipts from housing assistance programs	237,362,317
Payments to suppliers for goods and services	(14,870,905)
Housing assistance payments on behalf of tenants	(220,775,233)
Payments to employees for services	(15,829,610)
Net cash provided by operating activities	2,371,846
Cash flows from noncapital financing activities:	
Decrease of receivables to related parties and component units	(1,102,320)
Cash flows from capital and related financing activities:	
Proceeds from disposition of capital assets	11,566
Proceeds from sale of capital assets to related parties	5,588,016
Acquisition of capital assets	(2,108,158)
Repayments of short-term and long-term liabilities	(5,316,618)
Interest and other fees paid	(2,665,790)
Net cash used in capital and related financing activities	(4,490,984)
Cash flows from investing activities:	
Interest received	855,800
Proceeds from sale of investments	2,831,043
Distribution from investment in partnerships	(645,915)
Net cash used in investing activities	3,040,928
Net change in cash and cash equivalents	(180,530)
Cash and cash equivalents, beginning of year	49,864,841
Cash and cash equivalents, end of year	$ 49,684,311

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, 2016

	Primary Government - Business-type Activities
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 43,672,436
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,980,179
Decrease (increase) in:	
Receivables	(42,860,192)
Prepaid expenses	86,607
Net pension asset	826,592
Net OPEB asset	40,676
Other assets	34,137
Deferred outflows of resources	(44,075)
Increase (decrease) in:	
Accounts payable	1,664,440
Accrued wages and benefits	56,799
Intergovernmental payable	(32,739)
Tenant security deposits and FSS escrow	26,603
Unearned revenues	(1,858,523)
Accrued vacation and sick leave	2,254
Other liabilities	(1,757)
Deferred inflows of resources	(2,221,591)
Net cash provided by operating activities	$ 2,371,846
Cash and cash equivalents:	
Unrestricted cash and cash equivalents	$ 22,123,031
Unrestricted short term investments	19,277,979
Restricted cash and cash equivalents	7,324,156
Restricted short term investments	959,145
Total cash and cash equivalents	$ 49,684,311
Noncash capital and related financing activities:	
Sales of capital assets with receivables from related party	$ 10,021,352
Assumption of debt related to acquisition of capital assets	(4,490,632)
Disposition of capital assets with seller-loan receivable from related party	2,557,609
Acquisition of capital assets with assumption of debt	(2,557,609)
Noncash investing activities:	
Increase in accrued interest receivables	2,661,670

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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. The Authority's (the "Primary Government") mission is to provide and inspire affordable housing solutions to enable low-income people in Santa Clara County to achieve financial stability and self-reliance. It exists to make housing safe and affordable for low-income families and individuals through voucher programs and rental properties. It also provides information, referrals, incentives, and services that help its clients stabilize their lives and increase their capacity to be economically self-sufficient. The Authority's general operation is overseen by the Board of Commissioners (the "Board"), members of which are appointed by the County Board of Supervisors. The Board of Commissioners consists of seven commissioners, one from each of the five supervisorial districts and two tenants of the Authority, one being a senior citizen. Each member is appointed for a four-year term except the resident commissioners, who are appointed for two-year terms. As a result of this and because of the financial and operational relationship with the County, the Authority has been classified as a discrete component unit of the County.

Component units

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

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

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

Blended component units

The blended CUs are combined with the primary government's financial statements and have a December 31, 2015 year-end, except for the Housing Development Corporation which has a June 30, 2016 year-end.

Blended Component Units

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

Program Responsible in Daring Excellence ("PRIDE") - PRIDE was established as a 501(c) (3) organization in December 1994 to provide low-income families, elderly persons and persons with disabilities with resident initiative programs and services, to develop and assist in the development of enriched housing with support services for low-income persons and families, and to promote activities and programs that encourage economic self-sufficiency. The Authority appoints the voting majority of PRIDE's Board. Additionally, the Authority's employees, working on behalf of PRIDE's board, have operational and financial responsibility for PRIDE. There were no activity in fiscal year 2016, and PRIDE had no net position at June 30, 2016.

Property Management, Inc. ("PMI") - A for-profit corporation founded March 30, 1992, in the State of California to provide services related to the management of housing units owned and controlled by the Authority and its related parties. PMI is presented as a blended component unit because the Authority owns 100% of PMI's stock and holds the voting majority of PMI. In addition, the Authority's employees, working on behalf of PMI's board members, have operational and financial responsibility for PMI.

Blended component units - Other

AE Associates, Ltd. - A California limited partnership formed in August 1991 to develop and operate a 84-unit affordable housing complex for the elderly located in San Jose, California,. AE Associates, Ltd. is controlled by its general partner Avenida Espana HDC, Inc., an Authority affiliated non-profit general partner with 1% ownership. In addition, 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 to serve 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 and 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, provide tax indemnification, and construction guarantees of Avenida Espana HDC, Inc. In addition, one of the board members is the Executive Director of the Authority and the Authority has operational and financial responsibility for Avenida Espana HDC, Inc.

Blossom River Associates L.P. - A California limited partnership formed in August 1996 to develop and operate a 144-unit affordable housing complex in San Jose, California, which is currently operating under the name Blossom River Apartments. This partnership is controlled by its general partner, DeRose HDC, Inc. (see below) as such is a blended component unit of the Authority. The partnership 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 loans, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2054.

Bracher HDC, Inc. - A California non-profit corporation organized in August 1993 to provide housing for low-income persons, where no adequate housing exists for such groups, including serving as a general partner in two limited partnerships (HACSC/Choices Senior Associates and HACSC/Choices Family Associates) formed to develop housing for low-income persons. Bracher HDC, Inc.'s five member board is comprised of three Directors appointed by the Authority's Executive Director and two Directors appointed by the Housing Choices Coalition, Inc. Bracher HDC, Inc. is a blended component unit of the

Authority because 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 three limited partnerships (Blossom River Associates, Thunderbird Associates and Bascom HACSC Associates). It 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 tax indemnification 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 MUFG Union Bank, N.A. (Bank) and California Affordable Housing Fund 2001-I, L.P (Fund) are the 99.9% limited partners. In February 2015, the limited partners transferred its partnership interest to the Authority for consideration of one dollar. As such, the Authority can impose its will on this partnership and 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. This partnership is controlled by its general partner, S.P.G. Housing Inc., which is a nonprofit organization affiliated with the Authority. In May 2014, the limited partner, Edison Funding Omicron Incorporated, assigned its limited partner interest to the Authority and withdrew from the partnership. The Authority was admitted to the partnership as the new limited partner and 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 the three members of the five-member governing board are employees of the Authority and appointed and may be 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.

Pinmore HDC, Inc. - A California non-profit corporation established in September 1993 to serve as a general partner in four limited partnerships (Helzer Associates, Willows/HACSC Associates, Fairgrounds Luxury Family Apartments and Fairgrounds Senior Housing). In 2015, Pinmore HDC, Inc. became the general partner for Park Avenue Senior and the Laurel Grove Family, which have commenced development activities for a 100 unit affordable senior housing project and an 82 unit affordable housing project, respectively. Pinmore HDC, Inc. is a blended component unit of the Authority because the three-member governing board is comprised of the Executive Director of the Authority and two Authority staff. The Authority is also legally obligated to finance deficits of the Pinmore HDC, Inc. The Authority's employees, working on behalf of the general partner's board members, have operational and financial responsibility for Pinmore HDC, Inc.

Poco Way HDC, Inc. - A California non-profit corporation established in July 1994 to serve as the general partner in a limited partnership (Poco Way Associates). Poco Way Associates owned the Poco Way Apartments, a family rental housing complex in San Jose, California, which consists of 130 family rental housing units. Its three-member governing board is comprised of the Executive Director of the Authority and two Authority staff, appointed by the Authority's Board. It is a blended component unit of the Authority because the Authority is legally obligated to finance deficits of Poco Way HDC, Inc. and the Authority's employees have operational and financial responsibility for Poco Way HDC, Inc. In April 2014, Poco Way HDC, Inc. purchased a property from Poco Way Associates. In February 2015, Poco Way HDC, Inc. sold the property to McCreery Avenue LP, a discrete component unit.

Rotary Plaza/HACSC HDC, Inc. - A California non-profit corporation established in May 1991 to serve as the managing general partner of Huff Avenue Associates, which was established to develop, construct, manage and provide living facilities for economically and otherwise disadvantaged persons. In April 2013, Rotary Plaza/HACSC HDC, Inc. acquired Morrone Gardens, a 102-unit apartment complex located in San Jose, California from Morrone Gardens Associates; a California limited partnership, of which Rotary Plaza/HACSC HDC, Inc. was the general partner. The five-member governing board of Rotary Plaza/HACSC HDC, Inc. is comprised of two (2) directors appointed by the Board of Directors of Rotary Plaza of San Jose and three (3) directors appointed by the Authority's Board. It is a blended component unit of the Authority because the Authority's employees, working on behalf of the Rotary Plaza/HACSC HDC, Inc.'s board, bears the responsibility for financial and operational matters of the corporation.

San Pedro Gardens Associates, Ltd. - A California limited partnership formed in August 1990 to develop and operate a 20-unit affordable housing complex located in Morgan Hill, California, which is controlled by its general partner S.P.G. Housing, Inc., an Authority affiliated non-profit general partner with 1% ownership. In addition, the Authority as the limited partner owns 99% of the partnership.

S.P.G. Housing, Inc. - A California non-profit corporation established in March 1992 to serve as a general partner in four limited partnerships (Bracher Associates, San Pedro Gardens Associates, Klamath Associates, and Pinmore Associates). In 2005, S.P.G. Housing, Inc. acquired DeRose Senior Housing, a 76-unit housing complex for the elderly located in San Jose, California from DeRose Housing Associates; a California limited partnership, of which S.P.G. Housing, Inc. was the general partner. S.P.G. Housing, Inc. serves as the general partner of San Pedro Gardens Associates, Ltd. ("SPGA"). The Authority's Board appoints its three-member governing board and may remove any of these members with or without cause. It is a blended component unit of the Authority because the Authority's employees, working on behalf of the S.P.G. Housing, Inc.'s board members, also bears responsibility for financial and operational matters of the corporation.

Villa Garcia, Inc. ("VGI") - A non-profit corporation established in December 1970 to manage Villa Garcia Apartments, an 80-unit apartment project subject to U.S. Housing and Urban Development ("HUD") regulations. It is a blended component unit of the Authority because the Authority's Board appoints its three-member governing board and may remove any of these members with or without cause. The Authority through contractual arrangements is also responsible for financial and operational matters of VGI. VGI is the managing general partner of Clarendon Street, L.P. ("Clarendon"), a California limited partnership, which was formed on June 28, 2012 to acquire, rehabilitate, and operate the Villa Garcia Apartments. In November 2012, Clarendon acquired the apartments from VGI. The Authority has also provided operating deficit and tax indemnification guarantees on behalf of VGI for its partnership.

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

For all the partnerships of which the above entities are general partners, refer to Note 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, 2015 year-end. The Authority's tax credit partnerships do not include its board representation and its affiliated non-profit general partner entities serve as the general partner for these partnerships. However, the Authority's affiliated general partners do not hold a majority control of these entities because they are 99% owned by their limited partner. In addition, the Authority's has 4 other discretely presented CUs: Branham Lane LLC, Halford 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. Refer to Note 17 for detailed information on the Authority's discretely presented component units.

Change in reporting entity

During the fiscal year, the Authority changed its relationship with three of its partnerships as discussed above. The effect of the change in the reporting entity is as follows:

	Primary Government	Component Units
Net position, beginning of year, as previously reported	$ 211,736,114	$ 69,942,124
Change in reporting entity:		
Reclassification of discrete component units (DCUs) to blended component units (BCUs):		
Blossom River	(4,773,943)	4,773,943
Klamath Associates	(96,783)	96,783
Helzer Associates	(2,957,689)	2,957,689
Total change in reporting entity	(7,828,415)	7,828,415
Reinstatement of equity interest in limited partnership, eliminated in fiscal year 2014	2,334,004	-
Net position, beginning of year, as restated	$ 206,241,703	$ 77,770,539

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:

Conventional Housing Program includes the activity of the Conventional Housing Program, which is used for the operations of the Authority's own rental housing units, subsidized by HUD through annual contributions contract SF-1533. At June 30, 2016, this program has 4 occupied units under management in the HUD contract Deborah Drive (CA059016).

Section 8 Rental Voucher Program is used to account for the operations of the low income housing program which is funded by HUD under the annual contributions contract numbers CA-056VO and CA-059VO for approximately 17,700 units.

Moving to Work ("MTW") Program includes the Authority's demonstration program operations to design and test innovative approaches in assisted housing. The purpose of the Authority's demonstration program is to provide incentives to families to become economically self-sufficient, to reduce the Authority's costs and achieve greater cost effectiveness, and to increase housing choice for low-income families.

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

Real Estate Services Program accounts for operations related to Property Management and Maintenance Services, Resident Services, Program Compliance Monitoring Services and Asset Management activities. The asset management unit oversees approximately 2,600 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, net

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

Capital assets

The Authority defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Land, structures and equipment are recorded at cost. Depreciation has been provided over estimated useful lives of the assets using the straight-line method.

The estimated useful lives are as follows:

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

Impairment of capital assets

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2016, 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 liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's pension plan and additions to/deduction from the pension plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Compensated absences

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

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

<u>Inter-program due from/due to</u> - 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, 2016, offsetting amounts of $7,747,015 were eliminated. The Authority also eliminated other material intercompany balances and transactions with the blended component units from the consolidated financial statements.

<u>Internal charges</u> - The Authority internally charges its costs of support service, indirect costs allocations and rent provided by one department to other Authority departments on a cost-reimbursement basis. For

financial reporting purposes, $7,884,078 of internal charges for services has been eliminated for the year ended June 30, 2016.

Special Items

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

Net position

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

<u>Net investment in capital assets</u> - 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.

<u>Restricted</u> - 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.

<u>Unrestricted</u> - 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 fiscal year ending June 30, 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application.* GASB Statement No. 72 requires the Authority to use valuation techniques, which are appropriate under the circumstances and are consistent with the market approach, the cost approach, or the income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels and contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurement. See Note 3 for required disclosures.

The Authority's adoption of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 and amendments to certain provisions of GASB Statements No. 67 and 68,* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, did not have a material impact on the Authority's financial statements.

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

In June 2015 GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefits Plans other than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Both statements replace the requirements of GASB statements related to postemployment benefits other than pensions (OPEB). Statement No. 74 is intended to make the OPEB accounting and financial reporting consistent with the pension standards outlined in Statement No. 67. It applies to OPEB plans, and parallels Statement No. 67 and replaces Statement No. 43. This statement is effective for the Authority's fiscal year ending June 30, 2017.

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

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose additional information about the agreements. Application of this statement is effective for the Authority's year ending June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of State No. 68, *Accounting and Financial Reporting for Pensions*. The statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for those pensions. GASB Statement No. 78 is effective for the Authority's year ending June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement 14*, to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments, which was established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*. GASB Statement No. 80 is effective for the Authority's year ending June 30, 2017.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government that receives resources pursuant to an irrevocably split-interest agreement recognize revenues, assets, liabilities, and deferred inflows of resources. GASB Statement No. 81 is effective for the Authority's year ending June 30, 2018

In March 2016, the GASB issued Statement No. 82, *Pension Issues, An Amendment of GASB Statements No. 67, No. 68 and No. 73*, to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68,* and *Amendments to Certain Provisions of GASB Statements 67 and 68.* GASB Statement No. 82 is effective for the Authority's year ending June 15, 2017.

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, 2016 for the primary government and as of the various fiscal year ends of the individual presented component units are as follows:

	Primary Government	Component Units	Total
Unrestricted cash and cash equivalents	$ 22,123,030	$ 9,318,375	$ 31,441,405
Unrestricted short term investment	19,277,979	-	19,277,979
Restricted cash and cash equivalents	7,324,156	18,545,494	25,869,650
Restricted short term investments	959,145	-	959,145
Long term investments	7,785,700	-	7,785,700
Total	$ 57,470,010	$ 27,863,869	$ 85,333,879
Deposits with financial institutions	$ 25,557,476	$ 27,863,869	$ 53,421,345
Investments	31,912,534	-	31,912,534
Total	$ 57,470,010	$ 27,863,869	$ 85,333,879

<u>Custodial credit risk – deposits</u>

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.

<u>Investments authorized by the Authority</u>

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

More than 5% of the Authority's investments are invested with the Federal Home Loan Bank and Federal Farm Credit Bank, these represent 7.4% and 7% respectively of the total Authority's investments.

A summary of the Authority's investments at June 30, 2016 is shown below:

	Credit Rating	June 30, 2016	Maturities (in years) Less than 1	1 - 3	3 - 5
Moving to Work Program					
Money Market Mutual Fund	Not rated	$ 2,806,873	$ 2,806,873	$ -	$ -
State Local Agency Investment Fund	Not rated	5,047,143	5,047,143	-	-
Certificate of Deposits	Not rated	80,228	-	80,228	-
Federal Farm Credit Bank	Aaa	2,253,965	-	-	2,253,965
Subtotal		10,188,209	7,854,016	80,228	2,253,965
Acquisition Development and Faciliities Consolidation					
Money Market Mutual Fund	Not rated	24,502	24,502	-	-
State Local Agency Investment Fund	Not rated	3,665,774	3,665,774	-	-
Certificate of Deposits	Not rated	725,152	-	363,504	361,648
Subtotal		4,415,428	3,690,276	363,504	361,648
Housing Development Corporation					
Money Market Mutual Fund	Not rated	780,771	780,771	-	-
Other programs					
Money Market Mutual Fund	Not rated	277,565	277,565	-	-
State Local Agency Investment Fund	Not rated	11,524,206	11,524,206	-	-
Certificate of Deposits	Not rated	861,476	-	251,931	609,545
Federal National Mortgage Association	Aaa	974,132	-	-	974,132
Federal Home Loan Banks	Aaa	2,353,894	-	-	2,353,894
Federal Agriculture Mortgage Corporation	Not rated	536,853	-	-	536,853
Subtotal		16,528,126	11,801,771	251,931	4,474,424
Total investments		$ 31,912,534	$ 24,126,834	$ 695,663	$ 7,090,037

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, 2016 is shown below:

Type of Investment	June 30, 2016
Investment by fair value hierarchy - Level 2:	
U.S. Federal Agency Securities	$ 6,118,844
Negotiable Certificate of Deposits	1,666,856
Total investments by fair value hierarchy	7,785,700
Investment not subject to fair value hierarchy:	
State Local Agency Investment Fund	20,237,123
Money Market Mutual Funds	3,889,711
Total investments	$ 31,912,534

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

Self-help loans receivables

The San Pedro Gardens project consists of 20 rental apartments and 16 self-help owner built units located in Morgan Hill, California. As of June 30, 2016, the Authority held seven individual loans totaling $167,740, which are secured by a deed of trust. The interest rates on these loans is 10% compounded annually. There shall be no payments due on principal or interest owed under the note so long the Borrower owns the property and is not in violation of any provisions of the note or the resale agreement. Furthermore, interest shall be forgiven, in part, at the end of the 30 years of the date of the execution of the note. At the request of the borrower, the Authority shall relieve the Borrower of all obligations under the note, provided that the Property is sold to a low income Eligible Purchaser. Due to the uncertainty of the payment of the annual interest receivable, which totals to $1,409,356 as of June 30, 2016, the Authority has recorded an allowance for uncollectiblity with this interest receivable.

Ford Road Family Housing note receivable

In January 2013, the Authority entered into an Amended and Restated Promissory Note (Note) with the Ford Road Family Housing, L.P., a California limited partnership in the amount of $5,760,000. The principal due under this Note will bear simple interest at the rate of zero percent per year and the Note matures on the earliest of the occurrence of an event of default; or fifty-five years from the Commencement Date of the Affordability Covenants. Payments on the Note is 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, 2016, the amount due to the Authority is $5,760,000.

Note 5 - Disposition of public housing properties

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

In fiscal year 2009, the Authority completed the disposition of Rincon Gardens (CA059004) by selling the 200-unit building and improvements to Rincon Gardens Associates LP and during fiscal year 2011, it completed the disposition of six additional properties (CA059005, CA059012, CA059016 –the Miramar property, CA059007, CA059008) by selling the 335-unit related buildings and improvements to Julian Street Partners, L.P. In fiscal year 2015, the Authority disposed of two other properties, Eklund Gardens I and II (CA059014), and their related buildings and improvements with a book value of $2,310,620 in exchange for notes receivable from Halford LLC and Poinciana LLC in the amount of $4,550,000 and recognized a gain on the disposition of the properties in the amount of $2,239,380.

As of June 30, 2016, 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, 2016 was as follows:

	June 30, 2015 as reported	Restatement	July 1, 2015 as restated	Additions	Reductions/ Transfers	June 30, 2016
Capital assets not being depreciated						
Land	$ 22,917,517	$ 9,278,151	$ 32,195,668	$ -	$ (7,688,770)	$ 24,506,898
Construction in progress	777,199	58,529	835,728	1,909,453	-	2,745,181
Total capital assets not being depreciated	23,694,716	9,336,680	$ 33,031,396	1,909,453	(7,688,770)	27,252,079
Capital assets being depreciated:						
Structures	52,937,810	47,569,528	100,507,338	119,682	(16,384,782)	84,242,238
Furniture and equipment	4,454,089	488,826	4,942,915	79,023	(489,684)	4,532,254
Total capital assets being depreciated	57,391,899	48,058,354	105,450,253	198,705	(16,874,466)	88,774,492
Less accumulated depreciation						
Structures	(22,004,571)	(22,150,350)	(44,154,921)	(2,842,044)	7,589,083	(39,407,882)
Furniture and equioment	(3,768,949)	(483,731)	(4,252,680)	(132,575)	108,547	(4,276,708)
Total accumulated depreciation	(25,773,520)	(22,634,081)	(48,407,601)	(2,974,619)	7,697,630	(43,684,590)
Total capital assets, being depreciated, net	31,618,379	25,424,273	57,042,652	(2,775,914)	(9,176,836)	45,089,902
Total capital assets, net	$ 55,313,095	$ 34,760,953	$ 90,074,048	$ (866,461)	$ (16,865,606)	$ 72,341,981

The discretely presented component units' capital assets activity for the year ended December 31, 2015 was as follows:

	June 30, 2015, as reported	Change in reporting entity	July 1, 2015, as restated	Additions	Reductions/ Transfers	Eliminations	June 30, 2016
Capital assets, not being depreciated:							
Land	$ 31,742,177	$ (9,278,151)	$ 22,464,026	$ 1,500,000	$ 6,600	$ 3,631,161	$ 27,601,787
Construction in progress	306,408	(58,529)	247,879	11,144,486	(8,552,108)	-	2,840,257
Total capital assets, not being depreciated	32,048,585	(9,336,680)	22,711,905	12,644,486	(8,545,508)	3,631,161	30,442,044
Capital assets, being depreciated:							
Structures	414,900,066	(47,280,633)	367,619,433	19,965,145	(1,194,888)	(9,434,528)	376,955,162
Furniture and equipment	6,506,276	(486,286)	6,019,990	245,099	(871,791)	-	5,393,298
Total capital assets, being depreciated	421,406,342	(47,766,919)	373,639,423	20,210,244	(2,066,679)	(9,434,528)	382,348,460
Less accumulated depreciation	(90,043,642)	22,620,993	(67,422,649)	(11,306,649)	9,916,901	-	(68,812,397)
Total capital assets, being depreciated, net	331,362,700	(25,145,926)	306,216,774	8,903,595	7,850,222	(9,434,528)	313,536,063
Total capital assets, net	$ 363,411,285	$ (34,482,606)	$ 328,928,679	$ 21,548,081	$ (695,286)	$ (5,803,367)	$ 343,978,107

As discussed in Note 1, the Authority changed the presentation of three discrete component units to blended component units. As a result, the Authority restated the beginning capital assets balance to reflect the change as follows:

Entity	Property Name	Property Description	Book Value
Blossom River Associates	Blossom River Apartments	144-unit housing complex in San Jose	$ 13,364,646
Helzer Associates	Helzer Court Apartments	155-unit housing complex in San Jose	19,222,313
Klamath Associates	Klamath Garden Apartments	17-unit housing complex in Santa Clara	1,895,647
			$ 34,482,606

The Authority also restated the beginning balance of capital assets of Rotary Plaza/HACSC, Inc., a blended component unit, in the amount of $278,347.

Note 7 - Long-term obligations

Outstanding long-term debt consisted of the following at June 30, 2016:

Type of Indebtedness (purpose)	Maturity	Interest Rate	Principal Installment	Original Issue Amount	Balance as of June 30, 2016
Housing Development Corporation					
Lease Revenue Bonds					
2004 Series (Julian Office)	9/1/2029	(a)	\$125,000 - \$255,000	\$ 3,550,000	\$ 2,595,000
2006 (Julian Office Renovation)	9/1/2038	5%	\$55,000 - \$510,000	5,125,000	4,705,000
Total Housing Development Corporation					7,300,000
Section 8 Choice Voucher Program					
Notes Payable					
City of Morgan Hill	6/15/2021	1%	425,000	425,000	425,000
City of San Jose	9/23/2024	4%	972,500	972,500	972,500
Total Section 8 Choice Voucher Program					1,397,500
Other Blended Component Units (detailed information in Note 17)					49,722,680
Total primary government					\$ 58,420,180

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(a) Variable rate, 0.41% effective as of June 30, 2016.

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

Primary Government	July 1, 2015, as restated	Additions	Retirements	June 30, 2016	Due within one year
Housing Development Corporation					
Lease Revenue Bonds	\$ 7,470,000	\$ -	\$ 170,000	\$ 7,300,000	\$ 180,000
Section 8 Rental Voucher Program:					
Notes payable to the					
City of Morgan Hill	425,000	-	-	425,000	-
City of San Jose	972,500	-	-	972,500	20,000
Total notes payable	1,397,500	-	-	1,397,500	20,000
Other blended component units:					
A.E. Associates LP	4,594,790	-	25,415	4,569,375	28,808
Blossom River Associates	15,854,900	-	180,000	15,674,900	195,000
Helzer Associates	21,402,913	-	205,000	21,197,913	215,000
Klamath Associates	1,189,226	-	27,074	1,162,152	28,959
Poco Way HDC, Inc.	9,016,511	-	9,016,511	-	-
Rotary Plaza/ HACSC HDC, Inc.	3,600,134	-	129,379	3,470,755	137,300
San Pedro Gardens Associates	1,626,535	-	15,778	1,610,757	15,660
S.P.G. Housing, Inc.	2,074,921	-	38,093	2,036,828	40,830
Total other blended component units	59,359,930	-	9,637,250	49,722,680	661,557
Interest payable:					
Other programs	750,743	346,492	344,340	752,895	105,310
Other blended component units	12,748,918	2,870,854	2,128,751	13,491,021	792,884
Total interest payable	13,499,661	3,217,346	2,473,091	14,243,916	898,194
Payment in lieu of taxes	9,634	3,769	9,992	3,411	-
Accrued vacation and sick leave	1,011,204	137,503	135,250	1,013,457	123,295
Total primary government	\$ 82,747,929	\$ 3,358,618	\$ 12,425,583	\$ 73,680,964	\$ 1,883,046

As discussed in Note 1, the Authority changed the presentation of Blossom River Associates, Helzer Associates, and Klamath Associates from discrete component units to blended component units. As a result, the Authority restated the July 1, 2015 long-term obligation balance in the amount of \$46.6 million to record the debt and related accrued interest as of the general partner entities' year end of December 31, 2015.

Lease Revenue Bonds - On September 1, 2004, the Santa Clara County Financing Authority ("Financing Authority") issued $3,550,000 of Series 2004A Lease Revenue Bonds ("2004 Bonds") that bear interest set each week by the remarketing agent based upon prevailing interest rates for seven-day variable rate demand bonds of similar credit quality trading in the municipal market place during the week.

In connection with the issuance of the Series 2004A Lease Revenue Bonds, the Financing Authority obtained an irrevocable letter of credit as a credit facility with U.S. Bank, N.A. for these bonds. At June 30, 2016, the letter of credit was set to expire on August 31, 2018. The Financing Authority's repayment of unreimbursed draws made on the credit facilities bear interest at rates as defined in the reimbursement agreement up to LIBOR plus 4% per annum with the principal due at August 31, 2018. The Financing Authority is required to pay U.S. Bank N.A. an annual commitment fee of 1.25% (1.50% before August 11, 2015) based on the outstanding principal amount of the bonds supported by the credit facility. For the year ended June 30, 2016, the Authority paid an annual commitment fee in the amount of $34,773. In February 2012, the Authority entered into an interest rate cap agreement with SMBC Capital Markets, Inc. which will limit the maximum interest incurred on the bonds to 6%. The interest rate cap agreement is effective for the period beginning September 1, 2015 through August 31, 2020.

On October 19, 2006, the Financing Authority issued $5,125,000 of 2006 Lease Revenue Bonds ("2006 Bonds") bearing an interest rate fixed at 5% per annum. The bond proceeds were used to provide additional financing for the renovation of the office building used by the Authority. The 2006 Bonds are on parity with the 2004 Bonds.

The Financing Authority assisted the Authority in financing its office building project. The lease revenue bonds are payable by a pledge of revenues from the base rental payments payable by the Authority pursuant to lease and sub-lease agreements between the County of Santa Clara, the Financing Authority and the Housing Development Corporation for the use of the office building. The leases act like direct financing leases with lease payments equal to debt service payments. Total debt service requirements remaining on the lease revenue bonds is approximately $11.3 million payable through September 1, 2038. For the current year, the total lease (debt service) payments made by the Authority totaled $408,563 of which $170,000 was applied to principal and $238,563 to interest.

Annual debt service requirements of the primary government's lease revenue bonds and notes payable to maturity are as follows:

	Housing Development Corporation Lease Revenue Bonds		Section 8 Rental Voucher Program Notes Payable	
Year Ending June 30,	Principal	Interest	Principal	Interest
2017	$ 180,000	$ 244,246	$ 20,000	$ 43,150
2018	190,000	240,863	-	43,150
2019	200,000	237,309	-	43,150
2020	210,000	233,727	-	43,150
2021	220,000	229,953	-	43,150
2022 - 2026	1,255,000	1,091,325	1,377,500	169,575
2027 - 2031	1,580,000	980,687	-	-
2032 - 2036	2,005,000	625,125	-	-
2037 - 2040	1,460,000	111,750	-	-
	$ 7,300,000	$ 3,994,985	$ 1,397,500	$ 385,325

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

Note 8 - Deficit program net position

At June 30, 2016, the Housing Development Corporation has a program deficit net position of $297,427 and the Property Management, Inc. has a deficit net position of $140,740. These deficits are within the level that could be covered by the Authority's HARA program's positive net position.

In addition, the following general partner entities have a deficit net position as of December 31, 2015:

A.E. Associates, LP	$	(2,589,024)
Avenida Espana HDC, Inc.		(2,288,466)
Blossom River Associates, LP		(5,261,180)
DeRose HDC, Inc.		(1,704,997)
Helzer Associates, LP		(3,674,155)
Klamath Associates LP		(146,843)
Pinmore HDC, Inc.		(4,458,751)
San Pedro Gardens Associates, Ltd.		(1,473,667)

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

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Notes to Financial Statements
June 30, 2016

Note 9 - Related parties

The Authority has the following receivables from related parties and other component units as of June 30, 2016:

		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.	$ 103,384	$ 34,237	$ 30,000	$ -	$ -	$ 64,237	$ (156,854)	$ 10,767
Avenida Espana HDC, Inc	92,427	-	-	-	12,330,000	12,330,000	(12,330,000)	92,427
Blossom River Associates LP	17,847	-	-	-	-	-	(16,250)	1,597
Derose HDC	284	-	-	-	-	-	-	284
Helzer Associates LP	18,096	-	-	-	279,029	279,029	(294,029)	3,096
Housing Development Corporation	-	-	261,264	-	-	261,264	(261,264)	-
Klamath Associates LP	114,416	-	-	-	-	-	(114,185)	231
Opportunity Center HDC, Inc.	25,499	-	-	-	-	-	-	25,499
Pinmore HDC	524,988	2,520,787	-	34,121	606,869	3,161,777	(2,554,908)	1,131,857
Poco Way HDC, Inc	431	-	-	-	-	-	-	431
Property Management Inc	455,509	-	-	-	-	-	(455,509)	-
Rotary Plaza/HACSC HDC, Inc	916	-	30,000	214,976	-	244,976	(227,030)	18,862
San Pedro Garden Associates	141	20,000	122,402	-	-	142,402	(142,402)	141
SPG Housing, Inc	127,662	-	1,487,253	-	-	1,487,253	(1,454,253)	160,662
Villa Garcia Inc	663	-	-	-	-	-	-	663
Villa San Pedro Inc	26,417	1,500,000	-	97,050	-	1,597,050	(1,580,250)	43,217
Total	**$ 1,508,680**	**$ 4,075,024**	**$ 1,930,919**	**$ 346,147**	**$ 13,215,898**	**$ 19,567,988**	**$ (19,586,934)**	**$ 1,489,734**

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Notes to Financial Statements
June 30, 2016

(Continued)

Receivables due from Discrete Component Units	Short-term receivables	Long-term Receivables: Notes Receivables	Seller Take-Back Note	Interest on Receivables	Development and Other Services	Subtotal	Eliminations	Total
Bascom/HACSC Associates LP	$ 16,133	$ -	$ -	$ -	$ -	$ -	$ -	$ 16,133
Bendorf Drive LP	26,615	1,955,058	9,277,939	684,180	-	11,917,177	-	11,943,792
Branham Lane LLC	121,814	-	-	-	-	-	-	121,814
Clarendon Street LP	2,746	920,000	7,082,872	266,424	515,521	8,784,817	-	8,787,563
Fairgrounds Luxuary Family Apts L.P.	13,230	-	-	-	-	-	-	13,230
Fairgrounds Senior Housing L.P.	13,113	-	-	-	-	-	-	13,113
HACSC/Family Choices Associates LI	16,198	-	-	-	-	-	-	16,198
HACSC/Senior Choices Associates LI	15,987	-	-	-	-	-	-	15,987
Halford Avenue LLC	136	-	2,791,419	-	-	2,791,419	-	2,791,555
Hermocilla LLC	13,179	-	-	-	-	-	-	13,179
Huff Avenue Associates LP	17,089	-	-	-	-	-	-	17,089
Julian Street Partners L.P	125,648	-	22,802,850	4,499,048	-	27,301,898	-	27,427,546
Laurel Grove Lane L.P. (1)	118	2,069,710	2,557,609	32,800	513,845	5,173,964	(712,013)	4,462,069
McCreery Avenue LP	12,041	-	10,021,352	221,002	970,520	11,212,874	-	11,224,915
Opportunity Center Associates LP	26,336	-	-	-	-	-	-	26,336
Poinciana Drive LLC	120	-	1,672,843	-	-	1,672,843	-	1,672,963
Rincon Garden Associates LP	77,381	-	15,670,000	1,819,716	-	17,489,716	-	17,567,097
South Drive LLC	17,409	-	-	-	-	-	-	17,409
Thunderbird Associates LP	48,817	-	-	-	-	-	-	48,817
Willows/HACSC Associates	118,025	-	-	-	116,710	116,710	-	234,735
Total	**$ 682,135**	**$ 4,944,768**	**$ 71,876,884**	**$ 7,523,170**	**$ 2,116,596**	**$ 86,461,418**	**$ (712,013)**	**$ 86,431,540**
Total receivables due from blended component units (from previous page)								**1,489,734**
								$ 87,921,274
Due from component units and related parties, current portion								**$ 1,487,254**
Due from component units and related parties, net of current portion								**86,434,020**
								$ 87,921,274

(1) Laurel Grove Lane L.P. (Laurel Grove) is a partnership between the Authority and its affiliate, Pinmore HDC., Inc. (Pinmore). On June 3, 2016, Laurel Grove acquired the property at 298 Laurel Grove Lane in San Jose, California from the Authority and assumed a note for $679,213, which was originally a part of Pinmore's $3.2 million note with the Authority. Accordingly, the Authority's financial statements dated as of June 30, 2016, include the Laurel Grove note of $679,213. However, the Pinmore HDC, Inc. financial statements ended December 31, 2015, reported the entire note balance of $3.2 million. The Laurel Grove note amount of $679,213 and corresponding interest of $32,800 have been eliminated from the Authority's 2016 financial statements.

Short-term receivables and other advances

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

Notes receivable

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

Bendorf Drive LP - In December 2013, the Authority loaned Bendorf Drive LP $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, 2016, 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, 2016, the balance on the note is $1,155,058.

Clarendon Street Associates LP - The Authority has loaned its affiliated partnership, Clarendon Street, L.P. ("Clarendon"), an original amount of $1,275,397. This loan bears interest at 2.40%, matures on December 31, 2068, and payable from excess/distributable cash. The balance as of June 30, 2016, was $920,000.

Laurel Grove Lane LP - In June 2016, the Authority loaned its affiliate Laurel Grove Lane LP $679,213. This loan bears interest at 5% compounding annually, is due and payable no later than the 55th anniversary of the completion date, and payable from residual receipts. The balance as of June 30, 2016 is $679,213. In addition, in June 2016, Laurel Grove Lane LP 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 no later than the 55th anniversary of the completion date, and payable from residual receipts. The balance as of June 30, 2016 is $1,390,497.

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

AE Associates - 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, 2016 was $34,237. The loan is non-interest bearing and is due October 2024.

Pinmore HDC, Inc. - In May 2013, Pinmore HDC, Inc. entered into a 60-year promissory note with the Authority for $3,200,000 for pre-development expenditures related to the affordable housing project located at 777 Park Avenue in San Jose, California. Commencing on July 1, 2015, the principal due under this Note will bear simple interest at the rate of the then published Applicable Federal Rate and will be repaid annually from Net Cash Flows. The note is a nonrecourse and unsecured obligation. On June 1, 2016, Laurel Grove Lane LP, an entity in which Pinmore HDC, Inc. serves as the general partner, acquired a portion of the Park Avenue land in order to build affordable housing and assumed a portion of the note. The balance as of June 30, 2016, remaining with Pinmore HDC, Inc. is $2,520,787.

San Pedro Gardens Associates - The Authority provided an unsecured loan to the partnership in the original amount of $50,000. The balance as of June 30, 2016 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, 2016, 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 - 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, 2016, the lease receivable balance is $30,000.

Rotary Plaza/Morrone Gardens Associates - The Authority (Lessor) and the partnership (Lessee) have entered into a 60-year land lease agreement. The annual rent is $20,000 and is payable to the extent of surplus cash, as defined. Any unpaid rent shall accrue interest at 7% compounded annually, and is payable in subsequent years from surplus cash. As of June 30, 2016, the lease receivable is $30,000.

San Pedro Gardens Associates - The Authority (Lessor) and the partnership (Lessee) have entered into a 65-year land lease agreement for the premises on which 20 residential apartment units are built. The annual rent is $10,000 and is payable only to the extent of surplus cash, as defined. Any unpaid rent shall accrue interest at 8% compounded annually. As of June 30, 2016, the lease receivable is $122,402.

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, 2016, the lease receivable is $1,487,253.

Seller take-back notes

Bendorf Drive, LP - In December 2013, Bendorf Drive, LP 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, 2015, the outstanding amount is $9,277,939.

Clarendon Street, L.P. - In 2013, Clarendon Street, L.P. into a seller take-back note with Villa Garcia, Inc. in the amount of $8,724,603. The note bears interest at 2.4% compounded annually, payable from available excess/distributable cash, with the entire principal and interest due in full by December 31, 2068. As of December 31, 2015, the outstanding amount is $7,082,872.

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, 2016, the outstanding amount is $2,791,419.

Julian Street Partners - On November 1, 2010, the Authority (Lessor), and the partnership (Lessee) have entered into a seller take-back note in the amount of $22,802,850 for the premises on which six multifamily rental housing properties (Cypress Gardens, Lenzen Gardens, Sunset Gardens, Lucretia Gardens, Julian Gardens and Miramar Way) are located. The note is secured by a subordinate deed of trust recorded against these properties, bears 4.35%, payments are due and payable beginning 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, 2016, the outstanding amount is $22,802,850.

Laurel Grove Lane LP - 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 no later than the 55th anniversary of the completion date, and payable from residual receipts. As of June 30, 2016, the outstanding amount is $2,557,609.

McCreery Avenue LP - 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 June 30, 2016, the outstanding amount is 10,021,352

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, 2016, the outstanding amount is $1,672,843.

Rincon Garden Associates - On September 16, 2008, the Authority (Lessor) and the partnership (Lessee) have entered into a seller take-back note in the amount of $15,670,000 for the premises on which a 200-unit multifamily rental housing property (Rincon Gardens) is located. The note is secured by a subordinate deed of trust recorded against the Rincon Gardens property, bears interest at 5.35% compounding annually, payments are due and payable beginning October 1, 2008 and continues on the first day of each month thereafter until the maturity date October 1, 2063, to the extent of available net cash flow. As of June 30, 2016, 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, 2015 includes the following:

Blended Component Units	Investee Partnerships	Amount
Avenida Espana HDC, Inc.	AE Associates, Ltd.	$ 9,516,053
	Julian Street Partners, L.P.	
	McCreery Avenue L.P.	
	Rincon Gardens Associates, L.P.	
Bracher HDC, Inc.	HACSC/Choices Senior Associates	(2,257)
	HACSC/Choices Family Associates	
DeRose HDC, Inc.	Bascom HACSC Associates	(1,753,079)
	Blossom River Associates	
	Hermocilla LLC	
	Thunderbird Associates	
Opportunity Center HDC, Inc.	Opportunity Center Associates, L.P.	1,896,569
Pinmore HDC, Inc.	Fairground Luxury Family Apartments L.P.	(4,643,688)
	Fairgrounds Senior Housing, L.P.	
	Helzer Associates	
	Laurel Grove Lane L.P	
	Willows HACSC Associates	
Rotary Plaza/HACSC HDC, Inc	Huff Avenue Associates	2,760,960
	Huff Avenue LLC	
SPG Housing Inc.	Branham Lane LLC	549,067
	Halford LLC	
	Klamath Associates L.P.	
	Poinciana LLC	
	San Pedro Gardens	
	South Drive LLC	
Villa Garcia, Inc.	Clarendon Street L.P.	1,303
Villa San Pedro HDC, Inc.	Bendorf Drive, LP	1,149,856
Total		$ 9,474,784

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, 2016, the Authority has an unearned revenue balance in the amount of $1,304,106 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. These obligations may include operating deficits, development and low income housing tax credit guarantees. At June 30, 2016, the Authority's significant guarantees and commitments are summarized as follows:

Properties	Operating Deficit Guarantees	General Partner Demand Note	Tax Indemnification Guarantees	Loan Repayment Guarantees	Investor Guarantee	HAP contract, Property Tax, Meal Service Program (if applicable)
A.E. Associates LP	$ -	$ 150,000	$ -	$ -	$ -	$ -
Bascom/HACSC Associates LP	-	-	214,420	-	-	-
Bendorf Drive LP	650,000	-	15,667,661	-	Unlimited	-
Blossom River Associates LP	-	250,000	-	-	-	-
Clarendon Street LP	575,000	-	6,363,399	-	-	-
DeRose Garden Apartments (SPG Housing, Inc.)	-	175,000	-	-	-	-
HACSC/Family Choices Associates LP	840,000	-	685,455	-	-	-
HACSC/Senior Choices Associates LP	630,000	-	402,152	-	-	-
Julian Street Partners L.P	1,900,000	-	12,353,949	-	Unlimited	Unlimited
Laurel Grove Lane L.P.				42,020,000		
McCreery Avenue LP	-	-	-	24,833,054	-	-
Rincon Garden Associates LP	-	194,000	1,400,000	-	-	-
Rotary Plaza/HACSC HDC, Inc	-	-	-	-	-	-
San Pedro Gardens Associates	-	80,000	-	-	-	-
Willows/HACSC Associates	643,000	-	-	-	-	-
Total	**$ 5,238,000**	**$ 849,000**	**$37,087,036**	**$66,853,054**		

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, 2016, the principal amount payable for the A series issues was $11,250,000.

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. The remaining 2 notes, which are the Multifamily Housing Revenue Construction/Permanent Tranche A and Tranche B have balances of $4,475,180 and $1,762,541, respectively.

HACSC/Family Choices 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, 2016, the principal amount payable for this issue was $7,670,000.

HACSC/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, 2016, the principal amount payable for this issue was $5,810,000.

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, 2016, the principal amount payable for the A-1 series issue was $11,404,990.

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, 2016, the principal amount payable on the bond issue was $3,846,000.

Conduit debt with other entities

The Authority participated as a conduit debt issuer for a number of housing development projects that are not part of the Authority's operations. These issues are typically used in multi-family housing acquisition and construction. The Authority usually assigns the financing agreement (including all rights of issuer, except for reserved rights) together with other property to the Trustees. As of June 30, 2016, the Authority has the following outstanding conduit debt with non-Authority related entities:

Partnerships	Projects	Number of Units	Original Issue	Balance June 30, 2016
MP Timberwood Associates	Timberwood	286	$ 18,415,000	$ 10,635,000
Monte Vista Associates, LP	Monte Vista Terrace	150	13,000,000	8,427,000
The Fountains	The Fountains	124	3,500,000	1,130,000
MP Latham Associates	Lathm Park	74	4,500,000	1,243,764
Total		634		$ 21,435,764

Note 11 - Risk management

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

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

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

There were no claims and no changes in the Authority's claims liability during the fiscal years ended June 30, 2016 and 2015.

Note 12 – Pension plan

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Authority's Miscellaneous Plan (Plan), an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and the Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website
<http://www.calpers.ca.gov/index.jsp?bc=/about/forms-pubs/calpers-reports/actuarial-reports/home.xml>.

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

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	monhtly for life	monhtly for life
Retirement Age	50 -55	62 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.996%	6.250%
Required employer contribution rates	7.832%	7.832%

Employees Covered – At June 30, 2016, based on the most recent actuarial valuation report dated June 30, 2015 the following employees were covered by the benefit terms for the plans:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	88
Active employees	123
Total	269

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 Plans 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, 2015, the employee contribution rate for classic employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in CalPERS system) is 6.996 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, 2014 the employees contributed 1 percent of annual pay and the Authority contributed the remaining 5.996 percent. The employer's contribution rate is 9.231 percent of annual payroll. For non-classic members (employees hired after January 1, 2013) the employee's contribution rate is 6.25 percent and the employer contribution rate is 7.75 percent.

B. Net Pension Liability (Asset)

The Authority's net pension liability (asset) for its Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability (asset) of its Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. At June 30, 2016, the Authority reported a net pension asset of $8.0 million for its Plan. A summary of principal assumptions and methods used to determine the net pension liability (asset) is shown below.

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Services
Investment Rate of Return[1]	7.50%
Mortality[2]	Derived using CalPERS' Membership Data for all Funds

[1] Net of pension plan investment and administrative expenses, includes inflation.

[2] The mortality table used was developed based on 2010 CalPERS experience study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include- 5 years of projected mortality improvements using Society of Actuaries Scale AA. .

Change in Assumptions – GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. This discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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

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

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS board effective July 1, 2014.

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

[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, 2015	$ 47,785,832	$ 56,590,827	$ (8,804,995)
Changes for the year:			
Service cost	1,327,942	-	1,327,942
Interest on total pension liability	3,522,787	-	3,522,787
Differences between expected and actual experiences	(539,512)	-	(539,512)
Changes in assumptions	(932,527)	-	(932,527)
Plan to plan resource movement	-	(10)	10
Contributions from employer	-	724,610	(724,610)
Contributions from employees	-	654,082	(654,082)
Net investment income	-	1,237,885	(1,237,885)
Benefit payments, including refunds of employee contributions	(1,856,519)	(1,856,519)	-
Administrative expense	-	(64,468)	64,468
Net changes	1,522,171	695,580	826,591
Balances reported at June 30, 2016	$ 49,308,003	$ 57,286,407	$ (7,978,404)

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

	Discount Rate -1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate +1% (8.65%)
Net Pension Liability (Asset)	$ (761,195)	$ (7,978,404)	$ (13,906,784)

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2016, the Authority recognized a negative pension expense of $670,390. At June 30, 2016, the Authority 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	$ 767,798	$ -
Changes of assumptions	-	753,195
Difference between expected and actual experiences	-	435,760
Net difference between projected and actual earnings on plan investments	-	437,416
Total	$ 767,798	$ 1,626,371

The $767,768 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ending June 30, 2017. Other amounts reported as deferred inflows and outflow of resources will be recognized as future pension expense as follows.

Year Ended June 30,	
2017	$ (632,936)
2018	(632,936)
2019	(632,934)
2020	329,054
2021	(56,619)
	$ (1,626,371)

Note 13 –Other postemployment benefits

Plan description - The Authority provides eligible employees with postretirement medical healthcare benefits. Upon retirement, qualified employees and spouses/domestic partners are eligible for continued medical coverage up to the Employer Coverage Cap in effect on the date of the employee's retirement. edical provider at the time of retirement will be the same medical provider during the final year of employment unless the employee moves from the plan service area. In the event the employee moves out of the plan service area, a supplemental medical plan will be made available at that time. Participation in Part A and Part B of the Medicare plan available at the time of retirement is a requirement of the plan.

The surviving spouse or domestic partner may continue to purchase medical coverage after the death of the retiree at the surviving spouse/partner's expense. The Authority participates in the CalPERS medical program as permitted under the Public Employees' Medical and Hospital and Care Act ("PEMHCA"). As such, the Authority is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued.

As provided by the PEMHCA, the Authority has been under contract with CalPERS for medical plan coverage since 2008 and has chosen to satisfy its retiree medical benefit commitment using the unequal contribution method. The Authority has made contributions toward the medical premiums of employees 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 contributions of up to the $1,730 cap, toward the cost of retiree medical coverage, the Authority pays 100% of the cost of dental and vision insurance for those retirees that opted for the "early retirement option plans" offered by the Authority in the past as an incentive for early retirement. During the year ended June 30, 2010, the Authority entered into an agreement with CalPERS whereby the Authority is a contracting agency under PEMHCA, which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees. The Authority participates in the California Employers' Retiree Benefit Trust Fund Program ("CERBT"), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. The financial statements for CERBT may be obtained by writing the CalPERS, Constituent Relations Office, CERBT (OPEB), P.O. Box 242709, Sacramento, California 94229-2709 or by calling 888-225-7377.

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

Annual OPEB cost - For the year ended June 30, 2016, the Authority's annual other postemployment benefits ("OPEB") cost is actuarially determined in accordance with the parameters of GASB No. Statement 45, and based on the Authority's most recent OPEB actuarial valuation that was performed as of

July 1, 2015. The following table shows the components of the Authority's annual OPEB cost for the year, the amount contributed to the plan, and changes in the Authority's net OPEB obligation (asset):

Annual required contribution	$ 435,190
Interest on net OPEB asset	(80,684)
Adjustment to annual required contribution	110,802
Annual OPEB cost	465,308
Contributions:	
Payments on behalf of retirees	(424,632)
Decrease in net OPEB asset	40,676
Net OPEB obligation (asset), beginning of year	(1,198,871)
Net OPEB obligation (asset), end of year	$ (1,158,195)

Three year trend information is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation/ (Asset)
2016	$ 465,308	91.3%	$ (1,158,195)
2015	171,453	656.3%	(1,198,871)
2014	185,004	232.4%	(244,995)

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

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

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

A summary of the actuarial assumptions and methods used to calculate the annual required contribution for the year ended June 30, 2016 is as follows:

Valuation date	July 1, 2015
Purpose	Fiscal year 2016 annual required contribution
Actuarial cost method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on assets	6.73%
Discount rate	6.73%
Salary increase	3.25% per year, used only to allocate the cost of benefits between service years
General inflation rate	2.75% per year
Healthcare cost trend rate	8.00% for 2016, reduced by decrements to an ultimate rate of 5.50% in year 2021 and later

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. During the year, the Authority entered into settlement discussions regarding a class action case related to housing accommodations with its Section 8 Housing Voucher holders who have disabilities and/or have family members with disabilities. On September 15, 2016, the U.S. District Court for the Northern District of California (Court) granted preliminary approval of the settlement. The settlement is still subject to approval by HUD. Prior to HUD’s approval, the settlement is not yet determined. As such, a liability has not been recognized in the financial statements.

In the opinion of the management of the Authority and based upon the opinions of legal counsel, the disposition of any and all such actions, of which it is aware, will not have a material effect on the financial position of the Authority except the settlement discussed above.

Grants and contracts

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

Concentrations

For the year ended June 30, 2016, approximately 93% of operating revenues and 98% 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 Housing Authority of the County of Santa Clara (which includes the Housing Authority of the City of San Jose) (collectively, "MTW Authority") entered into Moving-to-Work Demonstration (MTW) agreements on February 26, 2008. These agreements are effective from January 2, 2008 until the MTW Authority's fiscal year 2018. Under MTW, the MTW Authority as provided by Section 204(a) of the 1996 Appropriations Act (Section 204(a)), is able to administer its Section 8 and public housing programs with flexibility to reduce costs and achieve efficiencies; to provide incentives to families that are working, seeking work, or participating in job training; and to increase housing choices for low-income families.

According to Section 204(a), HUD may permit agencies to combine funds appropriated under Section 8 and Section 9 of the 1937 Act. Before fiscal year 2010, the Authority consolidated the Section 8 Voucher Excess Housing Assistance Payments ("HAPs") and Excess Administrative Fees Reserves as MTW Reserves for reporting purposes. During fiscal year 2010, The Authority established the Moving to Work Fund to separately account for the Excess HAP while the remaining balances are maintained in the Section 8 Rental Voucher Fund. The Conventional Housing Program ("Public Housing") and the Public Housing Capital 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 MTWPHA to make immediate payments.
- Undisbursed HAP fund will be held by HUD as "*HUD Held Program Reserves*", and will be available for future HAPs.

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

GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* define a voluntary non-exchange transaction as a transaction in which a government gives and receives value without directly receiving or giving something of equal value in return. These transactions, typically resulting from a legislative or contractual agreement, are entered into willingly by two parties. GASB Statement No. 33 also provides that a PHA that treats the HCV program as an enterprise fund and uses the accrual basis (as does the Authority) should recognize revenues under a voluntary non-exchange transaction if it meets four conditions: that the revenues are measurable, probable of collection, meet eligibility requirements and are a legally enforceable claim. Accordingly, PHAs, that are not MTW agencies meet all the conditions of the revenue recognition except that they are not normally considered to have a legally enforceable claim (under their agreements they are entitled to receive what is actually spent, up to the limit of their annual appropriation) and thus these PHA's could not recognize their HCV funds as revenues. The Authority believes that MTW PHAs meet all the conditions of the revenues recognition, and in contrast, have an agreement with HUD that authorizes expenditure of funds up to a stated annual funding level and unspent funds are earned and carried over from year to year. The underlying contract between HUD and a MTW-PHA provides the basis for a legally enforceable claim, and the Authority's management is of the opinion that HUD-Held Program funds should be recognized as revenues on the Authority's financial statement as the funds meet all the criteria and conditions of GASB Statement No. 33 for a voluntary non-exchange transaction. Accordingly, the Authority has recognized these HUD-Held HCV (MTW) Program funds ($90,982,803 as of June 30, 2016) as revenues and receivables on its financial statements.

The following program changes were implemented in calendar year 2016.

- Increased payment standards to 110% of HUD-issued 2016 fair market rents (FMRs) in February 2016.

Note 15 - Moving-to-Work program (Continued)

During the year ended June 30, 2016, the unrestricted net position activities of the Section 8 Rental Voucher Program and the Moving To Work Program are as follows:

	MTW - Public Housing	Section 8 Rental Voucher Program			Moving To Work Program			
	Conventional Housing Program and Public Housing Capital	Section 8 Vouchers Fee Reserves	Tenant Protection	Total Section 8 Rental Voucher Program	MTW - Contingency Reserve Fund	Park Avenue	MTW Reserves	Moving To Work Program
Unrestricted net position at June 30, 2015	$ 53,534	$ 13,963,318	$ 295,660	$ 14,258,978	$ 7,981,740	$ (140)	$ 57,140,843	$ 65,122,443
Year ended June 30, 2016 operating activity:								
HAP earned	-	-	-	-	-	-	248,915,250	248,915,250
HAP earned Port-In	-	-	-	-	-	-	1,455	1,455
Administrative fees earned	-	-	-	-	-	-	15,198,951	15,198,951
Administrative fees from Portability earned	-	728	-	728	-	-	-	-
Public Housing rental income	20,173	-	-	-	-	-	-	-
Operating subsidy	-	-	-	-	-	-	103,010	103,010
Pension income (expense)	-	566,042	-	566,042	-	-	-	-
Other income	3,140,456	197,870	1,234	199,104	73,644	-	30,050	103,694
Gain/(loss) on investments	-	-	-	-	18,101	-	687	18,788
50% of fraud recovery	-	13,455	-	13,455	-	-	13,455	13,455
HAP expense	-	(207,764,049)	-	(207,764,049)	-	-	-	-
HAP expense Port-In		(1,455)	-	(1,455)	-	-	-	-
Administrative and operational expenses	(1,362,989)	(15,686,290)	-	(15,686,290)	(102)	(5,102)	(50)	(5,254)
Net decrease/(increase) in capital assets	642,397	12,855	-	12,855		2,557,609	-	2,557,609
Capital gains from sale of Eklund I and II	-	9,465	-	9,465	-	-	-	-
Year ended June 30, 2016 transfers in (out):								
To transfer reimbursement from HARA for executive compensation per HUD notice PIH 2012-14	-	197,136	-	197,136	-	-	-	-
Transfer from HARA to cover Eklund Park's operating expenses	9,449	-	-	-	-	-	-	-
Transfer out to Preservation fund for subsidizing FY 2015 operational expenses related to Asset Management and General Partners	-	-	-	-	-	-	(625,667)	(625,667)
Transfer out to Preservation fund for subsidizing FY 2016 operational expenses related to Asset Management and General Partners	-	-	-	-	-	-	(742,572)	(742,572)
Transfer out assets (Land) to Public Housing Disposition proceeds	(614,539)	-	-	-	-	-	-	-
Transfers out to Acquisition and Development funds for MTW loan to Laurel Grove Lane	-	-	-	-	-	-	(2,298,107)	(2,298,107)
Transfer out to Mainstream to cover FY 2016 HAP deficit	-	-	-	-	-	-	(3,081)	(3,081)
Transfer of unspent cash balance from Tenant Based Rental Assistance (TBRA) program	-	25,602	-	25,602	-	-	-	-
Other interfund transfers between MTW and MTW related programs	(72,546)	219,460,521	-	219,460,521	-	5,242	(219,393,217)	(219,387,975)
Subtotal year ended June 30, 2016 activity	1,762,401	(2,968,120)	1,234	(2,966,886)	91,643	2,557,749	41,200,164	43,849,556
Unrestricted net position at June 30, 2016	$ 1,815,935	$ 10,995,198	$ 296,894	$ 11,292,092	$ 8,073,383	$ 2,557,609	$ 98,341,007	$ 108,971,999

Note 16 – Condensed blended component unit information

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

	Housing Development Corporation	Property Management Inc. (1)(2)	AE Associates, Ltd. (1)(2)	Avenida Espana HDC, Inc. (1)(2)	Blossom River Associates LP (1)(2)	Bracher HDC, Inc. (1)(2)	DeRose HDC, Inc. (1)(2)	Helzer Associates LP (1)(2)	Klamath Associates LP (1)(2)
Current assets	$ 781,248	$ 329,316	$ 516,499	$ 219,345	$ 3,142,337	$ -	$ 263,782	$ 1,738,373	$ 33,623
Due from component units and related parties	7,300,000	-	-	307,308	-	30,000	71,267	-	-
Other noncurrent assets	-	-	6,129	9,516,053	190,599	(2,257)	(1,753,079)	480,185	17,951
Capital assets	-	-	3,979,867	-	12,692,447	-	-	18,364,332	1,847,973
Total assets	8,081,248	329,316	4,502,495	10,042,706	16,025,383	27,743	(1,418,030)	20,582,890	1,899,547
Current liabilities	997,410	14,547	175,208	1,172	1,017,923	-	286,967	764,060	67,652
Due to component units and related parties	261,265	455,509	157,276	12,330,000	17,717	-	-	15,000	114,185
Noncurrent liabilities	7,120,000	-	6,759,035	-	20,250,923	-	-	23,477,985	1,864,553
Total liabilities	8,378,675	470,056	7,091,519	12,331,172	21,286,563	-	286,967	24,257,045	2,046,390
Net position:									
Net investment in capital assets	-	-	(589,508)	-	(2,982,453)	-	-	(2,833,581)	685,821
Restricted	780,771	1,780	288,990	-	2,608,581	-	46,714	1,561,808	13,976
Unrestricted	(1,078,198)	(142,520)	(2,288,506)	(2,288,466)	(4,887,308)	27,743	(1,751,711)	(2,402,382)	(846,640)
Total net position	$ (297,427)	$ (140,740)	$ (2,589,024)	$ (2,288,466)	$ (5,261,180)	$ 27,743	$ (1,704,997)	$ (3,674,155)	$ (146,843)

	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	$ -	$ 1,142,315	$ 927,735	$ 1,949,261	$ 170,643	$ 821,784	$ 2,309,068	$ 1,736,239
Due from component units and related parties	26,336	160,384	10,680,685	15,000	-	244,100	7,266,059	9,940,292
Other noncurrent assets	1,896,569	(4,643,688)	-	2,779,002	10,538	549,067	1,303	1,149,856
Capital assets	-	2,393,468	-	4,757,706	1,126,955	4,727,069	-	-
Total assets	1,922,905	(947,521)	11,608,420	9,500,969	1,308,136	6,342,020	9,576,430	12,826,387
Current liabilities	-	244,309	17,517	1,319,502	49,430	299,991	691	893
Due to component units and related parties	377,821	3,266,921	373,049	227,030	151,419	1,454,253	-	1,580,250
Noncurrent liabilities	-	-	-	4,829,812	2,580,954	1,995,998	-	-
Total liabilities	377,821	3,511,230	390,566	6,376,344	2,781,803	3,750,242	691	1,581,143
Net position:								
Net investment in capital assets	-	2,393,468	-	1,286,951	(483,802)	2,690,241	-	-
Restricted	-	-	-	95,676	101,148	148,922	-	-
Unrestricted	1,545,084	(6,852,219)	11,217,854	1,741,998	(1,091,013)	(247,385)	9,575,739	11,245,244
Total net position	$ 1,545,084	$ (4,458,751)	$ 11,217,854	$ 3,124,625	$ (1,473,667)	$ 2,591,778	$ 9,575,739	$ 11,245,244

(1) Component unit was audited by other auditors.
(2) As of December 31, 2015

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

	Housing Development Corporation	Property Management Inc. (1)(2)	AE Associates, Ltd. (1)(2)	Avenida Espana HDC, Inc. (1)(2)	Blossom River Associates LP (1)(2)	Bracher HDC, Inc. (1)(2)	DeRose HDC, Inc. (1)(2)	Helzer Associates LP (1)(2)	Klamath Associates LP (1)(2)
Operating revenues	$ 3,500	$ -	$ 679,953	$ 219,691	$ 2,553,132	$ 30,000	$ 538,864	$ 2,475,427	$ 263,797
Operating expenses	64,927	14,931	788,806	464,735	1,773,143	30,066	54,665	2,001,341	239,686
Operating income (loss)	(61,427)	(14,931)	(108,853)	(245,044)	779,989	(66)	484,199	474,086	24,111
Nonoperating revenues (expenses), net	2	-	(106,567)	146	(1,267,226)	-	-	(1,190,552)	(74,171)
Capital contributions	-	-	-	-	-	-	-	-	-
Special items	-	-	-	-	-	-	-	-	-
Change in net position	(61,425)	(14,931)	(215,420)	(244,898)	(487,237)	(66)	484,199	(716,466)	(50,060)
Net position, beginning of year, as restated	(236,002)	(125,809)	(2,373,604)	(2,043,568)	(4,773,943)	27,809	(2,189,196)	(2,957,689)	(96,783)
Net position, end of year	$ (297,427)	$ (140,740)	$ (2,589,024)	$ (2,288,466)	$ (5,261,180)	$ 27,743	$ (1,704,997)	$ (3,674,155)	$ (146,843)

	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	$ 26,336	$ 152,447	$ 312,733	$ 3,752,405	$ 231,218	$ 880,724	$ -	$ 12,986
Operating expenses	26,855	2,138,226	1,252,869	399,003	225,438	1,096,101	1,508,959	9,186
Operating income (loss)	(519)	(1,985,779)	(940,136)	3,353,402	5,780	(215,377)	(1,508,959)	3,800
Nonoperating revenues (expenses), net	-	3,224	190,211	(218,609)	(63,019)	(56,784)	185,049	281,697
Capital contributions	-	-	-	-	-	-	-	-
Special items	-	-	5,803,367	-	-	-	-	-
Change in net position	(519)	(1,982,555)	5,053,442	3,134,793	(57,239)	(272,161)	(1,323,910)	285,497
Net position, beginning of year, as restated	1,545,603	(2,476,196)	6,164,412	(10,168)	(1,416,428)	2,863,939	10,899,649	10,959,747
Net position, end of year	$ 1,545,084	$ (4,458,751)	$ 11,217,854	$ 3,124,625	$ (1,473,667)	$ 2,591,778	$ 9,575,739	$ 11,245,244

(1) Component unit was audited by other auditors.
(2) For the year ended December 31, 2015

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

	Housing Development Corporation	Property Management Inc. (1)(2)	AE Associates, Ltd. (1)(2)	Avenida Espana HDC, Inc. (1)(2)	Blossom River Associates LP (1)(2)	Bracher HDC, Inc. (1)(2)	DeRose HDC, Inc. (1)(2)	Helzer Associates LP (1)(2)	Klamath Associates LP (1)(2)
Cash flows from:									
Operating activities	$ 471,840	$ (8,926)	$ 174,656	$ (7,220)	$ 572,351	$ -	$ 26,595	$ 116,215	$ 49,657
Investing activites	-	-	(1,290)	185,630	3,063	-	177,310	(343)	(8,021)
Financing activites	(464,260)	-	(25,415)	-	(180,000)	-	-	(205,000)	(27,074)
Net change in cash and cash equivalents	7,580	(8,926)	147,951	178,410	395,414	-	203,905	(89,128)	14,562
Cash and cash equivalents, beginning of year	773,668	324,509	327,961	40,935	2,716,094	-	59,877	1,772,370	16,039
Cash and cash equivalents, end of year	$ 781,248	$ 315,583	$ 475,912	$ 219,345	$ 3,111,508	$ -	$ 263,782	$ 1,683,242	$ 30,601

	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	$ -	$ (126,185)	$ (897,514)	$ 84,450	$ 3,400	$ 150,455	$ (1,383,542)	$ 323,213
Investing activities	-	(1,416,978)	5,592,647	399,475	4	(75,587)	893,434	(288,696)
Financing activities	-	(65,000)	(4,675,879)	(129,379)	(15,778)	(188,093)	(72,275)	-
Net change in cash and cash equivalents	-	(1,608,163)	19,254	354,546	(12,374)	(113,225)	(562,383)	34,517
Cash and cash equivalents, beginning of year	-	2,750,478	894,330	388,381	178,801	782,675	2,871,451	1,701,722
Cash and cash equivalents, end of year	$ -	$ 1,142,315	$ 913,584	$ 742,927	$ 166,427	$ 669,450	$ 2,309,068	$ 1,736,239

(1) Component unit was audited by other auditors.
(2) For the year ended December 31, 2015

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.

Other Blended Component Units

AE Associates, LTD

Ground lease

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

Long-Term debt

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

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

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
RHCP Loan	$ 2,225,239	$ 3,285,000	$ 5,510,239	$ -
City of San Jose	-	1,284,375	1,284,375	28,808
Total	$ 2,225,239	$ 4,569,375	$ 6,794,614	$ 28,808

Blossom River Associates

Long-term debt

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

City of San Jose Note - The note is secured by a deed of trust, bears interest at 5.5% compounded annually, with a maturity date of May 1, 2040. Payments of interest and principal are due annually on May 1, equal to 100% of Adjusted Net Cash Flow as defined in the note.

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
1998 Series A Bonds	$ 250,412	$ 11,540,000	$ 11,790,412	$ 445,412
City of San Jose Note	5,186,773	4,134,900	9,321,673	415,750
Total	$ 5,437,185	$ 15,674,900	$ 21,112,085	$ 861,162

Helzer Associates L.P.

Long-term debt

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

City of San Jose Note - The note dated May 25, 1999, in the original amount of $7,211,000 is secured by the property. It bears interest at 2.5% compounded annually with a maturity date of December 2041. Payments of principal and interest are due annually on April 1, subject to the availability of Adjusted Net Cash Flow as defined in the note.

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

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
1999 Series A Bonds	$ 79,585	$ 14,948,000	$ 15,027,585	$ 215,000
City of San Jose Note	2,495,072	5,916,366	8,411,438	-
CalHFA Note	-	333,547	333,547	-
Total	$ 2,574,657	$ 21,197,913	$ 23,772,570	$ 215,000

Klamath Associates L.P.

Long-term debt

Citibank Loan - The loan with an original amount of $750,000, bears an adjustable interest rate (currently at 6.75%) and is payable in monthly installments of $5,045 until maturity in May 2027. An adjustment will occur in June 2017, when the interest rate shall be adjusted to 2% over the average monthly 10-year treasury constant maturity yield, not to exceed 12.42% per annum or to fall below 6.42%.

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

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 2,705	$ 480,976	$ 483,681	$ 31,664
City of Santa Clara Note	746,883	681,176	1,428,059	-
Total	$ 749,588	$ 1,162,152	$ 1,911,740	$ 31,664

Poco Way HDC, Inc. (Poco Way Apartments)

Special item

On February 20, 2015, Poco Way HDC, Inc. sold the Poco Way project, a 130-unit affordable apartment complex for the low-income families located in San Jose to McCreery Avenue Associates, a California Limited Partnership. Since both buyer and seller of the property are deemed to be commonly controlled by HACSC, generally accepted accounting principles require that the buyer record the transaction based on the seller's carrying value of the assets at the time of the acquisition. Details for the sales are as follows:

Land	$ 5,131,161
Buildings and improvements- net	9,165,472
Carrying value of assets at February 20, 2015	14,296,633
Less purchase price	20,100,000
Excess of debt assigned over the carrying value of property transferred	$ 5,803,367

The excess of debt assigned over the carrying value of property transferred is recorded as a special item in Poco Way HDC, Inc.

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.

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

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
CCRC Note	$ -	$ 1,573,423	$ 1,573,423	$ 137,300
City of San Jose Note	1,427,590	1,802,332	3,229,922	-
County of Santa Clara	71,790	95,000	166,790	-
Total	$ 1,499,380	$ 3,470,755	$ 4,970,135	$ 137,300

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 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, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 202	$ 121,257	$ 121,459	$ 15,660
RHCP Loan	1,001,076	1,489,500	2,490,576	-
Total	$ 1,001,278	$ 1,610,757	$ 2,612,035	$ 15,660

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 6.96% per annum), is payable in monthly installments of $6,989 and is due in full in October 2026. Another adjustment will occur in 2016.

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, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 3,694	$ 636,828	$ 640,522	$ 44,524
City of San Jose Note	5,235	1,400,000	1,405,235	5,235
Total	$ 8,929	$ 2,036,828	$ 2,045,757	$ 49,759

Discrete Component Units

Bascom HACSC Associates

Organization

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

Long-term debt

Tax-exempt bonds Series A and B - The bonds issued by the City of San Jose, dated December 7, 2000, in the amount of $6,130,000 and $900,000, respectively, are multifamily housing revenue bonds secured by separate direct pay letter of credits from Union Bank of California through the construction period and stabilization period. The Series A bonds bear interest at a rate of 6.1% from the year 2001 to 2030, and 6.2% from the year 2031 to 2041. Payments of principal and interest are due every six months, amortized over a 38-year, 3-month term. In 2002, Series A was converted to an amortizing mortgage. The Series B bonds bear interest at a rate of 5.7%. Payments of principal and interest are due every six months, amortized over a 13-year, 2-month term.

City of San Jose Note - The note is dated December 1, 2000, in the original amount of $7,370,000 is secured by a deed of trust on the property. The note bears interest at 2.75%, compounded annually, with a maturity date of December 31, 2043. Payments of interest and principal are due annually on May 1, subject to the availability of Adjusted Net Cash Flow as defined in the note.

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Tax-exempt bonds				
Series A and Series B	$ 167,779	$ 5,450,000	$ 5,617,779	$ 302,779
City of San Jose Note	1,778,451	6,979,530	8,757,981	135,261
Total	$ 1,946,230	$ 12,429,530	$ 14,375,760	$ 438,040

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, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
CHRP Loan	$ 1,211,650	$ 4,156,798	$ 5,368,448	$ 235,516
CalHFA Loan	55,993	11,697,774	11,753,767	207,355
Total	$ 1,267,643	$ 15,854,572	$ 17,122,215	$ 442,871

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. The note was assumed by Branham Lane LLC when it acquired the Pinmore Gardens housing complex from Pinmore Associates on April 30, 2014.

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. The note was assumed by Branham Lane LLC when it acquired the Pinmore Gardens housing complex from Pinmore Associates on April 30, 2014.

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 11,451	$ 1,143,424	$ 1,154,875	$ 97,147
City of San Jose Note	1,103,380	1,488,125	2,591,505	31,201
Total	$ 1,114,831	$ 2,631,549	$ 3,746,380	$ 128,348

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 services 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, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Bank of the West (Tranche A)	$ 14,965	$ 4,534,886	$ 4,549,851	$ 135,617
Bank of the West (Tranche B)	4,316	1,849,856	1,854,172	180,194
Total	$ 19,281	$ 6,384,742	$ 6,404,023	$ 315,811

Fairground Luxury Family Apartments, L.P.

Organization

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

Long-term debt

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

City of San Jose Loan - On September 1, 2005, the City of San Jose made a construction loan and permanent loan to the partnership in the amount of up to $19,235,050 during the construction period and up to $21,084,426 for the period of time after the construction loan period. On February 1, 2008, the CSJ Loan was converted to a permanent loan. The loan is secured by a deed of trust, bears interest at a fixed rate of 4% per annum, payable out of available cash flow (as defined in the loan agreement) and matures March 1, 2046.

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
CalHFA Loan	$ 107,711	$ 22,676,064	$ 22,783,775	$ 361,475
City of San Jose Note	2,922,228	17,245,082	20,167,310	-
Total	$ 3,029,939	$ 39,921,146	$ 42,951,085	$ 361,475

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, 2014, 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.

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
City of San Jose Revenue Bonds	$ 55,550	$ 12,090,000	$ 12,145,550	$ 450,550
City of San Jose Note	518,231	8,036,582	8,554,813	-
County of Santa Clara Note	28,544	1,262,866	1,291,410	-
Total	$ 602,325	$ 21,389,448	$ 21,991,773	$ 450,550

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, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
City of Santa Clara Note	$ 786,228	$ 3,892,000	$ 4,678,228	$ 231,990
Series 2001 A Bonds	199,756	7,730,000	7,929,756	324,756
California HCD	910,432	4,050,500	4,960,932	91,536
Total	$ 1,896,416	$ 15,672,500	$ 17,568,916	$ 648,282

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, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
County of Santa Clara Loan	$ 1,476,431	$ 5,317,000	$ 6,793,431	$ 20,281
Series 2001 A Bonds	149,944	5,855,000	6,004,944	239,944
Total	$ 1,626,375	$ 11,172,000	$ 12,798,375	$ 260,225

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

Hermocilla LLC

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

Long-term debt

Citibank Loan - The loan originally amounting to $2,525,000 bears variable interest at 5.68% per annum and is payable in monthly installments of $15447. It is due in full in October 2029. On August 3, 2015, Hermocilla LLC assumed the note from Thunderbird Associates.

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. On August 3, 2015, Hermocilla LLC assumed the note from Thunderbird Associates.

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 8,393	$ 1,773,273	$ 1,781,666	$ 99,820
City of San Jose Note	20,239	260,628	280,867	31,201
Total	$ 28,632	$ 2,033,901	$ 2,062,533	$ 131,021

Huff Avenue Associates

Organization

Huff Associates, a California limited partnership ("Huff"), was formed on March 7, 1994 to develop 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) . Huff Avenue Associates is controlled by its general partner Rotary Plaza/HACSC, HDC, Inc. which is a nonprofit organization affiliated with the Authority. The Project was transferred to Huff Avenue LLC, a California limited liability controlled by its sole member, Rotary Plaza/HACSC, HDC Inc. on December 11, 2015. The related notes payable were assumed by Huff Avenue LLC. Huff Avenue Associates was dissolved in December 2015 after the Project was transferred to Huff Avenue LLC.

Huff Avenue LLC

Organization

HUFF Avenue LLC, a limited liability company formed on 7/3/2014, 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. The project was operated by Huff Avenue Associates until it was assumed by Huff Avenue LLC on December 11, 2015.

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 are due March 11, 2027. Huff Avenue LLC assumed the note as part of the transfer of Huff Avenue Apartments.

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. Huff Avenue LLC assumed the note as part of the transfer of Huff Avenue Apartments.

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
City of San Jose Note	$ 7,588	$ 693,088	$ 700,676	$ 232,136
ARCS Note	25,499	3,432,833	3,458,332	105,289
Total	$ 33,087	$ 4,125,921	$ 4,159,008	$ 337,425

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, 2015, 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, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Revenue Bonds 2010 Series A-1 Loan	$ 169,502	$ 15,470,000	$ 15,639,502	$ 1,104,502

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 is expected to be completed in 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 2070.

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 (1.64%as of December 31, 2015). Interest-only payments are due monthly until conversion, expected to begin November 2016, at which time $11,525,000 will be converted to a 30-year amortizing loan with interest at 3.95%. Interest capitalized was $36,631 and interest expense was $88,560.

City of San Jose Loan - The loan bears interest at 2.41% compounded annually, payable from excess/distributable cash, with entire principal and interest due in full in February 2070. Interest capitalized was $28,977 and interest expense was $ 70,056.

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ -	$ 13,079,314	$ 13,079,314	$ -
City of San Jose Loan	99,033	4,490,632	4,589,665	-
Total	$ 99,033	$ 17,569,946	$ 17,668,979	$ -

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, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
MHP Loan	$ 1,699,721	$ 7,500,000	$ 9,199,721	$ -
City of Palo Alto Note	-	750,000	750,000	-
County of San Mateo Note	-	450,000	450,000	-
Housing Trust Silicon Valley Note	-	500,000	500,000	-
County of Santa Clara Affordable Housing Funds Loan	-	1,000,000	1,000,000	-
County of Santa Clara HOME Program Loan	-	500,000	500,000	-
Total	$ 1,699,721	$ 10,700,000	$ 12,399,721	$ -

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, 2015, 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, 2015, 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, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
2008 Series A-1 and A-2 Bonds	$ -	$ 14,762,147	$ 14,762,147	$ 499,192

South Drive LLC

Organization

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

Long-term debt

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

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

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Citibank Loan	$ 9,171	$ 1,127,991	$ 1,137,162	$ 91,090
City of Santa Clara Note	659,173	1,550,000	2,209,173	175,356
Total	$ 668,344	$ 2,677,991	$ 3,346,335	$ 266,446

Thunderbird Associates

Organization

Thunderbird Associates, L.P., a California limited partnership ("Thunderbird"), was formed on February 21, 1997 to develop and operate a 100-unit affordable housing complex, which is currently operating under the name of Villa Hermosa Apartments. Thunderbird is controlled by its general partner, DeRose HDC, Inc. On August 3, 2015, Thunderbird sold the property to Hermocilla LLC, a discrete component unit of the Authority and Hermocilla LLC assumed the Thunderbird's liabilities note when it acquired the Villa Hermosa Apartments (see prior discussion).

Willows/HACSC Associates

Organization

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

Long-term debt

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

LCD Note - The note, in the original amount of $427.000, is secured by the project and bears a simple interest rate at 2% per annum. It matures January 1, 2045 and is payable annually from residual receipts up to 50% of the Surplus Cash.

	December 31, 2015			
	Interest Payable	Principal	Total	Amounts due within one year
Series 2005 Bonds	$ 110	$ 3,948,000	$ 3,948,110	$ 68,110
LCD Note	4,849	167,143	171,992	99,064
Total	$ 4,959	$ 4,115,143	$ 4,120,102	$ 167,174

Note 18 – Subsequent Events

In 2012, the Authority filed a breach of contract claim in the United States Court of Federal Claims (Claims Court) against the United States acting through HUD regarding the calculation of annual subsidies under HUD's Housing Choice Voucher program in accordance with the Authority's Moving to Work Agreement with HUD. On April 29, 2016, the Claims Court entered a judgement awarding the Authority damages in the amount of $53.9 million. On September 16, 2016, the Authority recognized the gain from the $53.9 million received under the settlement.

On December 6, 2016, the Authority's Board of Commissioners approved a resolution to dissolve Property Management, Inc. (PMI). PMI was reported as a blended component unit in the Authority's financial statements. Upon dissolution, the Authority assumed the outstanding liabilities of PMI and will receive equivalent cash from PMI for the payment of outstanding liabilities, including taxes.

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HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Required Supplementary Information (Unaudited)
Last Two Fiscal Years *

Schedule of Changes in Net Pension Liability and Related Ratios

	2016	2015
Total pension liability		
Service cost	$ 1,327,942	$ 1,413,145
Interest	3,522,787	3,356,632
Difference between expected and actual experience	(539,512)	-
Changes of assumptions	(932,527)	-
Benefit payments, including refunds of employee contributions	(1,856,519)	(2,064,928)
Net change in total pension liability	1,522,171	2,704,849
Total pension liability - beginning	47,785,832	45,080,983
Total pension liability - ending (a)	**$ 49,308,003**	**$ 47,785,832**
Plan fiduciary net position		
Plan to plan resource movement	$ (10)	$ -
Contributions - employer	724,610	824,681
Contributions - employee	654,082	670,406
Net investment income	1,237,885	8,433,099
Benefit payments, including refunds of employee contributions	(1,856,519)	(2,064,928)
Administrative expense	(64,468)	-
Net change in fiduciary net position	695,580	7,863,258
Plan fiduciary net position - beginning	56,590,827	48,727,569
Plan fiduciary net position - ending (b)	**$ 57,286,407**	**$ 56,590,827**
Plan net pension liability (asset) - Ending (a) - (b)	**$ (7,978,404)**	**$ (8,804,995)**
Plan fiduciary net position as a percentage of total pension liability	116.18%	118.43%
Covered employee payroll	$ 9,296,061	$ 9,370,369
Plan net pension liability (asset) as a percentage of covered employee payroll	-85.83%	-93.97%

Notes to schedule:

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

Changes of Assumptions - The discount rate was changed from 7.5% (net of administrative expense) to 7.65 percent.

Covered employee payroll - assumed to increase by the 3.00% payroll growth assumption.

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

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Required Supplementary Information (Unaudited)
Last Three Fiscal Years *

Schedule of Plan Contributions

	2016	2015	2014
Contractually required contribution (actuarially determined)	$ 767,798	$ 724,610	$ 824,681
Actual contribution	(767,798)	(724,610)	$ (824,681)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	10,910,833	$ 9,296,061	$ 9,370,369
Contributions as percentage of covered-employee payroll	7.04%	7.79%	8.80%

Notes to schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions (ADC) were as follows:

ADC for fiscal year	June 30, 2016
Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal cost method
Asset valuation method	Acturial valuation of assets
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.5%, net of pension plan investment and administrtive expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS experience study of the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS experience study of the period from 1997 to 2007. 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 three years of information is shown.

Schedule of Funding Progress - Postemployment Healthcare Benefits

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

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) - Entry Age	(C) Unfunded AAL (UAAL) [(B) - (A)]	(D) Funded Ratio [(A) / (B)]	(E) Covered Payroll	(F) UAAL as a Percentage of Covered Payroll [(C) / (E)]
7/1/2011	$ 6,975,535	$ 7,188,527	$ 212,992	97.0%	$ 11,844,890	1.8%
7/1/2013	$ 6,921,359	$ 7,634,336	$ 712,977	90.7%	$ 8,970,243	7.9%
7/1/2015	$ 8,506,685	$ 10,558,090	$ 2,051,405	80.6%	$ 9,393,019	21.8%

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position
Discretely Presented Component Units
June 30, 2016

	Bascom HACSC Associates (1)(2)	Bendorf Drive L.P. (1)(2)	Blossom River Associates (1)(2)	Branham Lane LLC (1)(2)	Clarendon Street, L.P. (1)(2)	Fairground Luxury Family Apartments, L.P. (1)(2)	Fairground Senior Housing, L.P. (1)(2)	HACSC/ Choices Family Associates (1)(2)	HACSC/ Choices Senior Associates (1)(2)	Halford LLC (2)(3)	Helzer Associates (1)(2)	Hermocilla LLC (1)(2)	Huff Avenue Associates (1)(4)
Assets:													
Current assets:													
Cash:													
Unrestricted	$ 309,281	$ 1,692,889	$ -	$ 88,719	$ 828,241	$ 1,236,573	$ 1,281,013	$ 409,757	$ 164,328	$ 146,949	$ -	$ 114,147	$ -
Tenant security deposits	54,098	38,924	-	10,526	48,415	229,056	-	36,745	42,390	1,800	-	39,950	-
Total cash	363,379	1,731,813	-	99,245	876,656	1,465,629	1,281,013	446,502	206,718	148,749	-	154,097	-
Accounts receivable:													
Tenants	-	8,296	-	1,144	137	-	-	1,378	2,280	-	-	-	-
HUD	-	1,169	-	-	-	-	-	-	78	960	-	-	-
Related parties	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from primary government	-	-	-	-	-	-	-	195	165		-	-	-
Others	1,897	10,064	-	1,008	1,437	13,484	341	1,522	-	405	-	5,540	-
Total accounts receivable, net	1,897	19,529	-	2,152	1,574	13,484	341	3,095	2,523	1,365	-	5,540	-
Prepaid expenses	20,268	29,734	-	8,243	26,684	29,865	31,511	26,924	9,920	1,593	-	15,670	-
Restricted cash and cash equivalents	1,353,344	1,163,432	-	15,890	743,665	1,611,064	2,300,886	1,719,772	1,498,091	9,002	-	11,316	-
Total current assets	1,738,888	2,944,508	-	125,530	1,648,579	3,120,042	3,613,751	2,196,293	1,717,252	160,709	-	186,623	-
Noncurrent assets:													
Prepaid costs, net	-	367,296	-	36,073	148,556	196,474	457,731	258,031	222,627	12,686	-	87,503	-
Other assets	-	-	-	-	-	-	-	-	-	-	-		-
Capital assets:													
Nondepreciable	4,101,644	3,779,006	-	1,697,718	212,624	40,077	-	3,818,724	2,612,715	-	-	1,524,051	-
Depreciable	9,419,278	35,006,196	-	2,620,483	22,076,453	56,354,332	29,858,081	11,560,033	8,381,147	2,636,153	-	3,626,181	-
Total capital assets	13,520,922	38,785,202	-	4,318,201	22,289,077	56,394,409	29,858,081	15,378,757	10,993,862	2,636,153	-	5,150,232	-
Total noncurrent assets	13,520,922	39,152,498	-	4,354,274	22,437,633	56,590,883	30,315,812	15,636,788	11,216,489	2,648,839	-	5,237,735	-
Total assets	15,259,810	42,097,006	-	4,479,804	24,086,212	59,710,925	33,929,563	17,833,081	12,933,741	2,809,548	-	5,424,358	-
Liabilities:													
Current liabilities:													
Accounts payable	69,306	75,456	-	19,724	47,138	38,264	67,575	73,539	98,521	6,916	-	13,657	-
Payable to related parties	22,500	-	-	-	5,150	231,395	297,863	20,000	20,000	-	-	40,017	-
Due to primary government	941	1,004,466	-	186,496	1,131,924	-	-	82,577	13,783	146	-	685	-
Other accrued liabilities	-	-	-	-	-	592,492	240,891	-	-	-	-	44,614	-
Tenant security deposits	54,098	38,924	-	10,526	48,415	228,351	99,464	36,745	42,390	1,800	-	39,950	-
Unearned revenues	605	15,914	-	2,996	3,991	3,564	5,021	1,506	-	2	-	638	-
Interest payable	303,040	291,509	-	42,652	19,281	107,711	55,550	523,282	170,225	-	-	28,632	-
Current portion of long-term obligations	135,000	151,362	-	85,696	296,530	253,764	395,000	125,000	90,000	-	-	102,389	-
Total current liabilities	585,490	1,577,631	-	348,090	1,552,429	1,455,541	1,161,364	862,649	434,919	8,864	-	270,582	-
Noncurrent liabilities:													
Interest payable, net of current portion	1,643,190	976,134	-	1,072,179	-	2,922,228	546,775	1,373,134	1,456,150	-	-	-	-
Long-term obligations, net of current portion	12,294,530	15,703,210	-	2,545,853	6,088,212	39,667,382	20,994,448	7,942,500	5,317,000	-	-	1,931,512	-
Advance from primary government	-	11,627,935	-	-	7,961,239	-	-	7,605,000	5,765,000	2,843,750	-	-	-
Total liabilities	14,523,210	29,884,910	-	3,966,122	15,601,880	44,045,151	22,702,587	17,783,283	12,973,069	2,852,614	-	2,202,094	-
Net position:													
Net investment in capital assets	1,091,392	22,930,630	-	1,686,652	15,904,335	16,473,263	8,468,633	7,311,257	5,586,862	2,636,153	-	3,116,331	-
Restricted	1,353,344	1,163,432	-	15,890	743,665	1,611,064	2,300,886	1,719,772	1,498,091	9,002	-	11,316	-
Unrestricted (deficits)	(1,708,136)	(11,881,966)	-	(1,188,860)	(8,163,668)	(2,418,553)	457,457	(8,981,231)	(7,124,281)	(2,688,221)	-	94,617	-
Total net position	$ 736,600	$ 12,212,096	$ -	$ 513,682	$ 8,484,332	$ 15,665,774	$ 11,226,976	$ 49,798	$ (39,328)	$ (43,066)	$ -	$ 3,222,264	$ -

(1) Component unit was audited by other auditors.
(2) As of December 31, 2015
(3) Component unit was audited other auditors as a subsidiary of the S.P.G. Housing, Inc.
(4) Component unit was dissolved during the year ended December 31, 2015
(5) Component unit was audited other auditors as a subsidiary of the Rotary Plaza/HACSC, HDC Inc.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2016

	Huff Avenue LLC (2)(5)	Julian Street Partners, L.P. (1)(2)	Klamath Associates (1)(2)	McCreery Avenue L.P. (1)(2)	Opportunity Center Associates, L.P. (1)(2)	Poinciana LLC (2)(3)	Rincon Gardens Associates, L.P. (1)(2)	South Drive LLC (1)(2)	Thunderbird Associates (1)(4)	Willows HACSC Associates (1)(2)	Elimination/ Adjustment	Total
Assets:												
Current assets:												
Cash:												
Unrestricted	$ -	$ 1,228,870	$ -	$ 454,548	$ 22,804	$ 126,638	$ 815,685	$ 125,560	$ -	$ 272,373	$ -	$ 9,318,375
Tenant security deposits	53,587	140,913	-	38,675	28,350	6,000	63,978	25,389	-	18,537	-	877,333
Total cash	53,587	1,369,783	-	493,223	51,154	132,638	879,663	150,949	-	290,910	-	10,195,708
Accounts receivable:												
Tenants	-	243	-		3,023	-	2,649	-	-	-	-	19,150
HUD	-	24,406	-		-	-	-	-	-	-	-	26,613
Related parties	186,270	-	-	327,806	-	-	-	-	-	-	-	514,076
Due from primary government	-	-	-		-	-	2,647	172,684	-	-	-	175,691
Others	538	7,890	-	510	15,464	-	-	130	-	22	-	60,252
Total accounts receivable, net	186,808	32,539	-	328,316	18,487	-	5,296	172,814	-	22	-	795,782
Prepaid expenses	13,239	59,568	-	31,662	11,646	829	63,142	12,097	-	7,193	-	399,788
Restricted cash and cash equivalents	191,124	3,062,713	-	1,011,447	479,214	5,401	2,032,574	25,438	-	433,788	-	17,668,161
Total current assets	444,758	4,524,603	-	1,864,648	560,501	138,868	2,980,675	361,298	-	731,913	-	29,059,439
Noncurrent assets:												
Prepaid costs, net	95,973	721,754	-	-	30,108	9,015	275,506	21,124	-	1,547,965	-	4,488,422
Other assets	27,085	-	-	-	-	-	-	-	-	-		27,085
Capital assets:												
Nondepreciable	2,768,902	-	-	4,294,431	1,953,111	-	-	1,857,880	-	-	1,781,161	30,442,044
Depreciable	4,836,620	66,164,702	-	26,295,037	12,562,525	1,581,673	35,518,547	2,937,296	-	1,654,709	(19,553,383)	313,536,063
Total capital assets	7,605,522	66,164,702	-	30,589,468	14,515,636	1,581,673	35,518,547	4,795,176	-	1,654,709	(17,772,222)	343,978,107
Total noncurrent assets	7,728,580	66,886,456	-	30,589,468	14,545,744	1,590,688	35,794,053	4,816,300	-	3,202,674	(17,772,222)	348,493,614
Total assets	8,173,338	71,411,059	-	32,454,116	15,106,245	1,729,556	38,774,728	5,177,598	-	3,934,587	(17,772,222)	377,553,053
Liabilities:												
Current liabilities:												
Accounts payable	6,427	264,411	-	1,931,071	89,123	4,169	97,383	19,652	-	31,047	-	2,953,379
Payable to related parties	1,189,418	18,303	-	1,128,313	380,242	-	11,941	-	-	80,535	-	3,445,677
Due to primary government	-	126,079	-		-	115	629,352	99,785	-	42,528	-	3,318,877
Other accrued liabilities	-	-	-		1,962	-	-	-	-		-	879,959
Tenant security deposits	53,526	140,653	-	38,272	28,350	6,000	63,850	25,385	-	18,535	-	975,234
Unearned revenues	4,002	2,359	-	11,862	-	-	383	504	-	695	-	54,042
Interest payable	33,087	1,100,860	-	-	-	-	-	184,527	-	4,959	-	2,865,315
Current portion of long-term obligations	304,338	935,000	-	-	-	-	499,192	81,919	-	162,215	-	3,617,405
Total current liabilities	1,590,798	2,587,665	-	3,109,518	499,677	10,284	1,302,101	411,772	-	340,514	-	18,109,888
Noncurrent liabilities:												
Interest payable, net of current portion	-	3,910,051	-	320,035	1,699,721	-	-	483,817	-	-	-	16,403,414
Long-term obligations, net of current portion	3,821,583	14,535,000	-	17,569,946	10,700,000	-	14,262,955	2,596,072	-	3,952,928	-	179,923,131
Advance from primary government	-	22,802,850	-	10,021,352	-	1,706,250	17,024,707	-	-	116,710	-	87,474,793
Total liabilities	5,412,381	43,835,566	-	31,020,851	12,899,398	1,716,534	32,589,763	3,491,661	-	4,410,152	-	301,911,226
Net position:												
Net investment in capital assets	3,479,601	50,694,702	-	13,019,522	3,815,636	1,581,673	20,756,400	2,117,185	-	(2,460,434)	(17,772,222)	160,437,571
Restricted	191,124	3,062,713	-	1,011,447	479,214	5,401	2,032,574	25,438	-	433,788	-	17,668,161
Unrestricted (deficits)	(909,768)	(26,181,922)	-	(12,597,704)	(2,088,003)	(1,574,052)	(16,604,009)	(456,686)	-	1,551,081	-	(102,463,905)
Total net position	$ 2,760,957	$ 27,575,493	$ -	$ 1,433,265	$ 2,206,847	$ 13,022	$ 6,184,965	$ 1,685,937	$ -	$ (475,565)	$ (17,772,222)	$ 75,641,827

(1) Component unit was audited by other auditors.

(2) As of December 31, 2015

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

(4) Component unit was dissolved during the year ended December 31, 2015

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

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Combining Statement of Revenues, Expenses and Changes in Net Position

Discretely Presented Component Units

For the Year Ended June 30, 2016

	Bascom HACSC Associates (1)(2)	Bendorf Drive L.P. (1)(2)	Blossom River Associates (1)(2)	Branham Lane LLC (1)(2)	Clarendon Street, L.P. (1)(2)	Fairground Luxury Family Apartments, L.P. (1)(2)	Fairground Senior Housing, L.P. (1)(2)	HACSC/ Choices Family Associates (1)(2)	HACSC/ Choices Senior Associates (1)(2)	Halford LLC (2)(3)	Helzer Associates (1)(2)	Hermocilla LLC (1)(2)	Huff Avenue Associates (1)(4)
Operating revenues:													
Rental income	$ 1,455,009	$ 1,682,129	$ -	$ 699,617	$ 1,497,163	$ 4,517,302	$ 3,231,666	$ 1,489,761	$ 1,140,031	$ 207,172	$ -	$ 438,756	$ 1,364,139
Tenant revenue - other	-	13,469	-	-	9,064	29,036	21,999	30,049	8,059	-	-	-	-
Donation and other	6,977	2,021	-	12,317	5,852	-	-	386	-	930	-	96,989	16,968
Total operating revenues	1,461,986	1,697,619	-	711,934	1,512,079	4,546,338	3,253,665	1,520,196	1,148,090	208,102	-	535,745	1,381,107
Operating expenses:													
Administrative	247,134	269,296	-	166,425	332,472	252,015	175,006	221,419	196,624	27,743	-	82,785	265,225
Utilities	120,749	93,219	-	60,119	63,540	400,419	194,821	100,960	114,377	10,712	-	47,212	79,314
Maintenance and operations	247,731	164,940	-	152,602	142,324	498,502	285,084	240,470	256,015	31,073	-	153,946	186,363
Marketing and leasing	-	1,551	-	-	1,000	-	-	-	-	-	-	-	-
Insurance and taxes	103,868	81,960	-	108,033	62,255	133,707	58,976	89,371	55,475	39,144	-	32,522	69,672
Depreciation and amortization	400,626	1,019,484	-	145,366	648,108	2,032,943	1,043,359	561,873	393,889	142,837	-	137,555	270,697
Total operating expenses	1,120,108	1,630,450	-	632,545	1,249,699	3,317,586	1,757,246	1,214,093	1,016,380	251,509	-	454,020	871,271
Operating income (loss)	341,878	67,169	-	79,389	262,380	1,228,752	1,496,419	306,103	131,710	(43,407)	-	81,725	509,836
Nonoperating revenues (expenses):													
Investment income	33,263	2,296	-	21	2,177	6,574	898	57,104	49,479	2	-	3	362
Interest expense	(574,310)	(1,210,850)	-	(126,247)	(442,735)	(1,988,666)	(1,039,432)	(661,778)	(456,680)	-	-	(47,781)	(239,778)
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Partnership and asset management fees	(22,500)	(12,360)	-	(10,000)	(5,150)	(57,629)	(27,314)	(20,000)	(20,000)	-	-	(6,250)	(15,000)
Ground lease	-	-	-		-	(1,045,608)	(483,891)	-	-	-	-	-	-
Incentive, issuer and investor service fees	-	-	-	-	-	(203,092)	(139,192)	(18,588)	(13,081)	-	-	-	-
Bond and loan fees	(47,420)	(101,075)	-		(4,000)	-	(36,500)	(9,350)	(6,360)	-	-	-	-
Other nonoperating expense, net	-	-	-	-	-	(16,817)	(169,281)	-	-	(33)	-	-	(66,102)
Total nonoperating revenues (expenses)	(610,967)	(1,321,989)	-	(136,226)	(449,708)	(3,305,238)	(1,894,712)	(652,612)	(446,642)	(31)	-	(54,028)	(320,518)
Income (loss) before capital contributions, transfers and special items	(269,089)	(1,254,820)	-	(56,837)	(187,328)	(2,076,486)	(398,293)	(346,509)	(314,932)	(43,438)	-	27,697	189,318
Capital contributions	-	11,381,956	-	-	-	-	-	-	-	-	-	-	(1,420,925)
Special items	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	3,194,567	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	(2,645,831)
Change in net position	(269,089)	10,127,136	-	(56,837)	(187,328)	(2,076,486)	(398,293)	(346,509)	(314,932)	(43,438)	-	3,222,264	(3,877,438)
Net position beginning of year, as reported	1,005,689	2,084,960	(4,773,943)	570,519	8,671,660	17,742,260	11,625,269	396,307	275,604	372	(2,957,689)	-	3,877,438
Change in reporting entity	-	-	4,773,943	-	-	-	-	-	-	-	2,957,689	-	-
Net position beginning of year, as restated	1,005,689	2,084,960	-	570,519	8,671,660	17,742,260	11,625,269	396,307	275,604	372	-	-	3,877,438
Net position ending of year	$ 736,600	$ 12,212,096	$ -	$ 513,682	$ 8,484,332	$ 15,665,774	$ 11,226,976	$ 49,798	$ (39,328)	$ (43,066)	$ -	$ 3,222,264	$ -

(1) Component unit was audited by other auditors.

(2) For the year ended December 31, 2015

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

(4) Component unit was dissolved during the year ended December 31, 2015

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HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Units
For the Year Ended June 30, 2016

	Huff Avenue LLC (2)(5)	Julian Street Partners, L.P. (1)(2)	Klamath Associates (1)(2)	McCreery Avenue L.P. (1)(2)	Opportunity Center Associates, L.P. (1)(2)	Poinciana LLC (2)(3)	Rincon Gardens Associates, L.P. (1)(2)	South Drive LLC (1)(2)	Thunderbird Associates (1)(4)	Willows HACSC Associates (1)(2)	Elimination/ Adjustment	Total
Operating revenues:												
Rental income	$ 83,781	$ 5,462,829	$ -	$ 1,419,137	$ 740,975	$ 175,536	$ 3,292,014	$ 758,922	$ 627,449	$ 761,215	$ -	$ 31,044,603
Tenant revenue - other	-	-	-	-	16,446	-	22,466	-	14,973	11,031	-	176,592
Donation and other	82,986	43,960	-	29,038	246,466	2,244	-	2,708	-	-	-	549,842
Total operating revenues	166,767	5,506,789	-	1,448,175	1,003,887	177,780	3,314,480	761,630	642,422	772,246	-	31,771,037
Operating expenses:												
Administrative	11,012	867,878	-	219,595	389,043	21,451	422,840	190,049	58,297	139,373	-	4,555,682
Utilities	3,902	373,388	-	135,107	106,283	6,424	243,020	65,802	69,125	67,458	-	2,355,951
Maintenance and operations	2,417	721,042	-	174,053	302,339	24,776	237,263	102,641	190,741	109,069	-	4,223,391
Marketing and leasing		6,749	-		-	-	-	-	-	-	-	9,300
Insurance and taxes	5,411	202,820	-	155,994	109,013	29,373	98,951	55,016	22,974	46,991	-	1,561,526
Depreciation and amortization	5,433	2,113,841	-	437,753	434,798	85,774	1,143,651	148,258	203,987	164,491	-	11,534,723
Total operating expenses	28,175	4,285,718	-	1,122,502	1,341,476	167,798	2,145,725	561,766	545,124	527,382	-	24,240,573
Operating income (loss)	138,592	1,221,071	-	325,673	(337,589)	9,982	1,168,755	199,864	97,298	244,864	-	7,530,464
Nonoperating revenues (expenses):												
Investment income		4,494	-	-	235	1	3,997	15	11	260	-	161,192
Interest expense	(20,062)	(1,872,660)	-	(314,953)	(225,000)	-	(1,700,118)	(168,634)	(68,259)	(7,369)	-	(11,165,312)
Loss on disposal of capital assets	-	(111,922)	-	-	-	-	(221,230)	-	-	-	-	(333,152)
Partnership and asset management fees	-	(54,907)	-	(10,825)	(24,983)	-	(35,822)	(15,000)	(8,750)	(41,641)	-	(388,131)
Ground lease	-	(6)	-	-	-	-	-	-	-	(30,685)	-	(1,560,190)
Incentive, issuer and investor service fees	-	(84,054)	-	-	-	-	(39,189)	-	-	(75,000)	-	(572,196)
Bond and loan fees	-	(240,558)	-	(1,750)	(3,000)	-	-	-	-	(59,980)	-	(509,993)
Other nonoperating expense, net	(3,404)	-	-	(225,803)	-	-	(167,702)	-	(242,203)	(5,943)	-	(897,288)
Total nonoperating revenues (expenses)	(23,466)	(2,359,613)	-	(553,331)	(252,748)	1	(2,160,064)	(183,619)	(319,201)	(220,358)	-	(15,265,070)
Income (loss) before capital contributions and transfers	115,126	(1,138,542)	-	(227,658)	(590,337)	9,983	(991,309)	16,245	(221,903)	24,506	-	(7,734,606)
Capital contributions	-	(212,693)	-	1,660,923	-	-	-	-	-	-	-	11,409,261
Special items	-	-	-	-	-	-	-	-	-	-	(5,803,367)	(5,803,367)
Transfers in	2,645,831	-	-	-	-	-	-	-	-	-	(5,840,398)	-
Transfers out	-	-	-	-	-	-	-	-	(3,194,567)	-	5,840,398	-
Change in net position	2,760,957	(1,351,235)	-	1,433,265	(590,337)	9,983	(991,309)	16,245	(3,416,470)	24,506	(5,803,367)	(2,128,712)
Net position beginning of year, as reported	-	28,926,728	(96,783)	-	2,797,184	3,039	7,176,274	1,669,692	3,416,470	(500,071)	(11,968,855)	69,942,124
Change in reporting entity	-	-	96,783	-	-	-	-	-	-	-	-	7,828,415
Net position beginning of year, as restated	-	28,926,728	-	-	2,797,184	3,039	7,176,274	1,669,692	3,416,470	(500,071)	(11,968,855)	77,770,539
Net position ending of year	$ 2,760,957	$ 27,575,493	$ -	$ 1,433,265	$ 2,206,847	$ 13,022	$ 6,184,965	$ 1,685,937	$ -	$ (475,565)	$ (17,772,222)	$ 75,641,827

(1) Component unit was audited by other auditors.
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HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position by Program
June 30, 2016

	Conventional Housing Program	Public Housing Capital	Family Self Sufficiency	Residential Opportunity Self Sufficiency	Section 8 Rental Voucher	Special Purpose Voucher	Public Housing Proceeds Program	Moving To Work	Section 8 Moderate Rehabilitation	Continuum of Care	Real Estate Services	Development Services	Acquisition Development
Assets:													
Current assets:													
Unrestricted cash and cash equivalents	$ 21,123	$ 896	$ 186,733	$ 7,817	$ 271,689	$ 13,892	$ 86,561	$ 7,514,436	$ 16,062	$ 3,229	$ 788,582	$ 301,396	$ 2,314,056
Unrestricted short term investments	-	8,936	-	-	2,303,196	-	3,845,423	5,047,143	53,181	-	-	539,655	2,258,101
Accounts receivable:													
Tenants	-	-	-	-	-	-	-	-	-	-	-	-	-
HUD	-	-	-	36,148	-	7,382	-	91,227,412	55,148	984,310	-	-	-
Others	153	-	-	-	-	-	-	334,628	-	-	384,818	-	-
Interest receivable	-	15	-	-	3,402	1,417	5,680	7,453	78	-	-	798	3,336
Due from other programs	-	-	-	-	3,570,076	15,680	-	7,382	45,304	1,760	127,250	8,942	-
Due from component units and related parties	-	399,497	-	-	-	-	39,189	-	-	-	487,797	-	-
Prepaid expenses	2,082	-	-	-	58,011	-	-	-	-	-	3,376	688	-
Restricted cash and cash equivalents	400	-	-	-	-	1,081,859	-	-	-	-	4,589	-	-
Restricted cash in FSS escrow	-	-	-	-	579,528	9,414	-	-	-	-	-	-	-
Restricted short term investments	-	-	-	-	-	959,145	-	-	-	-	-	-	-
Total current assets	23,758	409,344	186,733	43,965	6,785,902	2,088,789	3,976,853	104,138,454	169,773	989,299	1,796,412	851,479	4,575,493
Noncurrent assets:													
Long term investments	-	-	-	-	-	-	-	2,334,193	-	-	-	-	512,114
Self-help loans receivable	-	-	-	-	167,740	-	-	-	-	-	-	-	-
Long-term receivables from non-related parties	-	-	-	-	-	-	-	-	-	-	-	-	5,760,000
Long-term receivables from component units and related parties	-	1,389,739	-	-	2,055,578	-	61,585,876	2,557,609	-	-	-	515,521	7,811,976
Net pension asset	-	-	64,000	-	6,384,883	206,387	-	-	37,173	145,267	544,617	596,077	-
Net OPEB asset	-	-	-	-	862,422	-	-	-	-	-	18,810	28,432	-
Equity interest in affiliated limited partnerships	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets:													
Nondepreciable	391,907	-	-	-	3,959,739	-	5,333,062	3,272,584	-	-	-	-	152,116
Depreciable	578,335	-	-	-	583,389	-	-	-	-	-	-	-	-
Total capital assets	970,242	-	-	-	4,543,128	-	5,333,062	3,272,584	-	-	-	-	152,116
Total noncurrent assets	970,242	1,389,739	64,000	-	14,013,751	206,387	66,918,938	8,164,386	37,173	145,267	563,427	1,140,030	14,236,206
Total assets	994,000	1,799,083	250,733	43,965	20,799,653	2,295,176	70,895,791	112,302,840	206,946	1,134,566	2,359,839	1,991,509	18,811,699
Deferred outflows of resources:													
Pension items	-	-	-	657	644,456	9,408	-	-	2,263	9,844	53,933	47,237	-
Liabilities:													
Current liabilities:													
Accounts payable	2,928	-	-	25,344	166,869	7,288	249	-	2,205	1,545	32,726	8,175	8,396
Accrued wages and benefits	154	-	-	3,026	215,576	5,277	-	-	779	3,737	21,626	21,525	-
Accrued interest payable	-	-	-	-	11,070	-	-	-	-	-	15,824	-	-
Intergovernmental payable	-	-	-	-	-	7,564	-	43,740	5,131	6,372	-	-	-
Due to other programs	-	-	-	13,896	2,304,321	94,048	-	-	52,487	953,197	195,789	128,505	-
Due to component units and related parties	-	-	-	-	-	-	-	-	-	-	5,512	-	-
Other accrued liabilities	-	-	-	-	492	17	-	14,517	4	3	4,649	1,005	-
Tenant security deposits	400	-	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	13	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of accrued vacation and sick leave	-	-	-	322	53,643	2,068	-	-	296	705	5,187	4,812	-
Current portion of long-term debt	-	-	-	-	20,000	-	-	-	-	-	-	-	-
Total current liabilities	3,495	-	-	42,588	2,771,971	116,262	249	58,257	60,902	965,559	281,313	164,022	8,396
FSS escrow	-	-	-	-	579,528	9,414	-	-	-	-	-	-	-
Accrued vacation and sick leave, net of current portion	-	-	-	2,034	387,660	15,123	-	-	2,747	5,865	41,948	35,792	-
Payable to component units and related parties, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	1,153,705
Long-term interest payable	-	-	-	-	647,584	-	-	-	-	-	-	-	-
Long-term obligations, net of current portion	3,411	-	-	-	1,377,500	-	-	-	-	-	-	-	-
Total liabilities	6,906	-	-	44,622	5,764,243	140,799	249	58,257	63,649	971,424	323,261	199,814	1,162,101
Deferred inflows of resources:													
Pension items	-	-	21,560	-	1,242,146	38,341	-	-	8,866	40,401	126,911	148,146	-
Net position:													
Net investment in capital assets	970,242	-	-	-	3,145,628	-	5,333,062	3,272,584	-	-	-	-	152,116
Restricted	-	-	-	-	-	2,040,519	-	-	-	-	4,589	-	-
Unrestricted	16,852	1,799,083	229,173	-	11,292,092	84,925	65,562,480	108,971,999	136,694	132,585	1,959,011	1,690,786	17,497,482
Total net position	$ 987,094	$ 1,799,083	$ 229,173	$ -	$ 14,437,720	$ 2,125,444	$ 70,895,542	$ 112,244,583	$ 136,694	$ 132,585	$ 1,963,600	$ 1,690,786	$ 17,649,598

(Continued)

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Net Position by Program
June 30, 2016

								Blended Component Units				
	Non-Federal Pooled Funds	Facilities Consolidation	Grants	Winter Shelter	HARA	Preservation Programs	Internal Service Programs	Housing Development Corporation	Property Management, Inc. (2)	Other Entities	Elimination/ Reclassification	Total
Assets:												
Current assets:												
Unrestricted cash and cash equivalents	$ 2,362	$ 6,453	$ -	$ -	$ 657,975	$ 845,491	$ 171,413	$ 477	$ 313,803	$ 8,598,585	$ -	$ 22,123,031
Unrestricted short term investments	665,934	1,407,673	-	-	3,148,737	-	-	-	-	-	-	19,277,979
Accounts receivable:												
Tenants	-	-	-	-	(30)	-	-	-	-	10,392	-	10,362
HUD	-	-	-	-	-	-	-	-	-	100	-	92,310,500
Others	-	-	-	-	(1,052)	-	16,454	-	8,613	1,351,984	(365,577)	1,730,021
Interest receivable	984	2,081	-	-	4,652	-	-	-	-	-	-	29,896
Due from other programs	-	-	-	-	227,139	-	3,743,482	-	-	-	(7,747,015)	-
Due from component units and related parties	-	-	-	-	20,000	-	-	-	-	630,703	(89,932)	1,487,254
Prepaid expenses	-	2,800	-	-	722,799	-	293,414	-	5,120	144,128	(720,013)	512,405
Restricted cash and cash equivalents	-	-	-	-	-	-	-	780,771	1,780	4,865,815	-	6,735,214
Restricted cash in FSS escrow	-	-	-	-	-	-	-	-	-	-	-	588,942
Restricted short term investments	-	-	-	-	-	-	-	-	-	-	-	959,145
Total current assets	669,280	1,419,007	-	-	4,780,220	845,491	4,224,763	781,248	329,316	15,601,707	(8,922,537)	145,764,749
Noncurrent assets:												
Long term investments	-	213,038	-	-	4,726,355	-	-	-	-	-	-	7,785,700
Self-help loans receivable	-	-	-	-	-	-	-	-	-	-	-	167,740
Long-term receivables from non-related parties	-	-	-	-	-	-	-	-	-	-	-	5,760,000
Long-term receivables from component units and related parties	532,189	-	-	-	540,293	1,177,949	-	7,300,000	-	27,862,676	(26,895,386)	86,434,020
Net pension asset	-	-	-	-	-	-	-	-	-	-	-	7,978,404
Net OPEB asset	-	-	-	-	-	-	248,531	-	-	-	-	1,158,195
Equity interest in affiliated limited partnerships	-	-	-	-	-	-	-	-	-	9,474,784	-	9,474,784
Other assets	-	-	-	-	-	-	-	-	-	723,444	-	723,444
Capital assets:												
Nondepreciable	-	-	-	-	1,825,736	-	6,800	-	-	12,287,472	22,663	27,252,079
Depreciable	-	-	-	-	6,105,554	-	242,942	-	-	37,602,345	(22,663)	45,089,902
Total capital assets	-	-	-	-	7,931,290	-	249,742	-	-	49,889,817	-	72,341,981
Total noncurrent assets	532,189	213,038	-	-	13,197,938	1,177,949	498,273	7,300,000	-	87,950,721	(26,895,386)	191,824,268
Total assets	1,201,469	1,632,045	-	-	17,978,158	2,023,440	4,723,036	8,081,248	329,316	103,552,428	(35,817,923)	337,589,017
Deferred outflows of resources:												
Pension items	-	-	-	-	-	-	-	-	-	-	-	767,798
Liabilities:												
Current liabilities:												
Accounts payable	332	-	-	-	10,042	-	98,954	18,980	8,528	2,464,131	(41,011)	2,815,681
Accrued wages and benefits	-	-	-	-	-	-	166,677	-	-	-	-	438,377
Accrued interest payable	-	-	-	-	-	-	-	78,417	-	798,119	-	903,430
Intergovernmental payable	-	-	-	-	-	-	-	-	336	-	-	63,143
Due to other programs	216,994	-	-	-	222,654	-	3,565,124	-	-	-	(7,747,015)	-
Due to component units and related parties	-	-	-	-	-	-	-	-	455,509	379,851	(455,509)	385,363
Other accrued liabilities	-	-	-	-	5,097	-	1,571	-	519	421		28,295
Tenant security deposits	-	-	-	-	-	-	-	-	1,780	308,962	-	311,142
Unearned revenue	-	-	-	-	1,304,106	-	-	720,013	3,384	12,125	(720,013)	1,319,628
Current portion of accrued vacation and sick leave	-	-	-	-	-	-	56,262	-	-	-	-	123,295
Current portion of long-term debt	-	-	-	-	-	-	-	180,000	-	661,557	-	861,557
Total current liabilities	217,326	-	-	-	1,541,899	-	3,888,588	997,410	470,056	4,625,166	(8,963,548)	7,249,911
FSS escrow	-	-	-	-	-	-	-	-	-	-	-	588,942
Accrued vacation and sick leave, net of current portion	-	-	-	-	-	-	398,994	-	-	-	-	890,163
Payable to component units and related parties, net of current portion	-	-	-	-	7,300,000	-	-	261,265	-	19,437,018	(26,854,375)	1,297,613
Long-term interest payable	-	-	-	-	-	-	-	-	-	12,698,137	-	13,345,721
Long-term obligations, net of current portion	-	-	-	-	-	-	-	7,120,000	-	49,061,123	-	57,562,034
Total liabilities	217,326	-	-	-	8,841,899	-	4,287,582	8,378,675	470,056	85,821,444	(35,817,923)	80,934,384
Deferred inflows of resources:												
Pension items	-	-	-	-	-	-	-	-	-	-	-	1,626,371
Net position:												
Net investment in capital assets	-	-	-	-	631,290	-	249,742	-	-	167,137	-	13,921,801
Restricted	-	-	-	-	-	-	-	780,771	1,780	4,865,815	-	7,693,474
Unrestricted	984,143	1,632,045	-	-	8,504,969	2,023,440	185,712	(1,078,198)	(142,520)	12,698,032	-	234,180,785
Total net position	$ 984,143	$ 1,632,045	$ -	$ -	$ 9,136,259	$ 2,023,440	$ 435,454	$ (297,427)	$ (140,740)	$ 17,730,984	$ -	$ 255,796,060

(2) As of December 31, 2015

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Revenues, Expenses and
Changes in Net Position by Program
For the Year Ended June 30, 2016

	Conventional Housing Program	Public Housing Capital	Family Self Sufficiency	Residential Opportunity Self Sufficiency	Section 8 Rental Voucher	Special Purpose Voucher	Public Housing Proceeds Program	Moving To Work	Section 8 Moderate Rehabilitation	Continuum of Care	Real Estate Services	Development Services	Acquisition Development
Operating revenues:													
Rental income	$ 20,173	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Service fees	-	-	-	-	-	-	-	-	-	-	357,733	-	-
Housing assistance payments earned	-	-	-	-	-	9,451,977	-	248,915,250	1,106,091	2,976,931	-	-	-
HUD administrative fees	-	-	-	-	-	847,884	-	15,198,951	102,892	209,322	-	-	-
FSS coordinator fees	-	-	-	344,814	-	-	-	-	-	-	-	-	-
Operating subsidy	-	-	-	-	-	-	-	103,010	-	-	-	-	-
Other operating revenues	1,674	3,133,300	-	-	192,182	1,515	104,954	31,783	125	473	580,928	1,822,435	-
Total operating revenues	21,847	3,133,300	-	344,814	192,182	10,301,376	104,954	264,248,994	1,209,108	3,186,726	938,661	1,822,435	-
Operating expenses:													
Wages and benefits	2,769	-	-	-	7,455,224	309,602	-	-	41,700	189,840	636,080	672,696	-
Pension expense	-	-	-	-	(566,042)	(21,326)	-	-	(2,502)	(5,838)	(38,674)	(36,008)	-
Administrative	342	-	-	-	1,010,560	41,483	562	152	4,868	8,275	97,413	47,327	-
Tenant services	2,172	-	-	344,814	38,026	-	-	-	-	-	-	-	-
Utilities	3,412	-	-	-	-	-	-	2,292	-	-	1,100	-	-
Maintenance and operations	16,829	-	-	-	-	-	-	2,810	-	-	6,448	-	-
General	5,740	-	-	-	109,893	(508)	-	-	-	-	17,012	6,980	-
Indirect allocation	-	-	-	-	6,454,796	327,476	-	-	28,758	78,286	612,168	382,594	-
Depreciation and amortization	27,858	-	-	-	41,012	-	-	-	-	-	-	-	-
Housing assistance payments	-	-	-	-	207,764,049	8,968,526	-	-	1,106,091	2,903,828	-	-	-
Other	3,867	1,300,000	-	-	535,085	95,451	-	-	1,581	6,023	31,711	20,556	-
Total operating expenses	62,989	1,300,000	-	344,814	222,842,603	9,720,704	562	5,254	1,180,496	3,180,414	1,363,258	1,094,145	-
Operating income (loss)	(41,142)	1,833,300	-	-	(222,650,421)	580,672	104,392	264,243,740	28,612	6,312	(424,597)	728,290	-
Nonoperating revenues (expenses):													
Gain on disposition of capital assets to related party	-	-	-	-	9,465	-	-	-	-	-	-	-	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	3	5,480	-	-	21,106	1,417	2,100,231	105,610	256	-	-	2,363	196,584
Interest expense	-	-	-	-	(43,150)	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	3	5,480	-	-	(12,579)	1,417	2,100,231	105,610	256	-	-	2,363	196,584
Income (loss) before capital contributions, transfers and special items	(41,139)	1,838,780	-	-	(222,663,000)	582,089	2,204,623	264,349,350	28,868	6,312	(424,597)	730,653	196,584
Capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	27,905	-	-	-	220,283,259	11,427	614,539	696,245	600	-	745,043	45,148	2,476,947
Transfers out	(640,033)	(65,509)	-	-	(600,000)	-	-	(223,753,646)	-	-	(46,136)	(1,482)	(178,840)
Special items	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in net position	(653,267)	1,773,271	-	-	(2,979,741)	593,516	2,819,162	41,291,949	29,468	6,312	274,310	774,319	2,494,691
Net position, beginning of year, as previously reported	1,640,361	25,812	229,173	-	17,417,461	1,531,928	68,076,380	70,952,634	107,226	126,273	1,689,290	916,467	15,154,907
Change in reporting entity	-	-	-	-	-	-	-	-	-	-	-	-	-
Net position, beginning of year, as restated	1,640,361	25,812	229,173	-	17,417,461	1,531,928	68,076,380	70,952,634	107,226	126,273	1,689,290	916,467	15,154,907
Net position, end of year	$ 987,094	$ 1,799,083	$ 229,173	$ -	$ 14,437,720	$ 2,125,444	$ 70,895,542	$ 112,244,583	$ 136,694	$ 132,585	$ 1,963,600	$ 1,690,786	$ 17,649,598

(Continued)

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HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Statement of Revenues, Expenses and
Changes in Net Position by Program
For the Year Ended June 30, 2016

	Non-Federal Pooled Funds	Facilities Consolidation	Grants	Winter Shelter	HARA	Preservation Programs	Internal Service Programs	Blended Component Units: Housing Development Corporation	Blended Component Units: Property Management, Inc. (2)	Blended Component Units: Other Entities	Elimination/ Reclassification	Total
Operating revenues:												
Rental income	$ -	$ -	$ -	$ -	$ 848,847	$ -	$ -	$ -	$ -	$ 8,245,814	$ -	$ 9,114,834
Service fees	-	-	-	-	-	-	7,884,078	-	-	339,287	(7,884,078)	697,020
Housing assistance payments earned	-	-	-	-	-	-	-	-	-	-	-	262,450,249
HUD administrative fees	-	-	-	-	-	-	-	-	-	-	-	16,359,049
FSS coordinator fees	-	-	-	-	-	-	-	-	-	-	-	344,814
Operating subsidy	-	-	-	-	-	-	-	-	-	-	-	103,010
Other operating revenues	-	-	-	-	34,641	-	18,608	3,500	-	3,544,612	-	9,470,730
Total operating revenues	-	-	-	-	883,488	-	7,902,686	3,500	-	12,129,713	(7,884,078)	298,539,706
Operating expenses:												
Wages and benefits	-	-	-	-	44	-	5,166,566	-	-	686,134	-	15,160,655
Pension expense	-	-	-	-	-	-	-	-	-	-	-	(670,390)
Administrative	931	11	-	-	118,521	-	1,003,740	10,146	6,850	327,061	-	2,678,242
Tenant services	-	-	-	-	4,588	-	-	-	-	154,728	-	544,328
Utilities	-	-	-	-	3,078	-	154,419	-	-	767,178	-	931,479
Maintenance and operations	-	-	-	-	2,753	-	265,223	-	-	1,361,497	-	1,655,560
General	802,043	-	-	-	4,429	-	79,759	54,781	8,081	711,446	-	1,799,656
Indirect allocation	-	-	-	-	-	-	-	-	-	-	(7,884,078)	-
Depreciation and amortization	-	-	-	-	370,667	-	122,054	-	-	2,418,588	-	2,980,179
Housing assistance payments	-	-	-	-	-	-	-	-	-	-	-	220,742,494
Other	-	21,600	-	-	336,554	-	1,110,192	-	-	5,582,447	-	9,045,067
Total operating expenses	802,974	21,611	-	-	840,634	-	7,901,953	64,927	14,931	12,009,079	(7,884,078)	254,867,270
Operating income (loss)	(802,974)	(21,611)	-	-	42,854	-	733	(61,427)	(14,931)	120,634	-	43,672,436
Nonoperating revenues (expenses):												
Gain on disposition of capital assets to related party	-	-	-	-	2,101	-	-	-	-	-	-	11,566
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(11,363)	-	(11,363)
Investment income	4,386	10,335	-	-	194,638	22,891	-	238,565	-	822,770	(238,563)	3,488,072
Interest expense	-	-	-	-	(238,563)	-	-	(238,563)	-	(3,128,008)	238,563	(3,409,721)
Total nonoperating revenues (expenses)	4,386	10,335	-	-	(41,824)	22,891	-	2	-	(2,316,601)	-	78,554
Income (loss) before capital contributions, transfers and special items	(798,588)	(11,276)	-	-	1,030	22,891	733	(61,425)	(14,931)	(2,195,967)	-	43,750,990
Capital contributions	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	5,097	34,364	1,368,239	-	-	-	-	(226,308,813)	-
Transfers out	-	-	(25,603)	(5,097)	(249,895)	(742,572)	-	-	-	-	226,308,813	-
Special items	-	-	-	-	-	-	-	-	-	5,803,367	-	5,803,367
Change in net position	(798,588)	(11,276)	(25,603)	-	(214,501)	648,558	733	(61,425)	(14,931)	3,607,400	-	49,554,357
Net position, beginning of year, as previously reported	1,782,731	1,643,321	25,603	-	9,350,760	1,374,882	434,721	(236,002)	(125,809)	19,617,995	-	211,736,114
Change in reporting entity	-	-	-	-	-	-	-	-	-	(5,494,411)	-	(5,494,411)
Net position, beginning of year, as restated	1,782,731	1,643,321	25,603	-	9,350,760	1,374,882	434,721	(236,002)	(125,809)	14,123,584	-	206,241,703
Net position, end of year	$ 984,143	$ 1,632,045	$ -	$ -	$ 9,136,259	$ 2,023,440	$ 435,454	$ (297,427)	$ (140,740)	$ 17,730,984	$ -	$ 255,796,060

2) As of December 31, 2015

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Schedule of Net Position by Program - Other Blended Component Units
June 30, 2016

	AE Associates, Ltd. (1)(2)	Avenida Espana HDC, Inc. (1)(2)	Blossom River Associates LP (1)(2)	Bracher HDC, Inc. (1)(2)	DeRose HDC, Inc. (1)(2)	Helzer Associates LP (1)(2)	Klamath Associates LP (1)(2)	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)	Elimination/ Reclassification	Total
Assets:																	
Current assets:																	
Cash and cash equivalents	$ 186,922	$ 219,345	$ 502,927	$ -	$ 217,068	$ 121,434	$ 16,625	$ -	$ 1,142,315	$ 913,584	$ 647,251	$ 65,279	$ 520,528	$ 2,309,068	$ 1,736,239	$ -	$ 8,598,585
Accounts receivable:																	
Tenants	1,930	-	5,235	-	-	1,140	1,947	-	-	-	-	-	140	-	-	-	10,392
HUD	-	-	-	-	-	-	-	-	-	-	22	-	78	-	-	-	100
Others	1,244	-	3,111	-	-	15,943	156	-	-	14,151	1,191,090	-	126,289	-	-	-	1,351,984
Due from component units and related parties	-	307,308	-	30,000	71,267	-	-	26,336	160,384	-	15,000	-	244,100	-	24,360	(248,052)	630,703
Prepaid expenses	37,413	-	22,483	-	-	38,048	919	-	-	-	15,222	4,216	25,827	-	-	-	144,128
Restricted cash and cash equivalents	288,990	-	2,608,581	-	46,714	1,561,808	13,976	-	-	-	95,676	101,148	148,922	-	-	-	4,865,815
Total current assets	516,499	526,653	3,142,337	30,000	335,049	1,738,373	33,623	26,336	1,302,699	927,735	1,964,261	170,643	1,065,884	2,309,068	1,760,599	(248,052)	15,601,707
Noncurrent assets:																	
Long-term receivables from component units and related parties	-	-	-	-	-	-	-	-	-	10,680,685	-	-	-	7,266,059	9,915,932	-	27,862,676
Equity interest in affiliated limited partnerships	-	9,516,053	-	(2,257)	(1,753,079)	-	-	1,896,569	(4,643,688)	-	2,760,960	-	549,067	1,303	1,149,856	-	9,474,784
Other assets	6,129	-	190,599	-	-	480,185	17,951	-	-	-	18,042	10,538	-	-	-	-	723,444
Capital assets:																	
Nondepreciable	557,324	-	5,929,158	-	-	2,690,280	717,242	-	2,393,468	-	-	-	-	-	-	-	12,287,472
Depreciable	3,422,543	-	6,763,289	-	-	15,674,052	1,130,731	-	-	-	4,757,706	1,126,955	4,727,069	-	-	-	37,602,345
Total capital assets	3,979,867	-	12,692,447	-	-	18,364,332	1,847,973	-	2,393,468	-	4,757,706	1,126,955	4,727,069	-	-	-	49,889,817
Total noncurrent assets	3,985,996	9,516,053	12,883,046	(2,257)	(1,753,079)	18,844,517	1,865,924	1,896,569	(2,250,220)	10,680,685	7,536,708	1,137,493	5,276,136	7,267,362	11,065,788	-	87,950,721
Total assets	4,502,495	10,042,706	16,025,383	27,743	(1,418,030)	20,582,890	1,899,547	1,922,905	(947,521)	11,608,420	9,500,969	1,308,136	6,342,020	9,576,430	12,826,387	(248,052)	103,552,428
Liabilities:																	
Current liabilities:																	
Accounts payable	110,480	1,172	79,481	-	286,967	353,476	14,623	-	244,309	17,517	1,129,144	15,574	209,804	691	893	-	2,464,131
Accrued interest payable	6,771	-	666,162	-	-	79,585	18,228	-	-	-	3,023	15,421	8,929	-	-	-	798,119
Due to component units and related parties	103,039	-	17,717	-	-	15,000	114,185	377,821	-	-	-	141	-	-	-	(248,052)	379,851
Other accrued liabilities	51	-	370	-	-	-	-	-	-	-	-	-	-	-	-	-	421
Tenant security deposits	28,282	-	75,150	-	-	114,004	5,842	-	-	-	48,241	2,775	34,668	-	-	-	308,962
Unearned revenue	816	-	1,760	-	-	1,995	-	-	-	-	1,794	-	5,760	-	-	-	12,125
Current portion of long-term debt	28,808	-	195,000	-	-	215,000	28,959	-	-	-	137,300	15,660	40,830	-	-	-	661,557
Total current liabilities	278,247	1,172	1,035,640	-	286,967	779,060	181,837	377,821	244,309	17,517	1,319,502	49,571	299,991	691	893	(248,052)	4,625,166
Long-term payable to component units and related parties	54,237	12,330,000	-	-	-	-	-	-	3,266,921	373,049	227,030	151,278	1,454,253	-	1,580,250	-	19,437,018
Long-term interest payable	2,218,468	-	4,771,023	-	-	2,495,072	731,360	-	-	-	1,496,357	985,857	-	-	-	-	12,698,137
Long-term obligations, net of current portion	4,540,567	-	15,479,900	-	-	20,982,913	1,133,193	-	-	-	3,333,455	1,595,097	1,995,998	-	-	-	49,061,123
Total liabilities	7,091,519	12,331,172	21,286,563	-	286,967	24,257,045	2,046,390	377,821	3,511,230	390,566	6,376,344	2,781,803	3,750,242	691	1,581,143	(248,052)	85,821,444
Net position:																	
Net investment in capital assets	(589,508)	-	(2,982,453)	-	-	(2,833,581)	685,821	-	2,393,468	-	1,286,951	(483,802)	2,690,241	-	-	-	167,137
Restricted	288,990	-	2,608,581	-	46,714	1,561,808	13,976	-	-	-	95,676	101,148	148,922	-	-	-	4,865,815
Unrestricted	(2,288,506)	(2,288,466)	(4,887,308)	27,743	(1,751,711)	(2,402,382)	(846,640)	1,545,084	(6,852,219)	11,217,854	1,741,998	(1,091,013)	(247,385)	9,575,739	11,245,244	-	12,698,032
Total net position	$ (2,589,024)	$ (2,288,466)	$ (5,261,180)	$ 27,743	$ (1,704,997)	$ (3,674,155)	$ (146,843)	$ 1,545,084	$ (4,458,751)	$ 11,217,854	$ 3,124,625	$ (1,473,667)	$ 2,591,778	$ 9,575,739	$ 11,245,244	$ -	$ 17,730,984

(1) Component unit was audited by other auditors.
(2) As of December 31, 2015

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Combining Schedule of Revenues, Expenses and
Changes in Net Position by Program - Other Blended Component Units
For the Year Ended June 30, 2016

	AE Associates, Ltd. (1)(2)	Avenida Espana HDC, Inc. (1)(2)	Blossom River Associates LP (1)(2)	Bracher HDC, Inc. (1)(2)	DeRose HDC, Inc. (1)(2)	Helzer Associates LP (1)(2)	Klamath Associates LP (1)(2)	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)	Elimination/ Reclassification	Total
Operating revenues:																	
Rental income	$ 670,824	$ -	$ 2,511,204	$ -	$ -	$ 2,465,856	$ 261,580	$ -	$ -	$ 231,749	$ 1,032,400	$ 231,178	$ 841,023	$ -	$ -	$ -	$ 8,245,814
Service fees	-	114,751	-	30,000	38,750	-	-	26,336	77,447	2,143	15,000	-	22,500	-	12,360	-	339,287
Other operating revenues	9,129	104,940	41,928	-	500,114	9,571	2,217	-	75,000	78,841	2,705,005	40	17,201	-	626	-	3,544,612
Total operating revenues	679,953	219,691	2,553,132	30,000	538,864	2,475,427	263,797	26,336	152,447	312,733	3,752,405	231,218	880,724	-	12,986	-	12,129,713
Operating expenses:																	
Wages and benefits	69,940	-	167,380	-	-	179,017	49,522	-	-	16,991	94,231	29,666	79,387	-	-	-	686,134
Administrative	44,559	6,475	62,217	-	1,804	53,015	24,520	-	1,731	8,850	47,022	20,275	38,587	8,938	9,068	-	327,061
Tenant services	31,956	-	35,357	-	-	303	8,658	-	-	5,226	32,407	14,424	26,397	-	-	-	154,728
Utilities	94,638	-	148,523	-	-	239,217	18,261	-	-	34,215	132,625	1,249	98,450	-	-	-	767,178
Maintenance and operations	201,285	-	412,857	-	-	275,165	49,097	-	-	45,296	169,915	47,207	160,675	-	-	-	1,361,497
General	51,252	-	114,964	-	-	212,590	12,135	-	-	9,842	51,177	20,902	238,584	-	-	-	711,446
Depreciation and amortization	221,781	-	672,199	-	-	868,602	57,107	-	-	62,708	297,934	77,291	160,966	-	-	-	2,418,588
Other	73,395	458,260	159,646	30,066	52,861	173,432	20,386	26,855	2,136,495	1,069,741	(426,308)	14,424	293,055	1,500,021	118	-	5,582,447
Total operating expenses	788,806	464,735	1,773,143	30,066	54,665	2,001,341	239,686	26,855	2,138,226	1,252,869	399,003	225,438	1,096,101	1,508,959	9,186	-	12,009,079
Operating income (loss)	(108,853)	(245,044)	779,989	(66)	484,199	474,086	24,111	(519)	(1,985,779)	(940,136)	3,353,402	5,780	(215,377)	(1,508,959)	3,800	-	120,634
Nonoperating revenues (expenses):																	
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	(11,363)	-	-	-	(11,363)
Investment income	112	146	91,561	-	-	184	14	-	3,224	221,409	41	50	133	185,049	320,847	-	822,770
Interest expense	(106,679)	-	(1,358,787)	-	-	(1,190,736)	(74,185)	-	-	(31,198)	(218,650)	(63,069)	(45,554)	-	(39,150)	-	(3,128,008)
Total nonoperating revenues (expenses)	(106,567)	146	(1,267,226)	-	-	(1,190,552)	(74,171)	-	3,224	190,211	(218,609)	(63,019)	(56,784)	185,049	281,697	-	(2,316,601)
Income (loss) before capital contributions and special items	(215,420)	(244,898)	(487,237)	(66)	484,199	(716,466)	(50,060)	(519)	(1,982,555)	(749,925)	3,134,793	(57,239)	(272,161)	(1,323,910)	285,497	-	(2,195,967)
Capital contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Special items	-	-	-	-	-	-	-	-	-	5,803,367	-	-	-	-	-		5,803,367
Change in net position	(215,420)	(244,898)	(487,237)	(66)	484,199	(716,466)	(50,060)	(519)	(1,982,555)	5,053,442	3,134,793	(57,239)	(272,161)	(1,323,910)	285,497	-	3,607,400
Net position, beginning of year, as previously reported	(2,373,604)	(2,043,568)	-	27,809	(2,189,196)	-	-	1,545,603	(2,476,196)	6,164,412	(463,785)	(1,416,428)	2,133,526	10,899,649	9,809,773	-	19,617,995
Change in reporting entity	-	-	(4,773,943)	-	-	(2,957,689)	(96,783)	-	-	-	453,617	-	730,413	-	1,149,974	-	(5,494,411)
Net position, beginning of year, as restated	(2,373,604)	(2,043,568)	(4,773,943)	27,809	(2,189,196)	(2,957,689)	(96,783)	1,545,603	(2,476,196)	6,164,412	(10,168)	(1,416,428)	2,863,939	10,899,649	10,959,747	-	14,123,584
Net position, end of year	$ (2,589,024)	$ (2,288,466)	$ (5,261,180)	$ 27,743	$ (1,704,997)	$ (3,674,155)	$ (146,843)	$ 1,545,084	$ (4,458,751)	$ 11,217,854	$ 3,124,625	$ (1,473,667)	$ 2,591,778	$ 9,575,739	$ 11,245,244	$ -	$ 17,730,984

(1) Component unit was audited by other auditors.
(2) As of December 31, 2015