

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Housing Authority of the City of Oakland, California
Fiscal Year Ended June 30, 2015



Oakland Housing
Authority



STEPPING BEYOND EXPECTATIONS

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

Prepared by:
Finance Department

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
For the Year Ended June 30, 2015

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CITY OF OAKLAND, CALIFORNIA**
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INTRODUCTORY SECTION

- Letter of Transmittal
- GFOA Certificate of Achievement
- Organization Chart
- Board of Commissioners
- Executive Team and Directors

"Our prime purpose in this life is to help others."

– Dalai Lama



Oakland Housing
Authority



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Oakland Housing
Authority

December 29, 2015

Members of the Board of Commissioners
of the Housing Authority of the City of Oakland, California
Oakland, California

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Housing Authority of the City of Oakland, California (the Authority) as of and for the year ended June 30, 2015. The U.S. Department of Housing and Urban Development (HUD) requires that all public housing authorities publish within nine months after the fiscal year-end, financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards (GAAS). The Authority's financial statements presented here have been audited by Macias Gini & O'Connell LLP (MGO), independent certified public accountants. MGO has issued an unmodified opinion on the Authority's basic financial statements for the year ended June 30, 2015. The purpose of the independent audit is to provide reasonable assurance the audited basic financial statements taken as a whole are free of material misstatements. The data presented in this report is the responsibility of the management of the Authority. To the best of our knowledge and belief, the data as presented is accurate in all material respects, is presented in a manner designed to fairly state the financial position and changes in financial position of the Authority and all disclosures necessary have been included to enable the reader to gain an understanding of the Authority's financial affairs. GAAP requires that management provide a narrative introduction, overview and analysis to complement the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The Authority's MD&A can be found immediately following the report of the independent auditors. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

The Authority is also required to undergo an audit in conformity with the Single Audit Act of 1984 (as amended) and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. It is the Authority's policy to require the accounting firm to be independent certified public accountants with specific experience in auditing government entities and in performing single audits. Information related to this single audit, including the independent auditor's report in internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, the independent auditor's report on compliance for the Authority's major federal programs and on internal control over compliance, the schedule of expenditures of federal awards, the schedule of findings and questioned costs and the status of prior year findings are included in the federal compliance section of this report.

Government Overview

The Authority was established in 1938 to provide housing for low-income residents of the City of Oakland, California (City). The Authority was founded by City of Oakland ordinance, under the Health and Safety Code of the State of California and is governed by a seven-member Board of Commissioners appointed by the Mayor of the City, with the approval of the City Council. This report includes all programs of the Authority, as well as all of its component units. Component units are legally separate entities for which a government is financially accountable or for which it is so intertwined with the primary government that they are essentially the same as the primary government. Although the Authority maintains close ties with the City in several respects, the Authority is not a component unit of the City as promulgated by the Governmental Accounting Standards Board (GASB).

The Authority's primary source of funding is from HUD. HUD has direct responsibility for administering Public Housing Programs under the United States Housing Act of 1937 (as amended). The Authority's mission is *To assure the availability of quality housing for low-income persons and to promote the civic involvement and economic self-sufficiency of residents and to further the expansion of affordable housing within Oakland.* The Authority accomplishes its mission by administering a number of programs, including the Low Rent Housing Program and the Section 8 Housing Choice Voucher (HCV) Program. In 2004, the Authority was selected to participate in HUD's Moving to Work (MTW) Demonstration Program. The program allows the Authority an exemption from a multitude of HUD regulations and reporting requirements; provides significant flexibility to combine its HUD funding for allocation among the Authority's administrative, capital, development and supportive service activities; and presents a unique opportunity for the Authority to explore and test new and innovative methods of delivering housing. The Authority has established various instrumentalities and affiliates to partner and develop alternative housing possibilities for over 15,000 of Oakland's lowest-income families, elderly and persons with disabilities. As the City's largest provider of affordable housing, the Authority recognizes that it takes tremendous amount of support to help people make a home and assist residents in building communities.

Economic Condition and Outlook

Due to its economic dependency on HUD, the Authority's finances are directly impacted by Congressional housing legislation and the federal budget. In fiscal year 2015, HUD provided over 94% of the Authority's total revenues. These revenues are provided through a variety of contracts and grants however, all are paid in accordance with HUD's funding levels. In fiscal 2015, the federal government, including the operations of HUD, was operating under a Continuing Resolution that expired on December 11, 2014. On that date, the house then passed the Consolidated and Further Continuing Appropriations Act, 2015, to fund the federal government through October 2015. In anticipation of possible sequestration or reduction in funding, the Authority placed in practice a plan reducing its costs by eliminating non-essential expenditures and implementing a variety of purchasing and hiring freezes to lessen the impact of the cuts. While a majority of the HUD funding was restored, there was, and still is, significant uncertainty about funding levels so the Authority elected to stay on a conservative path for fiscal year 2015 and has assumed reduced revenues in the budget and appropriately reduced all non-essential administrative expenses for the fiscal year.

During fiscal year 2015, the Authority began negotiations with HUD to extend its existing MTW Agreement, set to expire in 2018. On December 18, 2015, Congress passed a tax and spending package that was signed by President Obama into law the same day. Language contained in the law instructs HUD to extend the MTW Agreement between the Authority and HUD to 2028. Negotiations are still ongoing, although the Authority anticipates that these negotiations will be completed in fiscal year 2016 and its MTW status extended until 2028. The impact of these contract discussions will have a direct impact the level of funding as well as the Authority's ability to provide a variety of services currently being offered under its MTW authority.

Major Initiatives

New Business Systems – The Authority is in the final stages of a multi-year process of upgrading to a new business system that can better accommodate the types of modifications needed to facilitate the flexibility provided under the MTW program. System design was completed and the system launched in Spring of 2015. All major modules of the system are in use, with staff finalizing internal controls and procedures to accommodate the new and improved functionality of the system. The last phases, launch of ancillary portals to complement the main system, are in design and anticipated to be launched during fiscal year 2016.

Lion Creek Crossings (LCC) – The LCC Ph. 5 is a 128 unit senior apartment building in partnership with Related and EBALDC. Construction commenced in June 2013 and was completed in August 2014. Union Bank is the lender and Wells Fargo is the investor. The Authority owns the land and provided financing to construct the development. In addition, the Authority also provided 127 Project Based Vouchers (PBV) which were leveraged to obtain further financing. In August 2014, residents began moving in and all units were occupied by December 2014. The project generated 36 new hires, of which 17 were Section 3 new hires, 2 of which were Authority residents. LCC Ph. 5 was a finalist for the 2014 “Community Impact Award” of the San Francisco Business Times and won a Gold Nugget Design Award of Merit for Best Affordable Housing at the Pacific Coast Builders Conference.

Cathedral Gardens Project – The Authority partnered with EAH, Inc. on Cathedral Gardens, a 100% affordable family rental housing development with a total of 100 family units. The development consists of two new three-and four-story wood-framed elevator-served buildings and the existing three-story rectory building that was originally part of the Saint Frances de Sale Cathedral complex. The rectory is being preserved and rehabilitated into seven units. The Authority provided a predevelopment loan, owns the land on which the development is being constructed, and has provided up to 49 PBV. To date, there have been 101 new hires, of which 65 (64%) were Section 3 qualified new hires, including 12 hires that were the Authority’s residents. The development passed Housing Quality Standards inspections on all units and a Section 8 Housing Assistance Payments contract was executed. By December 2014 all units were occupied. The development was awarded San Francisco Business Times’ “Best Bay Area Affordable Housing Development Outside of San Francisco” award at the Bay Area Real Estate Deals of the Year Ceremony held in March 2015.

Lakeside Senior Housing project - Lakeside is a 92-unit rental development for extremely low-income and formerly homeless seniors located on a 0.61 acre infill site on 2nd Avenue in the Eastlake District, one block from Lake Merritt. The Authority’s development partner is Satellite Housing, Inc. (SAHA) with participation by an Authority affiliate, the Oakland Housing Initiatives, Inc. (OHI). The development generated 143 new hires of which 36 were Section 3 verified and 7 were Authority residents. The Authority contributed the land and PBVs and provided predevelopment, construction and permanent financing. Construction began in April of 2013 and was completed February 2015. By April 2015, 100% of the units were leased.

AveVista project – the Authority is partnering with BRIDGE Housing Corporation to develop a mixed-use development on this vacant 0.68 acre infill site located directly across Grand Avenue from Lake Merritt. The development plan for AveVista is to construct a new mixed-use building with 68-units of affordable family rental housing and 3,400 square feet of ground-floor commercial space. The Authority owns the land, allocated 34 PBVs and committed to contributed predevelopment, construction and gap financing to the development. Through fiscal year end 2015, there have been 42 new hires, including 23 that are Section 3 compliant. Construction is moving into its final phase and is anticipated to be complete in early calendar year 2016.

11th and Jackson project – the Authority is partnering with East Bay Asian Local Development Corporation (EBALDC) to develop a vacant parcel in downtown Oakland on the edge of Chinatown. The development will be a five-story mixed-use development and will include 71 affordable apartments over commercial space and podium parking. The Authority owns the land and provided a predevelopment loan and PBV for 35 of the residential units. Groundbreaking occurred in May 2015.

Financial Information

The Authority's management is responsible for establishing and maintaining internal controls designed to ensure that the Authority's assets are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The Authority has designed its internal controls to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived and that the valuation of the costs and benefits requires estimates and judgment by management.

Single Audit

As a recipient of federal awards, the Authority is responsible for ensuring that adequate internal controls are in place to provide compliance with applicable laws, regulations, contracts and grants related to these programs. These internal controls are subject to periodic evaluation by management and the independent auditors.

As part of the Authority's single audit, tests are made to determine the adequacy of the internal controls, including that portion related to federal award programs, as well as to learn when the Authority has complied with applicable laws, regulations, contracts and grants. Reports were prepared for this purpose and are included in this CAFR in the federal compliance section.

Debt Administration

We are pleased to announce that at June 30, 2015, the Authority's business-type activities had no debt.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to recognize conformance with the highest standards for preparation of government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to the program standards. These CAFRs must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year.

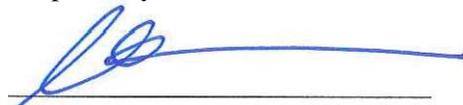
The Authority very proudly announces that the GFOA has awarded the Certificate for Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report for the year ended June 30, 2014. The Authority intends to submit its CAFR for the year ended June 30, 2015 to the GFOA for its review. We believe our report conforms to the Certificate and Achievement program requirements.

Acknowledgements

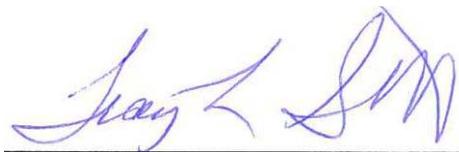
Preparation of the Comprehensive Annual Financial Report on a timely basis was accomplished through the dedicated service of the entire staff of the Finance Department. Each member of the Finance Department has our sincere appreciation for the contributions made in preparation of its report.

In closing, without the leadership and support of the members of the Board of Commissioners, preparation of this report would not have been possible.

Respectfully submitted,



Eric Johnson
Executive Director



Tracy L. Stabler
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Housing Authority of the City
of Oakland, California**

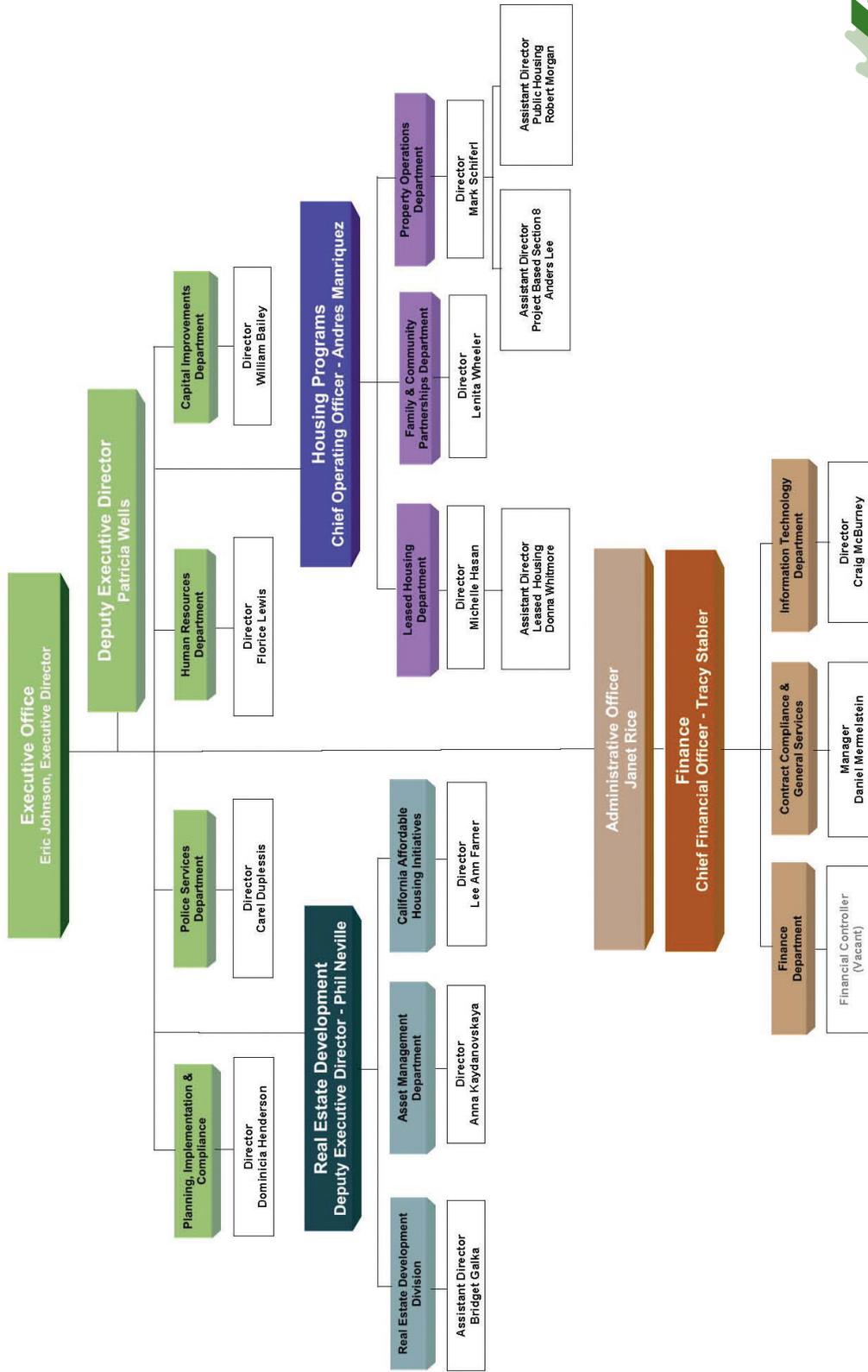
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



STEPPING BEYOND EXPECTATIONS



BOARD OF COMMISSIONERS



BOARD OF COMMISSIONERS

Gregory D. Hartwig, Chair

Marlene Hurd, Vice-Chair

Janny Castillo

Donna Griggs-Murphy

Lynette Jung Lee

Barbara Montgomery

Tanya Pitts



Oakland Housing
Authority



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EXECUTIVE TEAM



EXECUTIVE TEAM

Eric Johnson, Executive Director
Andrés Manriquez, Chief Operating Officer
Phillip Neville, Deputy Executive Director of Real Estate Development
Patricia Wells, Deputy Executive Director of Property Operations

DIRECTORS

William Bailey, Capital Improvements
Chief Carel Duplessis, Police Department
Lenita Ellis, Family and Community Partnerships
LeeAnn Farner, California Affordable Housing Initiatives, Inc.
Michelle Hasan, Leased Housing
Anna Kaydanovskaya, Asset Management
Florice Lewis, Human Resources
Craig McBurney, Information Technology
Mark Schiferl, Property Management
Tracy Stabler, Finance



Oakland Housing
Authority



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FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to Financial Statements
- Required Supplementary Information

"Progress is impossible without change, and those who cannot change their minds cannot change anything."

– George Bernard Shaw



Oakland Housing
Authority



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Independent Auditor's Report

Members of the Board of Commissioners of the
Housing Authority of the City of Oakland, California
Oakland, 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 City of Oakland, California (Authority), as of and for the year ended June 30, 2015, 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 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 the aggregate discretely presented 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 Chestnut Linden Associates and Lion Creek Senior Housing Partners, L.P., discretely presented component units, 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, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles

As discussed in Note 2 to the financial statements, effective July 1, 2014, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

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, schedule of proportionate share of the net pension liability and related ratios, schedules of pension contributions, and schedule of funding progress – postemployment healthcare benefits as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 introductory section, combining financial schedules included in other supplementary information, statistical section, and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial schedules included in other supplementary information and the schedule of expenditures of federal awards 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. The 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015 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

Oakland, California
December 29, 2015

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

This section of the Housing Authority of the City of Oakland's (the Authority) financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the Authority's financial statements and related notes, which follow this section.

As required under U.S. generally accepted accounting principles, the Authority uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation, are recognized in the period in which they are incurred. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources association with the operations of the Authority are included in the statement of financial position.

Financial Highlights

- Total net position increased from \$357.8 million to \$371.1 million as of June 30, 2015, a net increase of \$13.3 million. The net increase of \$39.2 million is due to revenues of \$718.2 million exceeding expenses of \$679.0 million. This net increase was offset by a \$26.0 million decrease due to a prior period adjustment to record the retroactive effects of the adoption of the new pension standards.
- Total assets increased by \$16.9 million. The biggest changes contributing to this increase include an increase in cash of \$12.0 million, an increase in current receivables of \$15.7 million, an increase in long term notes and interest receivable of \$3.3 million and an increase of \$4.7 million capital assets. All of these increases were offset by a decrease in net pension and other postemployment benefits (OPEB) assets of \$17.3 million.
- Capital assets increased by \$4.7 million, representing additions of \$12.9 million netted with an \$8.2 million charge for depreciation. Of the total amount of additions, \$0.3 million was used to acquire real property for current and future development.
- Total liabilities increased by \$8.0 million primarily due to timing differences in accounts payable and other year-end accruals of \$3.0 million and the change in pension accounting resulting in a recording of a \$5.0 million net pension liability.
- Total revenues increased by \$31.6 million from \$686.6 million to \$718.2 million. This increase is comprised of a net increase in subsidy revenues of \$30.5 million, an increase in rental income of \$2.4 million, and a decrease in other operating revenues of \$2.0 million. Subsidy revenues increased mostly due to an increase in the amount of housing assistance payments, particularly those payments administered on behalf of HUD through CAHI.

Overview of the Financial Statements

The financial section of this report consists of the independent auditor's report, management's discussion and analysis, the basic financial statements and supplementary information. The basic financial statements include the following:

The *Statement of Net Position* reports on the Authority's short and long term assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference report as net financial position. Amounts are reported in order of liquidity and are shown on the statement as current (to be received or used within one year) or noncurrent.

The *Statement of Revenues, Expenses and Changes in Net Position* provides information about the Authority's overall financial position and results.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

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

For the Year Ended June 30, 2015

The *Statement of Cash Flows* reports how the Authority obtained and used its cash during the fiscal year. Activities are reported by its operating, noncapital financing, capital and related financing and investment activities. The Statement was prepared using the direct method and includes a reconciliation of operating activities to operating income.

Notes to Financial Statements provides additional disclosures and are considered an integral part of the financial statements. These disclosures supplement the statements are essential to comprehensive understanding of the financial activities of the Authority.

The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of these statements. 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.

In addition to the basic financial statements, this report provides supplementary information. Supplementary information includes schedules related to the Authority's pension plans, schedules of funding progress for the Authority's OPEB benefits as well as Combining Schedules for its Federal, Non-Federal and General Programs and Federal Programs financial statements.

Financial Analysis of the Authority

Net Position - The Authority's net position increased by \$13.3 million during the current fiscal year. This represents an increase of 4% of net position. A summary of the statement of net position as of June 30, 2015 and 2014 is shown in the following table (dollars in millions).

	June 30		Increase/(Decrease)	
	2015	2014	Amount	%
Assets:				
Current and other assets	\$ 269.4	\$ 257.2	\$ 12.2	5%
Capital assets	115.4	110.7	4.7	4%
Total assets	384.8	367.9	16.9	5%
Deferred outflows of resources	11.4	-	11.4	
Liabilities:				
Current liabilities	11.4	8.5	2.9	34%
Noncurrent liabilities	6.6	1.6	5.0	313%
Total liabilities	18.0	10.1	7.9	78%
Deferred inflows of resources	7.1	-	7.1	100%
Net position:				
Net investment in capital assets	115.4	110.7	4.7	4%
Restricted	2.6	20.0	(17.4)	-87%
Unrestricted	253.1	227.1	26.0	11%
Total net position	<u>\$ 371.1</u>	<u>\$ 357.8</u>	<u>\$ 13.3</u>	<u>4%</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2015

The net increase/ (decrease) in the Authority's current and other assets increased 5% or \$12.2 million from the prior year. Significant balances with fluctuations compared to the prior year include:

- HUD Receivables- the Authority expects to be reimbursed \$35.0 million for Capital Fund and Administrative Subsidy expenditures.
- Other Receivables – Receivables from contracts such as ground leases and developer fees were \$7.0 million at June 30, 2015.
- Notes Receivable – Lion Creek Senior Housing Partners, L.P., Lakeside Senior Apartments, L.P. and AveVista Associates L.P. received approximately \$2.7 million in loans from the Authority.
- Net Pension Asset – The Authority paid \$7.6 million towards its CalPERS pension plan to reduce the actuarially accrued pension obligations in FY2015. This, in addition to \$15.6 million of payments made in prior years in excess of the actuarially required contributions that was applied to the Authority's pension obligations prior to the change in accounting with the implementation of the new pension standards (GASB Statement No. 68) that became effective in fiscal year 2015. A prior period adjustment of \$26.0 million reduced unrestricted net position in accordance with this new pronouncement as described in Note 2(k) to the financial statements.

The net increase/(decrease) in the Authority's total liabilities increased by \$8.0 million compared to the prior year due to:

- Accounts payable and accrued payroll timing differences accounted for a \$3.0 million increase.
- A net pension liability of \$5.0 million was recorded in conjunction with the new GASB Statement No. 68 requirements discussed above.

The net increase in net position was due to factors as summarized below:

- Net investment in capital assets by \$4.7 million representing a net of additions offset by depreciation expense as noted above.
- Restricted net position decreased by \$17.4 million and is mostly due to the removal of the net pension asset from the prior years.
- Unrestricted net position increased by \$26.0 million due to revenues exceeding expenses after recognizing the changes in net position classifications above.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2015

Statement of Revenues, Expenses and Changes in Net Position - This statement shows the sources of the Authority's changes in net position. A summary of the activities for the fiscal year ended June 30, 2015 and 2014 is shown in the following table (dollars in millions).

	For the year ended June 30		Increase/(Decrease)	
	2015	2014	Amount	%
Revenues:				
Operating revenues				
Rental income	\$ 25.0	\$ 22.6	\$ 2.4	11%
Housing assistance payments revenue	663.2	618.2	45.0	7%
Operating grants	8.6	3.2	5.4	169%
Other	20.3	22.3	(2.0)	-9%
Nonoperating revenues				
Investment income	0.5	0.4	0.1	25%
Other	0.6	-	0.6	n/a
Capital contributions	-	19.9	(19.9)	-100%
Total revenues	718.2	686.6	31.6	5%
Expenses:				
Operating expenses				
Housing assistance payments	598.6	568.1	30.5	5%
Depreciation and amortization	8.3	8.4	(0.1)	-1%
Other operating expense	71.9	70.7	1.2	2%
Nonoperating expenses				
Interest expense	-	0.6	(0.6)	-100%
Other nonoperating expense	0.1	-	0.1	n/a
Total expense	678.9	647.8	31.1	5%
Change in net position	39.3	38.8	0.5	1%
Net position, beginning of year, as previously reported	357.8	319.0	38.8	12%
Prior period adjustments	(26.0)	-	(26.0)	n/a
Net position, beginning of year, as restated	331.8	319.0	12.8	4%
Net position, end of year	\$ 371.1	\$ 357.8	\$ 13.3	4%

Revenues: Revenues increased by \$31.6 million with the following explanations:

- Revenues – An increase of \$2.4 million in rental income is due to lower vacancy rates related to the OAHPI scattered site units during the year ended June 30, 2015.
- The net increase in the housing assistance and other operating grant revenues and contributions were \$30.5 million due to increases in fair market rents in the HUD contracts administered by both CAHI and the Authority as well as increases in voucher utilization as the Authority returns to full utilization after reductions taken to address federal sequestration and funding cuts in the prior year.

Expenses: Expenses increased by \$31.1 million with the following explanations:

- Housing Assistance Payments – Payments increased by \$30.5 million. This is due to increased payments paid under the CAHI contract and the Authority payments due increases in the payment standards the Authority paid to address the rising rent crisis in Oakland.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2015

- Other Operating Expense increased by \$1.2 million due to increased costs for employee benefits, primarily health care benefits.
- Depreciation – Depreciation expenses was virtually unchanged as most of the 2015 increases in capital assets was nondepreciable construction in process.

Capital Asset Activity

During the fiscal year ended June 30, 2015, the Authority expended funds on land purchases and buildings and improvement in the amount of \$11.1 million. Of that amount, \$4.3 million was used to address deferred maintenance in the OAHPI buildings. The Authority also acquired other equipment and vehicles in the amount of \$1.8 million. The Authority has committed to providing funding to bring the former public housing sites up to full occupancy through renovation and updating over a five to ten year period. The renovation project is included in the fiscal 2015 and fiscal 2016 budget process. Additional information on the Authority's capital assets can be found in Note 6 to the basic financial statements.

The following summarizes the authority's capital assets, net of accumulated depreciation and the changes for fiscal year ending June 30, 2015 and 2014:

	June 30		Increase/(Decrease)	
	2015	2014	Amount	%
Land	\$ 67.3	\$ 67.0	\$ 0.3	0%
Construction in process	9.1	9.1	-	0%
Building and improvements	269.6	258.8	10.8	4%
Equipment and vehicles	7.5	5.7	1.8	32%
	<u>353.5</u>	<u>340.6</u>	12.9	4%
Accumulated depreciation	<u>(238.1)</u>	<u>(229.9)</u>	<u>(8.2)</u>	<u>4%</u>
Total capital assets, net	<u>\$ 115.4</u>	<u>\$ 110.7</u>	<u>\$ 4.7</u>	<u>4%</u>

Long Term Debt Activity

During fiscal year ended June 30, 2015, the Authority's long-term debt remained relatively the same except for scheduled debt service payments. Additional information on the Authority's long-term debt can be found in Notes 7 and 13 to the basic financial statements.

Economic Factors

Significant economic factors affecting the Authority and its mission to provide affordable housing to residents of Oakland include:

- Federal funding of HUD. As the Authority receives the majority of its operating revenue from financial assistance from HUD, the Authority and its financial operations are significantly affected by the federal government's annual appropriation to HUD. The effect of the federal budget not being approved has left a great deal of ambiguity in developing the Authority's budget and planning for the fiscal 2015 year and beyond. The Authority's budget for fiscal 2015 was developed with the most conservative estimates of revenue, assuming federal uncertainty in appropriations and potential cuts to programs affecting the Authority. In addition, the Authority and HUD have been in negotiations to extend or potentially enter a new MTW Agreement when the current agreement expires in 2018. The Authority has been proactive in assessing its financial condition and attempting to align its activities and the financial position of the agency so it can respond to new terms and conditions that may be incorporated into this extension. By

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2015

incorporating its estimate of these possible changes and reductions into its budget for the current and future fiscal years, the Authority hopes to avoid any significant reductions in service levels or ongoing operations however, any deviation from current estimates of funding to be received would have to be reexamined. Recent actions in Congress to approve a fiscal 2016 spending bill has given a small sense of stability in planning and budgeting although caution is still advised.

- Local inflationary, economic and employment trends that can affect resident income and therefore impact the amount of rental income. While Oakland has seen unemployment ease from 16.9% in 2010 down to 5.7% in 2015, that job growth is mostly for high-paying, high-skill positions. This is reflected by an increase of 2.4% employment in the professional and management sector vs. a much smaller increase of 0.9% in manufacturing. These middle and low wage/skill positions are the positions most likely filled by the individuals and families most in need of housing in Oakland and most likely in need of assistance from the Authority. This also is reflected in the mean household income of Oakland residents, which is 17% lower than Alameda County and the Bay Area overall. Approximately 20.5% of the general population of Oakland is below the poverty line, as opposed to 15.9% of the general population of California statewide. Current forecasts estimate mean household income and job growth to continue to increase at rate close to what has occurred in the past year, which might bring slight relief to Oakland's households, however this slow increase is not anticipated to greatly reduce the need for the affordable housing units managed by the Authority.
- Local and national property rental markets that determine availability. In Oakland, apartment vacancy rates are dropped to less than 2.8%. At the same time, apartment rents increased by 4.7% on top of prior year increases of over 19%. This increase, however, is less than other Bay Area cities so the slower increase is attracting more renters into Oakland, further reducing available inventory. Since the Authority is limited to what amount it may provide in assistance based on HUD's payment standards, this combination of low inventory plus high rents makes it more attractive for landlords to opt out of the voucher program and creates an even bigger shortage of affordable housing in the City and from the Authority. The Authority is examining a variety of activities to encourage and incentivize landlords in the City to accept Section 8 tenants and help increase the availability of rentals to our participants.
- HUD issued Fair Market Rents (FMRs) are primarily used to determine payment standard amounts for the Housing Choice Voucher program. FMRs are gross rent estimates for a metropolitan area and include the shelter rent plus the costs of all tenant-paid utilities. Since the Authority is limited to what amount it may provide in assistance based on its payment standards and required rent reasonableness evaluation, the combination of low inventory, high demand plus high rents creates a competitive rental market environment. Many landlords are selecting open market tenants who have higher incomes and who can pay the higher rents creating an even bigger shortage of affordable housing in the City of Oakland. In fiscal year 2015, the Authority increased its payment standards as much as allowed to encourage more landlords to accept its Section 8 vouchers. In addition, the Authority is actively working with HUD and its neighboring public housing authorities to address the impact of HUD's calculation of FMR's on a market like the Bay Area that is exceeding all indicators used in HUD's calculation.

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 City of Oakland, Chief Financial Officer, 1619 Harrison Street, Oakland, CA 94612.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Statement of Net Position

June 30, 2015

(With Discretely Presented Component Units as of December 31, 2014)

	Primary Government - Business-Type Activities	Discretely Presented Component Units
Assets:		
Current assets:		
Unrestricted cash, cash equivalents and investments	\$ 114,831,913	\$ 3,931,733
Accounts receivable, net:		
U.S. Department of Housing and Urban Development	34,606,186	-
Tenants	1,735,504	197,540
Interest	1,358	62
Others	6,963,806	173,295
Prepaid expenses	823,498	310,632
Restricted cash, cash equivalents and investments	2,939,875	8,878,807
Total current assets	161,902,140	13,492,069
Noncurrent assets:		
Noncurrent interest receivable	4,016,679	-
Notes receivable from component units	74,196,929	-
Notes receivable from others	20,848,691	-
Net OPEB assets	758,276	-
Other noncurrent assets	7,647,049	7,044,974
Capital assets:		
Nondepreciable	76,446,458	16,931,146
Depreciable, net	38,936,140	250,984,790
Total capital assets	115,382,598	267,915,936
Total noncurrent assets	222,850,222	274,960,910
Total assets	384,752,362	288,452,979
Deferred outflows of resources:		
Deferred pension contributions	11,466,796	-
Liabilities:		
Current liabilities:		
Accounts payable	7,058,068	432,211
Accrued payroll	546,040	-
Accrued interest payable	-	143,719
Due to the U.S. Department of Housing and Urban Development	98,223	-
Unearned revenues	64,888	191,097
Other accrued liabilities	2,792,143	2,983,973
Tenant security deposits	654,977	559,002
Current portion of compensated absences	215,470	-
Current portion of long-term debt due to primary government	-	44,362
Current portion of long-term debt to others	-	1,326,950
Total current liabilities	11,429,809	5,681,314
Noncurrent liabilities:		
Compensated absences, net of current portion	1,220,996	1,815
Net pension liability	4,993,908	-
Long-term interest payable to others	-	10,003,911
Interest payable due to primary government	-	3,603,895
Long-term debt due to primary government, net of current portion	-	74,181,014
Long-term debt to others, net of current portion	-	110,046,975
Family Self Sufficiency deposits	361,167	-
Total noncurrent liabilities	6,576,071	197,837,610
Total liabilities	18,005,880	203,518,924
Deferred inflows of resources:		
Difference between expected and actual investment rate of return	6,830,467	-
Adjustments due to differences in proportions	257,970	-
Total deferred inflows of resources	7,088,437	-
Net position:		
Net investment in capital assets	115,382,598	82,316,635
Restricted for:		
Housing programs	1,887,320	8,319,805
OPEB assets held in trust with CERBT	758,276	-
Unrestricted	253,096,647	(5,702,385)
Total net position	\$ 371,124,841	\$ 84,934,055

See accompanying notes to financial statements.

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2015

(With Discretely Presented Component Units for the Year Ended December 31, 2014)

	<u>Primary Government - Business-Type Activities</u>	<u>Discretely Presented Component Units</u>
Operating revenues:		
Rental income	\$ 25,023,478	\$ 11,736,966
Housing assistance payment revenues	663,162,146	-
Other operating grants	8,644,873	-
Miscellaneous and other revenues	<u>20,256,473</u>	<u>1,160,341</u>
Total operating revenues	<u>717,086,970</u>	<u>12,897,307</u>
Operating expenses:		
Housing assistance payments	598,649,713	-
Administrative	40,680,059	2,175,820
Tenant services	1,303,756	-
Utilities	3,379,040	1,493,442
Maintenance and operations	15,442,909	3,632,680
General expenses	11,211,868	1,905,038
Depreciation and amortization	<u>8,271,049</u>	<u>10,764,837</u>
Total operating expenses	<u>678,938,394</u>	<u>19,971,817</u>
Operating income (loss)	<u>38,148,576</u>	<u>(7,074,510)</u>
Nonoperating revenues (expenses):		
Gain on disposal of capital assets	576,592	-
Investment income	624,715	10,441
Interest expense	-	(3,566,066)
Other nonoperating expenses	<u>(122,195)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>1,079,112</u>	<u>(3,555,625)</u>
Income (loss) before capital contributions	39,227,688	(10,630,135)
Capital contributions	<u>-</u>	<u>12,105,372</u>
Change in net position	<u>39,227,688</u>	<u>1,475,237</u>
Net position, beginning of year, as previously reported	357,888,039	83,136,518
Prior period adjustments	<u>(25,990,886)</u>	<u>322,300</u>
Net position, beginning of year, as restated	<u>331,897,153</u>	<u>83,458,818</u>
Net position, end of year	<u>\$ 371,124,841</u>	<u>\$ 84,934,055</u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Statement of Cash Flows
For the Year Ended June 30, 2015

	Primary Government - Business-Type Activities
Cash flows from operating activities:	
Receipts from tenants	\$ 24,691,272
Receipts from customers and others	21,678,909
Receipts from housing assistance programs	645,240,782
Payments to suppliers for goods and services	(63,753,318)
Housing assistance payments on behalf of tenants	(598,830,788)
Operating grants received	8,644,873
Payments to employees for services	(10,590,185)
Net cash provided by operating activities	27,081,545
Cash flows from noncapital financing activities:	
Bank overdraft payments	(1,405)
Net disbursement of loans to related parties and component units	(2,683,494)
Net receipts of loans from related parties and component units	7,538
Net cash used in noncapital financing activities	(2,677,361)
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	627,135
Acquisition of capital assets	(12,966,991)
Net cash used in capital and related financing activities	(12,339,856)
Cash flows from investing activities:	
Interest received	17,585
Proceeds from maturity of investments	526,548
Net cash provided by investing activities	544,133
Net change in cash and cash equivalents	12,608,461
Cash and cash equivalents, beginning of year	104,538,625
Cash and cash equivalents, end of year	\$ 117,147,086

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Statement of Cash Flows
For the Year Ended June 30, 2015

	<u>Primary Government - Business-Type Activities</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 38,148,576
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	8,271,049
Other expenses	(122,195)
Change in net pension liability and pension related deferred outflows and inflows of resources	(9,767,247)
Decrease (increase) in:	
Receivables	(15,631,624)
Prepaid expenses	1,761,128
Net OPEB assets	1,777,245
Other noncurrent assets	(321,194)
Increase (decrease) in:	
Accounts payable	2,711,822
Accrued payroll	(919,780)
Due to the U.S. Department of Housing and Urban Development	(181,075)
Tenant security deposits	(104,575)
Unearned revenues	(1,094,935)
Compensated absences	19,147
Other liabilities	2,535,203
Net cash provided by operating activities	<u>\$ 27,081,545</u>
Cash and cash equivalents:	
Unrestricted cash, cash equivalents and investments	\$ 114,831,913
Restricted cash, cash equivalents and investments	2,939,875
Less investments not meeting the definition of cash and cash equivalents	<u>(624,702)</u>
Total cash and cash equivalents	<u>\$ 117,147,086</u>

See accompanying notes to financial statements.

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 – THE FINANCIAL REPORTING ENTITY

(a) Organization and Program Descriptions

The Housing Authority of the City of Oakland (Authority) was founded by City of Oakland ordinance, under the Health and Safety Code of the State of California in 1938. The Authority was established to receive federal funds to provide housing for low-income residents of the City of Oakland, California. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administrating the Low Rent Housing Program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local public housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to local housing authorities for the purpose of maintaining low-rent character of the local housing program. Under an administrative form of contract, HUD has conveyed certain federally built housing units to the Authority for low rent operations.

The Authority was selected to participate in HUD's Moving to Work (MTW) Demonstration Program effective on March 31, 2004. The program allows the Authority an exemption from a multitude of HUD regulations and reporting requirements and significant flexibility to combine its HUD funding for reallocation among the Authority's administrative, capital and development activities.

The Authority has elected to report a single enterprise proprietary fund and its primary operations comprise a number of housing and grant programs as follows:

- **Low Rent Housing Program** – operates the Authority's own rental housing units subsidized by HUD through an Annual Contributions Contract (ACC). This program has 1,606 units owned as of June 30, 2015 and is operated by the Authority under HUD contract SF-235. Funding is provided by tenant rent payments and intra-program transfers from the Moving to Work Demonstration program representing subsidies provided by HUD based upon a formula that takes into consideration factors such as: prior formula funding, population of the area, number of dwelling units, bedroom sizes, building height and building age, utility costs, and rental income.
- **Section 8 Programs** – consists of several Section 8 housing programs including the Section 8 Substantial Rehabilitation program, the Moderate Rehabilitation program, the Section 8 Housing Choice Voucher program, the Moving to Work Demonstration program and the Mainstream Vouchers program.
 - The *Substantial Rehabilitation* program purpose is to construct or purchase and rehabilitate rental housing units to provide decent and affordable housing to low-income, elderly and handicapped individuals whereby rental assistance is provided by HUD. Funding of the program is provided primarily by federal housing assistance contributions.
 - The *Moderate Rehabilitation* program operates under HUD's ACC S-0068K and consists of the operations of 251 privately owned family housing units. The purpose of the program is to rehabilitate substandard rental housing units and to provide decent and affordable housing to low-income families whereby rental assistance is provided by HUD. The associated developments are maintained and managed by private landlords. Funding of the program is provided by federal housing assistance contributions.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

- The *Housing Choice Voucher* program provides rental housing assistance subsidies in support of 12,814 housing units. The purpose of the program is to provide decent and affordable housing to low-income families and elderly and handicapped persons wherein rental assistance is provided by HUD. The associated units are maintained and managed by private landlords.
 - The *Moving to Work Demonstration* program provides 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 *Mainstream Voucher* program provides rental housing assistance subsidies in support of 175 housing units. The purpose of the program is to provide decent and affordable housing to low-income families and elderly and handicapped persons wherein rental assistance is provided by HUD. The associated units are maintained and managed by private landlords.
- **Hope VI Program** - accounts for the funds from the HUD's Hope VI Urban Revitalization Grant used to redevelop the Authority's housing facilities. These facilities include Lion Creek Crossings, Foothill, Chestnut Court, Linden Court, and Mandela Gateway.
 - **Other Federal Programs** - other federal programs that the Authority administers include the Family Self Sufficiency, Shelter Plus Care, and CAHI's Special Allocations.
 - **Non-Federal Programs** – consists of other low-income housing programs funded from local and other non-federal sources.

(b) Reporting Entity

The Authority is governed by a seven-member Board of Commissioners appointed by the mayor of the City of Oakland (City), with the approval of the Oakland City Council. Two members are residents of the Housing Authority. However, the Authority is not a component unit of the City because the City does not impose its will on the Authority by significantly influencing the Authority's program, projects, activities, or level of service performed.

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the Authority (Primary Government) and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Authority's operations. Therefore, data from these component units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Authority.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

Management applied the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14* and Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the Authority appoints the voting majority, there is a financial benefit/burden relationship, the Authority is able to impose its will, the component unit is fiscally dependent on the Authority, the component unit’s governing body is substantially the same as the Authority, and management of the Authority have operational responsibility for the activities of the component unit. These criteria were used to determine the following:

Blended Component Units

- **California Affordable Housing Initiatives, Inc.** – The California Affordable Housing Initiatives (CAHI) was created as a not-for-profit organization of the Authority and incorporated in 2001. CAHI is under contract with HUD to administer the Project-Based Voucher Program for Northern California. CAHI’s policies are determined by a three member Board of Directors, which comprise the Chair and Vice Chair of the Authority’s Board of Commissioners and the Authority’s Executive Director. The Authority’s Board can impose its will on CAHI. Hence, it is determined that the Authority is financially accountable to CAHI. In addition, both the Authority’s Board and CAHI’s Board members are substantively the same, hence the decision from the Authority’s Board cannot be overridden by CAHI’s Board. The Authority’s management also have a financial and operational relationship. Therefore, CAHI’s financial statements are blended into the Authority’s financial statements as part of the Federal and Non-Federal Programs.

- **Oakland Affordable Housing Preservation Initiatives** – The Oakland Affordable Housing Preservation Initiatives (OAHPI), a nonprofit corporation affiliated with the Authority, was established in February 2009 for the purpose of managing and controlling 329 buildings acquired from the Authority in April 2010. OAHPI acquired these buildings from the Authority through a negotiated sale at less than fair market value in the form of a 30-year lease at a nominal price of \$1 per year. OAHPI’s policies are determined by a three member of the Board of Directors, which comprise the Authority’s Executive Director and two members of the Authority’s Board of Commissioners. The Authority’s Board can impose its will on OAHPI. Hence, it is determined that the Authority is financially accountable to OAHPI. In addition, both the Authority’s Board and OAHPI’s Board members are substantively the same, hence the decision from the Authority’s Board cannot be overridden by OAHPI’s Board. The Authority’s management also have a financial and operational relationship. Therefore, CAHI’s financial statements are blended into the Authority’s financial statements as part of the Non-Federal Programs.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

Discrete Component Units

The following discrete component units' fiscal year ended on December 31, 2014 and its financial activities are reported as of that date.

- **Chestnut Linden Associates** – Chestnut Linden Associates (CLA), a real estate development limited partnership, was formed in 2001 to develop and operate a 151-unit multi-family rental housing apartment complex in the City of Oakland, California (operating as Chestnut Court Apartments and Linden Court Apartments), construction of which was completed in April and June 2003, respectively. CLA leased the land from the Authority on which the apartment complex is situated and has obtained HUD loans and other loans through the Authority, and receives annual rental subsidies for occupied units covered under agreements with HUD and the Authority through 2058.

The Authority has significant influence over CLA given its significant financial relationships. CLA's interests are held by third parties unrelated to the Authority, except for the Authority's participation in OHA Chestnut Mandela, LLC, a Special Limited Partner.

- **Mandela Gateway Associates** - Mandela Gateway Associates (MGA) was recognized by the State of California as a limited partnership as of September 26, 2002. MGA's purpose is to invest in real estate and to construct, operate and lease the property. The property consists of a 168-unit rental apartment complex in the City of Oakland, California (known as Mandela Gateway). Mandela Gateway was placed in service in 2004 and fully leased in 2005. MGA leased the land from the Authority on which the apartment complex is situated and has obtained HUD loans and other loans through the Authority, and receives annual rental subsidies for occupied units covered under agreements with HUD and the Authority through 2078.

The Authority has significant influence over MGA given its significant financial relationships. MGA's interests are held by third parties unrelated to the Authority, except for the Authority's participation in OHA Chestnut Mandela, LCC, a Special Limited Partner.

- **Oakland Coliseum Housing Partners** – Oakland Coliseum Housing Partners (OCHP), a real estate development limited partnership, was formed in 2003 to develop and operate a 115-unit multi-family rental housing apartment complex in the City of Oakland, California (known as Lion Creek Crossings – Phase I). Construction of Lion Creek Crossings – Phase I was completed in 2005. OCHP leased the land from the Authority on which the apartment complex is situated and has obtained HUD loans and other loans through the Authority, and receives annual rental subsidies for occupied units covered under agreements with HUD and the Authority. The agreements extend through the minimum period during which the project units are required by the applicable public housing requirements to be operated as public housing in accordance with the U.S. Housing Act of 1937, or the expiration of 40 years from December 31, 2006.

The Authority has significant influence over OCHP given its significant financial relationships. OCHP's interests are held by third parties unrelated to the Authority, except for the Authority's participation in OHA Coliseum LLC., a Class B Special Limited Partner controlled by the Authority.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

- **Lion Way Housing Partners** – Lion Way Housing Partners (LWHP), a real estate development limited partnership, was formed in 2003 to develop and operate a 146-unit rental apartment complex in the City of Oakland, California (known as Lion Creek Crossings – Phase II). Construction of Lion Creek Crossings – Phase II was completed in 2007. LWHP leased the land from the Authority on which the apartment complex is situated and has obtained HUD loans and other loans through the Authority, and receives annual rental subsidies for occupied units covered under agreements with HUD and the Authority. The agreements extend through the minimum period during which the project units are required by the applicable public housing requirements to be operated as public housing in accordance with the U.S. Housing Act of 1937, or the expiration of 40 years from the date of full availability.

The Authority has significant influence over LWHP given its significant financial relationships. The Authority owns the property and is the ground lessor of the property. LWHP's interests are held by third parties unrelated to the Authority. The Authority's interest is related to OHA Coliseum, LLC, a Class B Special Limited Partner, controlled by the Authority.

- **Creekside Housing Partners** - Creekside Housing Partners (CHP), a real estate development limited partnership, was formed in 2005 to develop and operate a 106-unit rental apartment complex in the City of Oakland, California (known as Lion Creek Crossings – Phase III). Lion Creek Crossings – Phase III was completed in 2008. CHP leased the land from the Authority on which the apartment complex is situated and has obtained HUD loans and other loans through the Authority, and receives annual rental subsidies for occupied units covered under agreements with HUD and the Authority. The agreements extend through the minimum period during which the project units are required by the applicable public housing requirements to be operated as public housing in accordance with the U.S. Housing Act of 1937, or the expiration of 40 years from the date of full availability.

The Authority has significant influence over CHP given its significant financial relationships. CHP's interests are held by third parties unrelated to the Authority, except for the Authority's participation in the OHA Coliseum LLC., a Class B Special Limited Partner controlled by the Authority.

- **Foothill Family Apartments** - Foothill Family Apartments (FFA), a real estate development limited partnership, was formed in 1999 to invest in real estate and to construct, operate, and lease property consisting of a 65-unit rental apartment complex in the City of Oakland, California (known as Foothill Family Apartments), construction of which was completed in 2002. FFA leased the land from the Authority on which the apartment complex is situated and has obtained HUD loans and other loans through the Authority, and receives annual rental subsidies for occupied units covered under agreements with HUD and the Authority. The agreements extend through the minimum period during which the project units are required by the applicable public housing requirements to be operated as public housing in accordance with the U.S. Housing Act of 1937, or the expiration of 40 years from December 31, 2002.

**HOUSING AUTHORITY OF THE
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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

The Authority has significant influence over FFA given its significant financial relationships. FFA's interests are held by other third parties – the Oakland Housing Initiatives, Inc. (OHI), as general partner and Multi-Housing Tax Credit Partners XXVIII, a limited partner. OHI is a California nonprofit public benefit corporation with 11 directors, which includes the Authority's Executive Director and the Chair of the Board of Commissioners.

- **Tassafaronga Partners** – Tassafaronga Partners (TP), a California limited partnership, was formed in 2008 to develop Tassafaronga – Phase I (TP Phase I). The entire project (Tassafaronga Village) consists of the demolition of 16 buildings containing 87 units of severely distressed public housing and the construction of 77 affordable rental town homes, 60 affordable rental apartments, and 20 affordable rental units in a renovated former pasta factory located on four parcels of land in the City of Oakland. TP Phase I consists of 137 tax credit rental units and ancillary improvements located on the land. TP owns, operates and manages the project. The project began operations in April 2010. The general partner of TP is Tassafaronga Housing Corporation, a California public benefit nonprofit corporation (THC), which is controlled by the Authority (the Authority staff and Commissioners constitute the board of directors of THC) and the limited partner is NEF Assignment Corporation, an Illinois not-for-profit corporation, which owns 99.99%.

The Authority has significant influence over TP given its significant financial relationships. The Authority is the owner of the land, the ground lessor of the project, guarantor and issued \$31,305,000 in Bonds that were purchased by Citicorp and loaned to TP.

- **Tassafaronga Partners II** – Tassafaronga Partners II (TP II), a California limited partnership, was formed in 2008 to develop Phase II of Tassafaronga Village. The project consists of approximately 20 multi-family rental units and ancillary improvements located on the land. TP II owns, operates and manages the project. The project began operations in May 2010. The general partner of TP II is also THC and the limited partner is also NEF Assignment Corporation.

The Authority has significant influence over TP II given its significant financial relationships. The Authority is the owner of the land, the ground lessor of the project, guarantor and on August 1, 2009 issued \$4,450,000 in Bonds that were purchased by Citicorp and loaned to TP II.

- **Village-Side Housing Partners** – Village-Side Housing Partners (VSHP), a California limited partnership, was formed in 2010 to develop a 72-unit low-income apartment complex operating under the name of Lion Creek Crossing IV Apartments. The project has 21-units, which have been designated as public housing units and are subject to all requirements applicable to public housing under the U.S. Housing Act of 1937. The general partner of VSHP is Lion Creek IV, LLC and the limited partner is Bank of America.

The Authority has significant influence over VSHP given its significant financial relationships. The Authority is the owner of the land, the ground lessor of the project, and guarantor.

**HOUSING AUTHORITY OF THE
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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

- **Lion Creek Senior Housing Partners** – Lion Creek Senior Housing Partners (LCSHP), a California limited partnership, was formed in October 2011 to acquire certain real property and to provide low-income housing through the acquisition, construction, rehabilitation, operation and leasing of a single building complex, 128-unit residential apartment project located in Oakland operating under the name of Lion Creek Crossings Phase V. The managing general partner is Lion Creek V, LLC and the investor limited partner is Wells Fargo Affordable Housing Community Development Co.

The Authority has significant influence over LCSHP given its significant financial relationships. The Authority is the owner of the land, the ground lessor of the project, and is obligated to provide funds to meet all operating deficits.

Complete financial statements of individual component units can be obtained from the Chief Financial Officer of the Authority at 1619 Harrison Street, Oakland, California, 94612.

In addition to the above entities, the Authority is currently working with AveVista Associates, L.P. to form a partnership that will develop and construct additional senior and/or affordable housing sites. This entity has not had substantial financial activity through December 31, 2014, but it is anticipated that it will in future years, at which time it will be included in the Authority's basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Authority are included in the statement of net position.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are derived from providing services in connection with the Authority's ongoing operations. Operating revenues generally include rental income and housing assistance payments and fees from the Section 8 program. Operating revenues also include other operating grants instructed by HUD to be reported as operating. Operating expenses generally include housing assistance payments, occupancy charges, tenant services, administrative expenses and depreciation on capital assets. All other revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating revenues and expenses or as capital contributions.

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.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash and Cash Equivalents

The Authority and its component units consider all highly liquid cash and investments with maturities of three months or less when purchased to be cash equivalents.

(c) Investments

Investment transactions are recorded on the trade date. Investments are reported at fair value. The fair value represents the amount the Authority could reasonable expect to receive for an investment in a current sale between a willing buyer and seller. The fair value of investments is obtained by using quotations from independent published sources.

(d) Allowance for Bad Debts

Management reviews the collectability of receivables on a periodic basis. The Authority established an allowance of \$756,368 for accounts receivable as of June 30, 2015.

(e) 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. The Authority records land, structures and equipment on a historical cost basis, which include land acquisition costs and site improvements, dwelling and non-dwelling structures and nonexpendable equipment. Donated capital assets are valued at their estimated fair value on the date of the receipt. Costs of repairs and maintenance are expensed as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method.

The estimated useful lives are as follows:

	Discrete Component Units								
	Primary Government	CLA	MGA	OCHP	LWHP	CHP	FFA	TP and TPII	VSHP and LCSHP
Dwelling and non-dwelling structures:									
Building	27.5 years	40 years	7-40 years	15-40 yrs	15-27.5 yrs	15-40 yrs	40 years	27.5 years	15-40 yrs
Building improvements (on-site)	10-15 years	15 years	15 years	15-40 yrs	15-27.5 yrs	15-40 yrs	40 years	15 years	15-40 yrs
Off-site improvements	n/a	40 years	40 years	15-40 yrs	15-27.5 yrs	15-40 yrs	40 years	15 years	15-40 yrs
Nonexpendable equipment:									
Office equipment, including furniture and fixtures	7 years	7 years	7 years	10 years	5 years	10 years	5-10 yrs	5 years	5 years
Computer equipment and related software	5 years	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Vehicles	5 years	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other Noncurrent Assets

The Authority reports its share of the Bay Area Housing Risk Management Agency’s net position as other noncurrent assets (See Note 8). Other noncurrent assets are costs incurred by the component units in order to obtain permanent financing, tax credits, ground lease, and asset management services for the housing projects. These amounts are stated at cost and amortized on a straight-line method over the following years:

Tax credit costs	10 - 15 years
Permanent loan costs	55 years
Ground lease acquisition costs	75 - 89 years
Asset management fees	15 years

(g) Compensated Absences

Employees of the Authority are entitled to paid vacation, depending on job classification, length of service and other factors. Employees earn vacation at rates ranging from 10 days per year for the first 4 years of service up to a maximum of 20 days per year after 19 years of service. Vacation may be accrued to a maximum of 225 hours for employees on a 37.5 hour work week or 240 hours for employees on a 40 hour work week or a total of two years’ accrual, whichever is greater. The Authority determines that a portion of this liability is noncurrent based on historical trends.

(h) Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses and capital contributions. Net position is classified in the following three components:

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

Restricted - This component of net position consists of constraints on assets 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 related to those restricted assets.

Unrestricted - This component of net position consists of amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

**HOUSING AUTHORITY OF THE
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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Pensions

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

(j) Use of Estimates

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements and related disclosures in conformity with GAAP. Actual results may differ from those estimates.

(k) Effects of New Pronouncements

During the year ended June 30, 2015, the Authority implemented the following accounting standards:

- Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension – an Amendment of GASB Statement No. 27* (GASB Statement No. 68), addresses the accounting and financial reporting requirements for pensions. The provisions of GASB Statement No. 68 separate accounting and financial reporting from how pensions are funded and require changes in the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and pension expense and related deferred outflows/inflows of resources disclosures (see Note 9). When the Authority implemented this statement, the Authority also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB Statement No. 71), which resolves transition issues in GASB Statement No. 68. As of July 1, 2015, the Authority restated the beginning net position as follows:

Remove net pension asset measured pursuant to GASB Statement No. 27	\$ (15,608,089)
Record net pension liability measured pursuant to GASB Statement No. 68	(17,131,340)
Record deferred outflows of resources pursuant to GASB Statement No. 71	<u>6,748,543</u>
Implementation of GASB Statement Nos. 68 and 71	<u><u>\$ (25,990,886)</u></u>

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is intended to improve accounting and financial reporting for state and local governments’ combinations and disposals of government operations. This Statement provides guidance determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred

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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. This statement did not have a significant impact to the Authority's financial statements.

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

- In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements of this Statement are effective for the Authority's fiscal year ending June 30, 2016.
- In June 2015, the GASB issued Statement 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. 73), which establishes requirements for those pensions and pension plans that are not administered through a trust or equivalent arrangement. The statement is effective for financial statements for periods beginning after June 15, 2015, except for the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for financial statements beginning after June 15, 2016. The Authority is reviewing the impact of the adoption of GASB Statement No. 73 for the fiscal year beginning July 1, 2016.
- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB Statement No. 74), which replaces GASB Statement No. 43 and addresses the financial reports of defined benefit OPEB plans that are administered through a trust or equivalent arrangement. GASB Statement No. 74 is effective for the Authority's fiscal year ending June 30, 2017.
- In June 2014, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), which establishes new accounting and financial reporting requirements for OPEB plans improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the Authority's fiscal year ending June 30, 2018.

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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In June 2014, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB Statement No. 76), which clarifies the hierarchy of generally accepted accounting principles (GAAP), and reduces the GAAP hierarchy to two catalogues of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the scope of authoritative GAAP. GASB Statement No. 76 is effective for the Authority's fiscal year ending June 30, 2016.

NOTE 3 – RESTRICTED ASSETS

(a) *Tenant Security Deposits*

Upon moving into a public housing development, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory. At June 30, 2015, the Authority's security deposits in the amount of \$306,595 and \$348,382 were included in the Low Rent Housing Program and Non-Federal Programs, respectively.

(b) *Family Self Sufficiency (FSS) Escrow*

The FSS Escrow Account is an interest bearing account reported as part of restricted cash and investments and established by the Authority for each qualified Section 8 participant enrolled in the Section 8 Housing Choice FSS Program. The participants earn monthly escrow credits during their five-year Contract of Participation and the escrow credit is reported as a liability and is based on increases in earned income of the family. The Authority may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the Authority terminates the contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow account is forfeited. At June 30, 2015, FSS funds of \$361,167 held in the Section 8 Housing Choice Voucher Program are included in the accompanying financial statements.

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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 3 – RESTRICTED ASSETS (Continued)

(c) Affordability Reserves

The Regulatory and Operating Agreements related to the Authority’s involvement with CLA, MGA, LWHP, CHP and FFA require the Authority to establish Affordability Reserve Accounts (Reserves) at Wells Fargo Bank upon certain triggering events specified in each agreement for the benefit of each Limited Partnership operating the properties. Disbursements from Reserves are restricted to paying for operating subsidies related to the Authority’s Assisted Housing Units in months where the Authority is unable to meet its obligation to pay the operating subsidies. As required, the Authority’s Low Rent Housing program has established Reserves in the amount of \$1,808,513 as of June 30, 2015.

(d) Section 8 Housing Assistance Payments made by CAHI

Under HUD’s Project-Based Section 8 Program contract administration requirements, CAHI has an established a bank account with MUFG Union Bank (formerly known as Union Bank of California prior to July 1, 2014) that is restricted to receiving and disbursing Housing Assistance Payments (HAP) each month. The amount of HAP approved and received from HUD in this account is immediately disbursed to Section 8 property owners under an arrangement with MUFG Union Bank, and would normally have no carrying balance. Any income earned in the account is required to be reported and returned to HUD periodically as program income. At June 30, 2015, restricted funds of \$36,411 held in the CAHI Federal Program are included in the accompanying financial statements.

(e) Other Restricted Accounts

At June 30, 2015, the Authority’s Police Department maintains a restricted asset forfeiture account in the amount of \$62,850 and the Authority has other miscellaneous restricted reserves in the amount of \$15,957.

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

(a) Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are presented on the accompanying statement of net position as of June 30, 2015 (primary government) and December 31, 2014 (discrete component units) and are summarized as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Unrestricted cash, cash equivalents and investments	\$ 114,831,913	\$ 3,931,733	\$ 118,763,646
Restricted cash, cash equivalents and investments	2,939,875	8,878,807	11,818,682
Total cash, cash equivalents and investments	<u>\$ 117,771,788</u>	<u>\$ 12,810,540</u>	<u>\$ 130,582,328</u>

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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash, cash equivalents and investments as of June 30, 2015 (primary government) and December 31, 2014 (discrete component units) consist of the following:

	Primary Government	Component Units	Total
Cash on hand	\$ 2,825	\$ -	\$ 2,825
Deposits with financial institutions	86,343,390	12,810,540	99,153,930
Investments	31,425,573	-	31,425,573
Total cash, cash equivalents and investments	<u>\$ 117,771,788</u>	<u>\$ 12,810,540</u>	<u>\$ 130,582,328</u>

(b) Custodial Credit Risk – Deposits

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

(c) Investments Authorized by the Authority

The table below identifies the investment types that are authorized for the Authority by HUD, the California Government Code (or the Authority’s investment policy, where more restrictive) as of June 30, 2015:

	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	10 years	None	None
U.S. Government Agency Securities	10 years	None	10%
Certificates of deposit	10 years	None	10%
Money market mutual funds	n/a	None	n/a

(d) Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values 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.

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Notes to Financial Statements
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NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A summary of the Authority’s investments at June 30, 2015 is shown below.

	Moody's Credit Rating	Fair Value	Investment Maturities (in years)	
			Less than 1	1 - 3
Primary Government:				
Unrestricted investments:				
Federal Home Loan Mortgage Corporation	Aaa	\$ 305,820	\$ 305,820	\$ -
Federal National Mortgage Association	Aaa	318,882	-	318,882
Money Market Fund	Aaa-mf	30,800,871	30,800,871	-
Total investments		<u>\$ 31,425,573</u>	<u>\$ 31,106,691</u>	<u>\$ 318,882</u>

(e) Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2015, the Authority does not hold investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of its total investments.

(f) Custodial Credit Risk – Investments

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

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE

The Authority’s noncurrent notes and interest receivable at June 30, 2015 represents the following:

	From Component Units	From Others	Total
Notes receivable:			
Low Rent Housing	\$ 28,762,342	\$ -	\$ 28,762,342
HOPE VI	42,252,680	-	42,252,680
Non-Federal programs	3,181,907	20,848,691	24,030,598
Total notes receivable	<u>\$ 74,196,929</u>	<u>\$ 20,848,691</u>	<u>\$ 95,045,620</u>
Interest receivable:			
Low Rent Housing	\$ 2,516,015	\$ -	\$ 2,516,015
HOPE VI	1,254,254	-	1,254,254
Non-Federal programs	-	246,410	246,410
Total interest receivable	<u>\$ 3,770,269</u>	<u>\$ 246,410</u>	<u>\$ 4,016,679</u>

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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

Notes payable from component units to primary government is \$74,225,376. The amounts of notes receivable and interest receivable from component units and notes payable and interest payable to primary government in the accompanying financial statements differ due to the differences in the financial statement reporting dates (June 30, 2015 for the Authority, and December 31, 2014 for component units).

(a) Low Rent Housing Notes Receivable

Terms and descriptions of the Low Rent Housing notes receivable are as follows:

Chestnut Linden - The Chestnut Linden Court Project is a HOPE VI project that was implemented in 2 phases: a homeownership phase (the Chestnut First-Time Homebuyer Development consisting of 15 units for sale up to 75% of the area median income); and a rental housing phase (Chestnut Linden, consisting of 151 units – 72 units on the Chestnut Court site (Chestnut), and 79 units on the Linden Court site (Linden)). Of the 151 units, 83 units are HUD-subsidized public housing units, 45 situated at Chestnut, and 38 situated at Linden.

On February 1, 2002, the Authority entered into a HOPE VI Construction/Permanent Loan Agreement with CLA whereby the Authority agreed to loan \$9,966,461 to CLA to finance the development of Chestnut Linden. The obligation to repay the loan is covered by 2 promissory notes – a \$4,789,596 note related to Chestnut, and a \$5,176,865 note related to Linden. The notes bear no interest, unless CLA is in default as defined in the loan agreement, and have terms which expire 55 years after the date of the issuance of a Certificate of Occupancy for all units in Chestnut Linden by the City of Oakland. The outstanding balances on the notes, together with any accrued interest as a result of default, are due and payable at the earliest of (i) the date of any transfer of Chestnut Linden not authorized by the Authority; (ii) the date of any default; and (iii) the expiration of the 55-year period. Both notes are secured by HOPE VI Loan Leasehold Deeds of Trust, Assignment of Rents and Security Agreements recorded on February 13, 2002 wherein CLA is the trustee and the Authority is the beneficiary covering the property. The amount outstanding on this loan was \$9,368,861 as of June 30, 2015.

Mandela Gateway - The Mandela Gateway Project is a HOPE VI project that included the Authority owned site on which was formerly the public housing complex known as Westwood Gardens. This project consists of approximately 168 units, including 46 HUD-subsidized public housing units, together with community and approximately 6,778 square feet of retail space.

On November 18, 2002, the Authority entered in an Amended and Restated Predevelopment Loan Agreement with Bridge Housing Corporation (BHC) whereby the Authority agreed to loan \$3,280,067 to BHC to finance certain predevelopment activities associated with the original Westwood Garden site and an additional site as part of the Mandela Gateway Project. This loan was non-interest bearing, and stipulated that it would expire on December 31, 2003, unless extended by the Authority or earlier terminated as provided in the agreement. The loan agreement was superseded by an MGA Construction/Permanent Loan as further described in the following paragraph, and the outstanding balance of \$721,514 advanced under the BHC loan was transferred to the MGA loan.

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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

On February 1, 2003, the Authority entered into a HOPE VI Construction Loan Agreement with MGA whereby the Authority agreed to loan \$3,260,000 to develop the Mandela Gateway Project sites. The loan, evidenced by a promissory note, has a simple 5% interest rate on disbursements, and a term of 55 years from the date of issuance of a Certificate of Occupancy by the City of Oakland for all units in the development. The principal and interest outstanding on this loan was \$3,260,000 and \$1,974,596, respectively, as of June 30, 2015.

Tassafaronga Phase I - On October 1, 2008, the Authority entered into a Deferred Promissory Note with Tassafaronga Partners, L.P. (TP) whereby the Authority agreed to loan an amount not to exceed \$2,000,000 to finance the development of the infrastructure improvements associated with the construction of 137 units of affordable housing and related improvements to the Construction/Permanent Loan Agreement. The obligation to repay this loan is deferred, interest-free, and matures October 1, 2063. The amount outstanding on this loan was \$2,000,000 as of June 30, 2015. Also on October 1, 2008, the Authority entered into a second Loan Agreement with TP whereby the Authority agreed to loan \$14,164,614 to finance the project. The obligation to repay the loan bears 0.6% interest and matures April 13, 2065. The amount of principal and interest outstanding on this loan was \$12,313,793 and \$453,987, respectively, as of June 30, 2015.

Tassafaronga Phase II - On August 1, 2009, the Authority entered into an Amended and Restated Promissory Note with TP II whereby the Authority agreed to loan an amount not to exceed \$500,000 with interest at 3% and \$1,843,368 which bears no interest to finance the development of the TA Phase II project. The loans mature on May 20, 2065. Repayments are based on the residual receipts and shall be credited first against accrued interest, then against outstanding principal attributable to the \$500,000 component and then against the remaining outstanding principal. The principal and interest amount outstanding on the interest-bearing loan was \$500,000 and \$87,432, respectively, as of June 30, 2015. The principal outstanding for the non-interest bearing loan was \$1,319,688 as of June 30, 2015.

(b) HOPE VI Notes Receivable

Terms and descriptions of the HOPE VI notes receivable are as follows:

Foothill Family Apartments - On July 1, 2005, the Authority entered into a HOPE VI Permanent Loan Agreement with FFA. FFA developed and constructed a 65 unit, low income tax credit apartment complex on the real property located at 6886 and 6982 Foothill Boulevard, 2811 and 2812 69th Avenue, and 7011 and 7015 MacArthur Boulevard in the City of Oakland. The Authority agreed to loan \$2,400,000 to FFA to assist in repayment of construction financing for the development, and to assist in the operation of the development. FFA's obligation to repay the loan is covered by a promissory note. The note bears interest based on the applicable Federal Rate as it related to long-term loans, with annual compounding and calculated in accordance with Internal Revenue Service Code Section 1274d as of the date of closing. This loan has a term that expires on the date 55 years from when the Deed of Trust is recorded against the property. Repayments commence on April 1, 2006, and on April 1 of each year thereafter for the term of the loan, from 90% of available residual receipts as described in the loan agreement. The principal and interest outstanding on this loan was \$2,400,000 and \$1,254,254, respectively, as of June 30, 2015.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

Coliseum Gardens (also known as Lions Creek Crossings Phase II) - The Authority is the owner of land and buildings at the Coliseum Gardens Housing Development located at 6610, 6710 and 6733 Olmstead Street in the City of Oakland. The Authority intends to acquire additional parcels of land in the vicinity to facilitate the revitalization of the Coliseum Gardens Public Housing Development.

On November 1, 2004, the Authority entered into a HOPE VI Construction/Permanent Loan Agreement with OCHP whereby the Authority agreed to loan \$5,500,000 to OCHP to finance the pre-development construction of phase I of the Coliseum Gardens Project. The obligation to repay the loan is covered by a promissory note. The outstanding balance on the Pre-Development Loan dated July 23, 2003 was considered paid off by this loan as of the execution date. The note bears no interest and has a term of 55 years from the date of completion of the Project, determined by the Certificate of Occupancy for all units (which occurred on April 27, 2007) in the Project by the City of Oakland. Repayments commence on May 15 of the year following completion of construction of the improvements, and on May 15 of each year thereafter for the term of the loan, payable to the extent of 34% of cash flows as described in the loan agreement. The amount outstanding on this loan was \$5,497,941 as of June 30, 2015.

On November 1, 2005, the Authority entered into a HOPE VI Construction/Permanent Loan Agreement with LWHP whereby the Authority agreed to loan \$7,430,139 to LWHP to finance the pre-development and construction of Phase II of the Coliseum Gardens Project. The obligation to repay the loan is covered by a promissory note. The note bears no interest and has a term of 55 years from the date of completion of the Project, determined by the Certificate of Occupancy for all units in the Project by the City of Oakland. Repayments commence on May 15 of the year following completion of construction of the improvements, and on May 15 of the each year thereafter for the term of the loan, payable after the non-federal funds loan is paid in full to the extent of 45% of cash flows as described in the loan agreement. The amount outstanding on this loan was \$7,430,379 as of June 30, 2015.

On November 1, 2006, the Authority entered into a Construction Loan Agreement with CHP whereby the Authority agreed to loan \$3,350,000 to CHP to finance the pre-development and construction of Phase III of the Coliseum Gardens Project. The obligation to repay the loan is covered by a promissory note. The note bears no interest and has a term of 55 years from the date of completion of the Project, determined by the Certificate of Occupancy for all units in the Project by the City of Oakland. Repayments commence on May 15 of the year following completion of construction of the improvements, and on May 15 of each year thereafter for the term of the loan, payable to the extent of 20% of cash flows as described in the loan agreement. The amount outstanding on this loan was \$3,342,094 as of June 30, 2015.

On November 1, 2010, the Authority entered into a Local Funds Construction/Permanent Loan Agreement with Village-Side Housing Partners, L.P. (VSHP) whereby the Authority agreed to loan an amount not to exceed \$6,641,066 for construction/permanent financing towards the development of the project. On April 15, 2012, the Authority agreed to increase this loan to \$7,222,630 of which the additional amount of \$581,564 will be expended for additional eligible costs and funded by Moving To Work funds. On November 1, 2010, the Authority also entered into a HOPE VI Construction/Permanent Loan Agreement with VSHP whereby the Authority agreed to loan an amount not to exceed \$2,051,641, which represented the remaining Coliseum Gardens HOPE VI grant funds as construction/permanent financing towards the development of LCC Phase IV project. The obligation to repay this loan is deferred, bears no interest, has a 55-year term from the date of completion of the Phase IV project and is payable from surplus cash as defined in the loan agreement. The amount outstanding on these loans was \$9,274,271 as of June 30, 2015.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

On November 1, 2011, the Authority entered into a Predevelopment Loan Agreement with Lion Creek Senior Housing Partners, L.P. (LCSHP), a related entity presently under development, whereby the Authority agreed to loan an amount not to exceed \$1,848,500 to LCSHP to finance pre-development budgeted costs associated with Phase V of the Lions Creek Crossings Project. One-half of the loan represents LCSHP's share of the pre-development budget and bears interest at 4% simple interest on the outstanding balance and the remaining half represents the Authority's share of the pre-development budget and bears no interest except upon default. The obligation to repay the loan is covered by a promissory note. During the year ended June 30, 2013, LCSHP converted the \$1,848,500 loan to permanent construction loan along with additional construction loan in the amount of \$12,459,495. The loan bears no interest, commencing on May 15 of the year following completion of construction of the improvements and on May 15 of each year thereafter for the term of the loan, be repaid from Residual Receipts as defined in the loan agreement. The Authority shall receive an annual priority payment of the lesser of (1) an amount equal to 0.42% of the original principal amount of the loan or (2) 25% of the residual receipts. The outstanding principal amount as of June 30, 2015 was \$14,307,995.

(c) Non-Federal Programs Notes Receivable

Terms and descriptions of the Non-Federal Programs notes receivable are as follows:

Chestnut Linden Court Project - On February 1, 2002, the Authority entered into a Loan Agreement with CLA whereby the Authority agreed to loan \$1,695,000 to CLA to finance the development of the Chestnut Linden Court Project. The obligation to repay the loan is covered by 2 promissory notes for \$814,549 and \$880,451 dated February 1, 2002. Both notes bear no interest and have a term of 55 years after the date of the issuance of a Certificate of Occupancy for all units in the Project by the City of Oakland. Starting on July 1, 2004 and on July 1 of each year thereafter for the term of the loan, repayment shall be the available residual receipts as described in the loan agreement. Both notes are secured by Non-Federal Funds Loan Leasehold Deeds of Trust, Assignment of Rents and Security Agreements recorded on February 13, 2002 wherein CLA is the trustee and the Authority is the beneficiary covering the property. The amount outstanding on this loan was \$1,397,820 as of June 30, 2015.

On July 1, 2002, the Authority entered into a Development Loan Agreement (DLA) with EM Johnson Interest, Inc. (EMJI) whereby the Authority agreed to loan \$1,900,000 to EMJI to finance the development of homeownership phase of the Chestnut Linden Court Project. The obligation to repay the loan is evidenced by a note. The loan bears no interest and was repaid as follows:

1. \$1,300,000 upon sale of the homes. Pursuant to the DLA and as result of the sale of the homes in August 2003, EMJI paid \$1,300,000 directly to CLA. Any payment made to CLA from proceeds of the sale of the homes under the letter of credit or any other source, shall be treated as repayment of this loan as though repaid by the EMJI to the Authority.
2. Upon sale of a home to an eligible purchaser, in compliance with Section 4.2 of the Development Loan, and the execution of the Homebuyer Promissory Note and execution and recordation of the Homebuyer Deed of Trust and Resale Restriction and Option to Purchase Agreement, the Authority shall credit repayment of the Development Loan for \$40,000 and execute and arrange for the recordation of partial conveyance of the Deed of Trust and the Authority's Affordability Covenants with respect to each unit conveyed to an eligible purchaser.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

To assist eligible purchasers in acquiring the homes, the Authority shall convert the total principal amounts of the loan to Authority Second Mortgage Loans. Each Authority Second Mortgage Loan made to an eligible purchaser is in the amount of \$40,000. The total amount of all Authority Second Mortgages will be equal to \$600,000. Each Authority Second Mortgage loan has a 50 year term. The Authority Second Mortgages loans do not bear interest, except in the event of default by the homebuyer, and will be assumable by subsequent eligible homebuyers. Authority Second Mortgage Loans will be forgiven if a homebuyer stays in the home for the entire 50 years. Fifteen homes were sold, and a credit of \$600,000 was applied to the EMJI note. As a result of these transactions, EMJI's Development Loan is considered repaid. The amount outstanding on the Authority Second Mortgage Loans with eligible homebuyers was \$600,000 as of June 30, 2015.

Mandela Gateway - On February 1, 2003, the Authority entered into a loan agreement with Mandela Gateway Associates (MGA) whereby the Authority agreed to loan \$550,000 to finance the development of the residential portion of the Mandela Gateway Development. The obligation to repay the loan is covered by a 55 year promissory note which bears no interest. The amount outstanding on this loan was \$165,302 as of June 30, 2015.

On November 20, 2003, the Authority entered into a Predevelopment Loan Agreement with Mandela Gateway Townhomes, LLC (MGT) whereby the Authority agreed to loan \$515,000 to MGT to finance the predevelopment activities associated with the construction of 14 single family townhomes. This loan was superseded by a Loan Agreement executed with MGT dated December 11, 2006, and the balance outstanding on the Predevelopment Loan was transferred to this loan. The obligation to repay this loan is covered by a non-interest bearing promissory note dated December 11, 2006. Repayment of the loan is contingent upon the sale of the townhomes to eligible homebuyer, and the execution of the Homebuyer Promissory Notes between the homebuyer and the Authority.

During the year, there were no sales of townhomes to eligible homebuyers, and there were no Homebuyer Promissory Notes executed. The amount outstanding on this loan was \$515,000 as of June 30, 2015.

Coliseum Gardens Project (also known as Lions Creek Crossings II) - On November 1, 2005, the Authority entered into a Construction/Permanent Loan Agreement with LWHP whereby the Authority agreed to loan \$2,472,471 to LWHP to finance the construction of Phase II of the Coliseum Gardens Project. The obligation to repay this loan is covered by a non-interest bearing promissory note which expires 55 years from the issuance of a Certificate of Occupancy for all units in the development. The loan is payable to the extent of 45% of cash flows and due May 15th of each year. The amount outstanding on this loan was \$1,618,785 as of June 30, 2015.

BRIDGE Norcal LLC (AveVista) - On March 29, 2011, the Authority entered into a Predevelopment Loan Agreement with BRIDGE Norcal LLC (BRIDGE) whereby the Authority agreed to loan an amount not to exceed \$775,000 to finance predevelopment costs in connection with the Grand Avenue Development. On October 28, 2013, the Board authorized the Executive Director to obligate the loan up to \$8,326,104 and convert the predevelopment loan to a construction loan. The loan bears simple interest at a rate of 3%. The amount outstanding on this loan and accrued interest was \$7,400,300 and \$246,410, respectively, as of June 30, 2015.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

East Bay Asian Local Development Corporation (Jackson Street) - On December 28, 2010, the Authority entered into a Predevelopment Loan Agreement with East Bay Asian Local Development Corporation (EBALDC) whereby the Authority agreed to loan an amount not to exceed \$1,650,000 to finance predevelopment costs in connection with the Jackson Street Development. The obligation bears no interest except upon default by EBALDC, in which interest will be accrued at the lesser of 10% or the maximum rate permitted by law. The note is payable at the earlier of: i) December 1, 2014; or ii) the date of Construction Closing as defined in the Predevelopment Loan Agreement. The amount outstanding of \$88,845 has been repaid in full as of June 30, 2015.

Jefferson Oaks, L.P. - On October 1, 2010, the Authority entered into an Acquisition and Development Loan Agreement with Jefferson Oaks, L.P. (Jefferson) whereby the Authority agreed to loan an amount not to exceed \$2,060,000 to finance the acquisition of the Jefferson Existing Improvements and certain costs associated with the development of the Jefferson Oaks Apartment project. The obligation bears no interest except upon default by Jefferson, for which interest will be accrued at the lesser of 10% compounded annually or the maximum rate permitted by law. The obligation has a 55-year term from the date of recordation of the Deed of Trust against Jefferson's Leasehold Estate. The amount outstanding on this loan was \$2,060,000 as of June 30, 2015.

Keller Housing Associates, LP. - On May 1, 2011, the Authority entered into an Original Loan Agreement with Keller Housing Initiative, Inc. (KHI) whereby the Authority agreed to make a loan to KHI in the amount of \$8,200,000 (Development Loan) to assist in predevelopment and construction costs associated with the rehabilitation of the Keller Plaza Project Development, as defined in the agreement. KHI assigned the Original Loan Agreement and the Development Loan, and all of KHI's right, title and obligations under the Original Loan Agreement to Keller Housing Associates, LP (KHA), a California limited partnership. The loan bears no interest except upon default by KHA, for which interest will be accrued at the lesser of 10% compounded annually or the maximum rate permitted by law. The obligation has a 55-year term from the date of recordation of the Deed of Trust against KHA's Leasehold Estate. The amount outstanding on this loan was \$6,830,390 as of June 30, 2015.

Satellite Housing, Inc. (Lakeside) - On December 15, 2009, the Authority entered into an Acquisition Conditions Agreement with Satellite Housing, Inc. (SHI) whereby the Authority agreed to provide two forms of loans to carry out certain predevelopment work and on August 23, 2011, the Authority entered into a First Amendment with SHI to increase the amount of the pre-development loans and to permit the loan proceeds to be used for predevelopment costs relating to additional real property that will be added to the Lakeside Senior Apartments project. The first loan is interest free and the Authority agreed to loan an amount not to exceed \$720,413. The second loan bears interest rate of 4% and the Authority agreed to loan an amount not to exceed \$720,413. In April 2013, the Authority amended, restated and consolidated the principal notes into one non-interest bearing note and increased the principal balance of the original notes to \$3,443,000 contained in a promissory note. The note is due 55 years from the date of completion, which shall be determined by the date of issuance of a certificate of occupancy for all units in the development. At June 30, 2015, the principal amount outstanding was \$3,443,000 as of June 30, 2015.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

(d) Intra-program borrowing between General Programs and Non-Federal Programs

As discussed in Note 1, OAHPI is managing and controlling 249 properties for the Authority since April 2010. The Authority provided initial working capital of \$25,580,962 at the beginning of the transition to stabilize OAHPI's operations through a formal financing arrangement with the original Board of OAHPI. This amount was repaid in fiscal year ending June 2014. The Authority continues to assist OAHPI in addressing deferred maintenance on its buildings so that it can renovate the units/properties and return them to the rental market. In fiscal years 2014 and 2015, the Authority focused on financial stability by allowing OAHPI to make substantial ongoing repairs to stabilize their housing stock and complete unit renovations on vacated units. The Authority, in conjunction with the OAHPI Board, continues to perform unit restorations and is looking at financing options to complete unit and building restorations on viable properties, identifying those properties that may lend themselves to future redevelopment, and selling at market rate those that are not viable, pursuant to HUD approvals. The Authority advanced additional amounts totaling \$61,844,399 through June 30, 2015 to fund operations and renovations. Although OAHPI will still need to build an adequate working capital reserve, it has been determined that, starting July 1, 2015, OAHPI will begin paying all normal operating costs out of its earnings. The Authority will still provide funding for renovation and extraordinary repairs. As an allowable MTW expense and activity, the Authority may not formalize a repayment plan of the existing advance, unless outside funding is secured. The advance amount outstanding and reported as long-term intra-program borrowing between General Programs and OAHPI nets to zero and is eliminated for financial statement presentation of the Authority as a whole.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Reductions/ Transfers	Balance June 30, 2015
<i>Capital assets, not being depreciated:</i>				
Land	\$ 67,069,317	\$ 254,539	\$ (4,718)	\$ 67,319,138
Construction in progress	9,091,115	8,289,889	(8,253,684)	9,127,320
Total capital assets, not being depreciated	<u>76,160,432</u>	<u>8,544,428</u>	<u>(8,258,402)</u>	<u>76,446,458</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	258,760,393	3,501,148	7,302,383	269,563,924
Equipment and vehicles	5,700,342	921,415	855,744	7,477,501
Total capital assets, being depreciated	<u>264,460,735</u>	<u>4,422,563</u>	<u>8,158,127</u>	<u>277,041,425</u>
<i>Less accumulated depreciation</i>				
Building and improvements	(225,582,189)	(7,595,845)	49,732	(233,128,302)
Equipment and vehicles	(4,301,779)	(675,204)	-	(4,976,983)
Less accumulated depreciation	<u>(229,883,968)</u>	<u>(8,271,049)</u>	<u>49,732</u>	<u>(238,105,285)</u>
Total capital assets, being depreciated, net	<u>34,576,767</u>	<u>(3,848,486)</u>	<u>8,207,859</u>	<u>38,936,140</u>
Total capital assets, net	<u>\$ 110,737,199</u>	<u>\$ 4,695,942</u>	<u>\$ (50,543)</u>	<u>\$ 115,382,598</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 7 – LONG-TERM OBLIGATIONS

Changes to the Authority’s long-term obligations for the year ended June 30, 2015 was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 1,417,319	\$ 524,275	\$ (505,128)	\$ 1,436,466	\$ 215,470

NOTE 8 – 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. The Authority has not settled claims in excess of the Authority’s insurance coverage in any of the past three fiscal years.

The Authority’s deductibles and maximum coverage follows:

<u>Coverage</u>	<u>Deductible</u>	<u>HARRG/ ERMA</u>	<u>Excess Coverage</u>
General liability	\$ 50,000	\$ 50,000	\$ 5,000,000
Property damage	100,000	100,000	100,000,000
Automobile liability	500	25,000	1,000,000
Employment practices	50,000	-	1,000,000
Employer's liability	-	350,000	5,000,000
Lead-Based Paint	25,000	-	500,000

Changes in the Authority’s claims liability during the years ended June 30, 2015 and 2014 were as follows:

	<u>Claims Liability July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Claims Payments</u>	<u>Claims Liability June 30</u>
2014	\$ 262,600	\$ 305,781	\$ 140,583	\$ 427,798
2015	427,798	240,000	298,063	\$ 369,735

The claims liability is reported as a component of the accounts payable in the statement of net position.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 8 – RISK MANAGEMENT (Continued)

(a) General Liability

The Authority purchased coverage for excess liabilities with Housing Authority Risk Retention Group, Inc. (HARRG) for losses incurred above the deductible limit of \$50,000 per occurrence up to \$5 million per occurrence. Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, new discovered information and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), economic and social factors, newly discovered information and changes in the law.

(b) Workers' Compensation and Employer's Liability

The Bay Area Housing Authority Risk Management Agency (BAHARMA) was formed under a joint powers agreement between the Authority and the Housing Authority of the City and County of San Francisco (SFHA). BAHARMA does not provide pooling or sharing of risk between its 2 members. Its purpose is to provide administrative and risk management services to the two housing authorities' worker's compensation self-insurance funds. Effective July 1, 2010, BAHARMA maintained excess insurance coverage above the self-insured retention level of \$350,000 up to \$5 million per occurrence.

Claims are paid from contributions received from the Authority and SFHA. BAHARMA is considered to be a claims-servicing entity and each member's net position is reported as due to members in the BAHARMA's statement of net position. At June 30, 2015, the Authority is due \$7.6 million from BAHARMA and reported this amount as a component of the other noncurrent assets in the Authority's statement of net position.

Condensed financial information for BAHARMA is presented below as of and for the year ended September 30, 2014 (most recently available):

	Statement of Net Position September 30, 2014		Statement of Revenues, Expenses and Changes in Net Position For the Year Ended September 30, 2014
Assets:		Operating revenues:	
Cash and equivalents	\$ 8,026,274	Claims servicing revenues	<u>\$ 509,316</u>
Prepaid and other	1,032,230		
Investments	<u>23,666,325</u>	Total operating revenues	<u>509,316</u>
Total assets	<u>32,724,829</u>	Operating expenses:	
Liabilities:		Claims administration	238,187
Claims liability	19,816,912	General and administration	<u>271,129</u>
Due to members	12,634,613	Total operating expenses	<u>509,316</u>
Premium deposit and other	<u>273,304</u>	Change in net position	-
Total liabilities	<u>32,724,829</u>	Net position, beginning of year	<u>-</u>
Net position	<u>\$ -</u>	Net position, end of year	<u>\$ -</u>

Complete financial statements of BAHARMA can be obtained from the Chief Financial Officer of the Authority at 1619 Harrison Street, Oakland, California 94612.

**HOUSING AUTHORITY OF THE
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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 9 –PENSION PLAN – DEFINED CONTRIBUTION

The ICMA Retirement Corporation Pension Plan is a defined contribution plan for employees hired before July 1, 1980. On July 1, 1980, the Authority’s employees were given the opportunity to transfer to CalPERS and certain employees hired prior to July 1, 1980 chose to continue with the ICMA plan. As of June 30, 2015, there were three employees in this plan. For the year ended June 30, 2015, the Authority contributed 10% of annual covered salary related to these employees to the plan. Total contribution for the year ended June 30, 2015 was \$17,121 and the plan had ending cash value of \$1,941,775 at June 30, 2015.

NOTE 10 –PENSION PLANS – DEFINED BENEFIT

(a) General Information

The CalPERS Pension Plans are administered by the Public Employees Retirement System of the State of California. This is for all employees hired after July 1, 1980 and includes employees who as of July 1, 1980 elected CalPERS pension plan coverage.

Description of Plans – All qualified Authority employees, as defined above, are eligible to participate in in the Authority’s separate Safety (police) Plan, a cost sharing multiple-employer defined benefit plan, and Miscellaneous (all other) Plan, an agent multiple-employer defined benefit pension plan, administered by CalPERS. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and 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.

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.

	Miscellaneous		Safety	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 yrs of service	5 yrs of service	5 yrs of service	5 yrs of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	1.4% - 2.4%	1% - 2.5%	2.4% - 3%	2% - 2.7%
Required employee contribution rates	7%	6.5%	9%	10.75%
Required employer contribution rates	9.848%	9.848%	22.25%	22.25%

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 – PENSION PLANS – DEFINED BENEFIT (Continued)

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	220	3
Inactive employees entitled to but not yet receiving benefits	225	12
Active employees	296	30
Total	741	45

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 both 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Effective July 1, 1994, the Authority elected to pay 100% of the employees’ contributions to CalPERS or 7% of their annual covered salary for Miscellaneous Plan members hired prior to July 1, 2012 and members hired after July 1, 2012 agreed to pay 5% of the employees’ 7% contribution. In addition, the Authority contributes on behalf of Safety Plan members the full contribution amount of 9% effective the pay period beginning October 26, 2009 for Safety Plan members hired prior to July 1, 2012 and members hired after July 1, 2012 agreed to pay 4% of the employees’ 9% contribution.

For the year ended June 30, 2015, the contributions recognized for each Plan were as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 6,584,513	\$ 602,345
Contributions - employee (paid by employer)	4,077,395	202,543
Total	\$ 10,661,908	\$ 804,888

(b) Net Pension Liability

At June 30, 2015, the Authority’s net pension liability is comprised of the following:

Miscellaneous Plan	\$ 3,070,419
Safety Plan	1,923,489
Total	\$ 4,993,908

The Authority’s net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan’s fiduciary net position and the Safety Plan is reported as the Authority’s proportionate share of the CalPERS Public Safety Risk Pool’s net pension liability. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the Safety pension plan relative to the projected contributions of all participating employers, actually determined. The Authority’s net pension liability for each plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 – PENSION PLANS – DEFINED BENEFIT (Continued)

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Measurement period	July 1, 2013 to June 30, 2014
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50%, net of pension plans' investment expenses, including inflation
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate - The discount rate used to measure each plan's total pension liability was 7.50 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, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 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.

According to Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The Authority did not find this to be a material difference.

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CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 – PENSION PLANS – DEFINED BENEFIT (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS changes its methodology.

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

^(a) An expected inflation of 2.5% used for this period.

^(b) An expected inflation of 3.0% used for this period.

**HOUSING AUTHORITY OF THE
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Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 – PENSION PLANS – DEFINED BENEFIT (Continued)

(c) Changes in the Net Pension Liability

The changes in the net pension liability for the Miscellaneous Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2013	\$ 93,276,760	\$ 78,692,438	\$ 14,584,322
Changes recognized for the measurement period:			
Service cost	3,364,122	-	3,364,122
Interest on the total pension liability	6,975,906	-	6,975,906
Contributions from the employer	-	6,509,930	(6,509,930)
Contributions from the employees	-	1,491,558	(1,491,558)
Net investment income, net of administrative expenses	-	13,852,443	(13,852,443)
Benefit payments, including refunds of employee contributions	(3,893,482)	(3,893,482)	-
Net changes during the measurement period	6,446,546	17,960,449	(11,513,903)
Balance at June 30, 2014 (measurement date)	\$ 99,723,306	\$ 96,652,887	\$ 3,070,419

The Authority's proportionate share of the net pension liability for the Safety Plan was 0.03091% and 0.03160% as of June 30, 2014 and 2013, respectively.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Miscellaneous Plan and the Authority's proportionate share of the net pension liability of the CalPERS Safety Risk Plan as of the measurement date, calculated using the discount rate of 7.50 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 (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate		
	-1% (6.50%)	Current (7.50%)	+1% (6.50%)
Miscellaneous Plan	\$ 15,660,565	\$ 3,070,419	\$ (7,456,371)
Safety Plan	3,310,076	1,923,489	781,002
Net Pension Liability (Asset)	\$ 18,970,641	\$ 4,993,908	\$ (6,675,369)

Pension Plans' Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 10 – PENSION PLANS – DEFINED BENEFIT (Continued)

(d) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Miscellaenous	Safety	Total	Miscellaenous	Safety	Total
Pension contributions subsequent to measurement date	\$ 10,661,908	\$ 804,888	\$ 11,466,796	\$ -	\$ -	\$ -
Net differences between projected and actual earnings on plans' investments	-	-	-	(6,249,703)	(580,764)	(6,830,467)
Adjustment due to differences in proportions	-	-	-	-	(257,970)	(257,970)
	<u>\$ 10,661,908</u>	<u>\$ 804,888</u>	<u>\$ 11,466,796</u>	<u>\$ (6,249,703)</u>	<u>\$ (838,734)</u>	<u>\$ (7,088,437)</u>

The pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2016 and the other amounts reported as deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows</u>
2016	\$ (1,799,749)
2017	(1,799,749)
2018	(1,781,323)
2019	(1,707,616)
	<u>\$ (7,088,437)</u>

(e) Payable to the Pension Plan

At June 30, 2015, the Authority did not have a payable for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The Authority provides certain medical benefits for its retired employees, their dependents, and surviving spouses through the CalPERS medical benefit program. To be eligible, employees must have retired under the CalPERS retirement plan. The Authority participates in the CalPERS medical program. Employees who retire from the Authority at age 50 or older with 5 or more years of service are eligible for lifetime postemployment healthcare benefits. Benefits are provided to retirees, spouses and surviving spouses. For employees hired prior to October 21, 2008, the Authority contributes up to 100% of the lowest cost family plan available (referred to herein as the “cap”). After a retiree reaches Medicare age, the cap is based on post-Medicare premium rates. Effective October 21, 2008, the Authority revised the program. Employees hired on or after that date must have at least 10 years of service at retirement in order to receive any employer paid benefits. With 10-14 years of service, the employer pays 35% of capped premium costs. This percentage increases to 50% at 15-19 years of service, 75% at 20-24 years and 95% at 25 or more years.

In 2011, the Authority entered into an agreement with CalPERS whereby the Authority participates in the California Employers’ Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. The financial statements for CERBT may be obtained by writing the California Public Employees’ Retirement System, Constituent Relations Office, CERBT (OPEB), P.O. Box 242709, Sacramento, California 94229-2709 or by calling 888-225-7377.

Funding Policy - Prior to July 1, 2010, the Authority financed the Retiree Health Plan on a pay-as-you-go basis. For the year ended June 30, 2011, the Board authorized the Authority to fund the CERBT its OPEB liability at June 30, 2010 in the amount of \$9,214,450 and to make annual payments over the following five years towards reducing the unfunded actuarial accrued liability.

Annual OPEB Cost - The Authority’s annual other postemployment benefits (OPEB) cost consists of (a) the Annual Required Contributions (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (b) one year’s interest on the beginning balance of the net OPEB obligation, and (c) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over a closed 30 years. The Authority’s OPEB valuation was performed as of July 1, 2013.

The following table shows the components of the Authority’s annual OPEB cost for the year, the amount contributed, and changes in the Authority’s net OPEB asset:

Annual required contributions	\$ 3,150,241
Interest on net OPEB asset	(172,140)
Adjustment to the annual required contribution	197,774
Annual OPEB cost (expense)	<u>3,175,875</u>
Contributions made	<u>(1,398,630)</u>
Change in net OPEB asset	1,777,245
Net OPEB (asset), beginning of year	<u>(2,535,521)</u>
Net OPEB (asset), end of year	<u><u>\$ (758,276)</u></u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2015	\$ 3,175,875	44%	\$ (758,276)
6/30/2014	1,979,305	228%	(2,535,521)
6/30/2013	4,369,236	100%	-

Funded Status and Funding Progress - The table below indicates the funded status of the OPEB plan as of July 1, 2013.

Actuarial accrued liability (AAL)	\$ 47,557,990
Actuarial value of plan assets	<u>23,677,762</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 23,880,228</u>
Funded ratio (actuarial value of plan assets)/AAL	49.8%
Approximate annual covered payroll (active plan members)	\$ 23,988,825
UAAL as a percentage of annual covered payroll	99.5%

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

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

In the July 1, 2013 actuarial valuation, the entry age normal actuarial cost method was used. Under the entry age normal cost method the actuarial present value of projected benefits is allocated on a level basis over the earnings or service of individuals between entry age and the assumed exit age. The actuarial assumptions included (a) 4.50% investment rate of return, which approximates the amount the Authority expects to earn on its internal investments, (b) inflation rate of 3.00%, (c) payroll increases of 3.25%, and (d) an annual pre-Medicare healthcare cost trend rate of 6.7% in 2015, reduced by level decrements to an ultimate rate of 5.0% for the year beginning January 1, 2021 and thereafter. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period over 30 years.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES

Low Income Tax Credits – The Authority’s low-income tax credit partnerships are contingent on its ability to maintain compliance with applicable sections of Section 42 of the Internal Revenue Code. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

Concentrations - For the year ended June 30, 2015, approximately 94% of operating revenues and 79% of accounts receivables reflected in the financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

General Partner Operating Deficit Guarantees - In relation to the performance of the tax credit partnerships for which the Authority is the general partner, the Authority has agreed to provide certain levels of funding in the event of partnership operating deficits that exceed operating reserves (see Note 13). As of June 30, 2015, no additional liability existed relating to excess operating deficits for any of the partnerships based on the Authority’s analysis.

Conduit Debt – From time to time, the Authority issued Multi-family Housing Revenue Bonds to provide funds to developers for the construction of multi-family housing projects. The bonds are payable solely from the revenues collected by the developers of the projects. The Authority is not obligated in any manner for repayment of the indebtedness. Accordingly, the liabilities are not reported in the Authority’s basic financial statements.

In June 2012, the Authority participated in the issuance of \$21,000,000 of Multi-family Housing Revenue Bonds (Cathedral Gardens Project) Series 2012A-1 and 2012A-2 in the original principal amount of \$21,000,000 for the purpose of providing funding necessary for the construction and development of a multi-family rental housing project known as the Cathedral Gardens Apartments, located at 668 21st Street, Oakland, California. At June 30, 2015, the principal amount payable for these bonds was approximately \$9,440,292.

In addition, conduit debt issued for entities not related to the Authority, the Authority has also issued other conduit debt for related entities (see Note 13).

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 13 – RELATED PARTY TRANSACTIONS

(a) *Chestnut Linden Associates*

Ground Lease - CLA's lease of the land from the Authority on which Chestnut Court Apartments is built resulted in a one-time lease cost paid to the Authority of \$1 upon the closing of one or more CLA construction loans, and the term of the lease will expire in February 2082. CLA has granted the Authority and Chestnut Linden, Inc., if such rights are not exercised by the Authority, an option to purchase partnership property during 2018 at a price which would facilitate the purchase while protecting the Partnership's tax benefits from the Chestnut Linden Court Project.

(b) *Mandela Gateway Associates*

Ground Lease - MGA's lease of the land from the Authority on which the Mandela Gateway Project is built resulted in an annual lease cost of \$1 to be paid to the Authority over the life of the lease, which expires in February 2078. MGA has provided an option to acquire the Mandela Gateway Project to the Authority during the period from January 1, 2015 to June 30, 2020. The option price is the greater of the Project's fair market value, or the assumption of all outstanding debt and taxes. If such right is not exercised by the Authority, Chestnut Linden, Inc.'s option to acquire the Project will begin on July 1, 2020 and will expire on December 31, 2023.

(c) *Oakland Coliseum Housing Partners*

Ground Lease - OCHP's lease of the land from the Authority on which Lion Creek Crossings – Phase I is built resulted in lease payments to be paid to the Authority in installments. The ground rent consisted of a payment in the amount of \$635,000 by OCHP to the Authority upon certain conditions specified in the ground lease agreement, and the term of the lease is for 75 years from the recording of the OCHP and the California Tax Credit Allocation Committee's tax credit restrictive covenant agreement.

(d) *Lion Way Housing Partners*

Ground Lease - LWHP's lease of the land from the Authority on which Lion Creek Crossings – Phase II is built resulted in lease payments to be paid to the Authority in installments. Total payments of \$1,080,000 by LWHP were paid as of December 31, 2009 and the term of the lease is for 89 years.

(e) *Creekside Housing Partners*

Ground Lease - CHP's lease of the land from the Authority on which Lion Creek Crossings – Phase III is built resulted in lease payments to be paid to the Authority in installments. Total payments of \$1,145,200 by CHP were paid as of December 31, 2009 and the term of the lease is for 89 years.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

(f) Foothill Family Apartments

Ground Lease - FFA's lease of the land from the Authority on which the Foothill Family Apartments is built resulted in annual rent payments to be paid to the Authority of \$7,972 commencing on April 1, 2006. The annual lease payments are to be made from, and to the extent of, 90 percent of residual receipts, which amount shall not accrue. Unless sooner terminated pursuant to the provisions of the lease agreement, the lease shall continue in full and expire in July 2065. For the year ended June 30, 2015, the Authority did not receive lease income.

(g) Tassafaronga Partners

Operating Deficit Guarantee - The Authority has agreed to guarantee obligations of Tassafaronga Housing Corporation (THC), an affiliated entity, who is the general partner in Tassafaronga Partners, L.P. (TP), an affordable housing limited partnership. These obligations may include operating deficits, development and low income housing tax credit guarantees. Under TP's amended and restated limited partnership agreement dated October 23, 2008, THC is obligated to provide any funds needed by TP, after all funds in the Operating Reserve Account have been used, to fund Operating Deficits up to \$1,446,921 during the Operating Deficit Guaranty Period, as defined in the agreement. As of June 30, 2015, there have been no operating deficit loans made to TP.

Conduit Debt - From time to time, the Authority has issued Multi-family Housing Revenue Bonds to provide funds to developers for the construction of multi-family housing projects. The bonds are payable solely from the revenues collected by the developers of the projects. The Authority is not obligated in any manner for repayment of the indebtedness. Accordingly, the liabilities are not reported in the primary government's basic financial statements.

On February 11, 2011, the conduit debt on the \$31,305,000 of Multi-family Housing Revenue Bonds Series 2008A and 2008B were paid off and the TP received permanent financing with two tranches. One (Series A) is in the amount of \$3,910,000, bears interest at 5.65%, matures May 1, 2046 and is payable in monthly installments of \$21,383 until maturity and the other (Series B) is in the amount of \$5,580,000, bears interest at 5.45% and matures on May 1, 2026, and is payable in monthly installments of \$46,993, until maturity. These bonds have a principal balance of \$8,205,000 as of December 31, 2014 as summarized in Note 14.

(h) Tassafaronga Partners II

Operating Deficit Guarantee - The Authority has agreed to guarantee obligations of THC, who is the general partner in Tassafaronga Partners II, L.P. (TP II), an affordable housing limited partnership. These obligations may include operating deficits, development and low income housing tax credit guarantees. Under TP II's amended and restated limited partnership agreement dated August 20, 2009, THC is obligated to provide any funds needed by the TP II, after all funds in the Operating Reserve Account have been used, to fund Operating Deficits up to \$121,900. As of June 30, 2015, there have been no operating deficit loans made to TP II.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

(i) Village-Side Housing Partners

Ground Lease - On November 1, 2010, VSHP entered into a ground lease agreement with the Authority to lease the land upon the 72-unit project is located. The lease term is for a period of 89 years. Upon expiration of the lease, the buildings and improvements become the property of the Authority. The ground lease consists of required payments totaling \$1,950,000, which was fully paid in as of December 31, 2013. As of December 31, 2014, accumulated amortization was \$91,294.

Operating Assistance - VSHP operates and maintains all of the 72-units in the project, other than a manager's unit, as qualified low-income tax credit units. Of these qualified low income units, 21 have been set aside as “ACC units”, whose rents are restricted and may be less than the operating costs of the project units. The Authority has agreed to subsidize the operation of these units through the provisions of operating assistance provided to it by the HUD subject to annual appropriations.

Conduit Debt - On November 1, 2010, the Authority also participated in the issuance of \$17,310,000 of Multi-family Housing Revenue Bonds (Lion Creek Crossings, Phase IV) Series 2010A. These bonds were issued to provide financing for the construction and development by VSHP for the Phase IV project.

(j) Lion Creek Senior Housing Partners, L.P.

Ground Lease - LCSHP entered into a ground lease agreement with the Authority to lease the land upon the 128-unit project is located. The lease term is for a period of 90 years. Upon expiration of the lease, the buildings and improvements become the property of the Authority. In addition, LCSHP is obligated to pay all costs, expenses and obligations with respect to the project including real property taxes, insurance, utilities, operating costs and costs of maintenance. The ground lease consists of required payments totaling \$90.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Financial Statements
For the Year Ended June 30, 2015

**NOTE 14 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS**

	Chestnut Linden Associates (1)	Mandela Gateway Associates (1)	Oakland Coliseum Housing Partners (1)	Lion Way Housing Partners (1)	Creekside Housing Partners (1)	Foothill Family Apartments (1)	Tassafaronga Partners (1)	Tassafaronga Partners II (1)	Village-Side Housing Partners (1)	Lion Creek Senior Housing Partners (1)	Total
Assets											
Unrestricted cash and cash equivalents	\$ 269,028	\$ 212,776	\$ 382,161	\$ 177,365	\$ 351,370	\$ 204,492	\$ 521,378	\$ 58,198	\$ 732,277	\$ 1,022,688	\$ 3,931,733
Restricted cash and cash equivalents	1,634,680	1,348,651	880,406	863,281	836,243	386,441	1,978,388	444,392	478,727	27,598	8,878,807
Accounts receivable and other current assets	28,955	217,853	89,878	96,720	86,876	24,239	48,916	11,712	38,646	37,734	681,529
Other noncurrent assets	84,324	78,876	670,637	1,232,521	1,405,548	34,951	425,237	84,299	2,344,680	683,901	7,044,974
Capital assets, net	24,793,758	29,522,016	26,472,797	31,633,806	32,258,716	8,328,496	46,302,448	6,519,052	28,396,881	33,687,966	267,915,936
Total assets	26,810,745	31,380,172	28,495,879	34,003,693	34,938,753	8,978,619	49,276,367	7,117,653	31,991,211	35,459,887	288,452,979
Liabilities											
Current liabilities	207,251	698,366	229,659	250,781	157,082	186,635	379,170	65,573	95,498	2,041,802	4,311,817
Other noncurrent liabilities	-	2,606,110	1,924,220	1,937,132	1,570,042	2,080,740	2,026,971	901,932	560,659	-	13,607,806
Loans from the Authority (Note 5)	10,766,681	3,425,302	5,494,773	9,077,610	3,345,263	2,400,000	14,313,793	1,819,688	9,274,271	14,307,995	74,225,376
Long-term obligations (other than loans from the Authority)	5,540,636	6,648,334	15,024,892	15,967,117	18,759,490	3,426,950	21,205,000	3,813,296	14,897,412	6,090,798	111,373,925
Total liabilities	16,514,568	13,378,112	22,673,544	27,232,640	23,831,877	8,094,325	37,924,934	6,600,489	24,827,840	22,440,595	203,518,924
Net position	\$ 10,296,177	\$ 18,002,060	\$ 5,822,335	\$ 6,771,053	\$ 11,106,876	\$ 884,294	\$ 11,351,433	\$ 517,164	\$ 7,163,371	\$ 13,019,292	\$ 84,934,055
Operating revenues											
Operating revenues	\$ 1,729,811	\$ 2,217,570	\$ 1,412,219	\$ 1,689,973	\$ 1,236,938	\$ 812,310	\$ 2,251,581	\$ 268,599	\$ 872,071	\$ 406,235	\$ 12,897,307
Operating expenses	(2,406,718)	(2,661,475)	(1,855,876)	(2,847,035)	(1,807,658)	(953,411)	(3,645,266)	(553,158)	(2,031,769)	(1,209,451)	(19,971,817)
Operating loss	(676,907)	(443,905)	(443,657)	(1,157,062)	(570,720)	(141,101)	(1,393,685)	(284,559)	(1,159,698)	(803,216)	(7,074,510)
Nonoperating revenues											
Nonoperating revenues	1,666	3,232	214	1,065	942	1,181	1,638	-	349	154	10,441
Nonoperating expenses											
Nonoperating expenses	-	(360,734)	(426,145)	(568,671)	(522,491)	(373,814)	(848,422)	(111,752)	(316,029)	(38,008)	(3,566,066)
Loss before capital contributions	(675,241)	(801,407)	(869,588)	(1,724,668)	(1,092,269)	(513,734)	(2,240,469)	(396,311)	(1,475,378)	(841,070)	(10,630,135)
Capital contributions	-	-	-	-	-	-	-	-	-	12,105,372	12,105,372
Change in net position	(675,241)	(801,407)	(869,588)	(1,724,668)	(1,092,269)	(513,734)	(2,240,469)	(396,311)	(1,475,378)	11,264,302	1,475,237
Net position, beginning of year, as restated	10,971,418	18,803,467	6,691,923	8,495,721	12,199,145	1,398,028	13,591,902	913,475	8,638,749	1,754,990	83,458,818
Net position, end of year	\$ 10,296,177	\$ 18,002,060	\$ 5,822,335	\$ 6,771,053	\$ 11,106,876	\$ 884,294	\$ 11,351,433	\$ 517,164	\$ 7,163,371	\$ 13,019,292	\$ 84,934,055

⁽¹⁾ Component unit was audited by other auditors.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

**NOTE 14 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

Custodial Credit Risk – Deposits - The Authority's discrete component units maintain cash and cash equivalents with various financial institutions. At times, these balances may exceed federal insurance limits; however, the discrete component units have not experienced any losses with respect to its bank balances in excess of government provided insurance. The uninsured cash balance, including restricted deposits, was approximately \$3.9 million as of December 31, 2014. The Authority's discrete component units have not experienced any losses in such accounts.

Restricted Cash and Cash Equivalents - The Authority's component units are required to maintain the following types of restricted cash and cash equivalents:

- **Replacement Reserves** – The partnerships are required to maintain reserves for replacement and repair of property and equipment in accordance with the partnership agreements and the lenders' regulatory agreements.
- **Operating Reserves** – The partnerships are required to maintain operating reserves in accordance with the partnership agreements and the lenders' regulatory agreements.
- **Affordability Reserves** – The partnerships under various agreements are required to establish an affordability reserve to be used as provided in the Authority's regulatory agreements for the benefit of the project units.
- **Priority Distribution Reserves** – The partnerships are required to establish a reserve from designated proceeds as defined in the partnership agreements. Funds shall be used to distribute to the investor limited partner upon sale by the investor limited partner of its interest, the withdrawal of investor limited partner or the dissolution of the partnership.
- **Security Reserves** – The partnerships are required to establish a reserve from designated proceeds as defined in the partnership agreements. Funds shall be used to provide for security services during lease up period.
- **Asset Management Fee Reserves** – The partnerships are required to establish a reserve from designated proceeds as defined in the partnership agreements. Funds shall be released annually to pay the cumulative asset management fee to the investor limited partner. Any funds remaining after the end of the compliance period shall be distributed as cash flow at the time of withdrawal of the investor limited partner or dissolution of the partnerships.
- **Section 8 Reserves** – The partnerships are required to establish a Section 8 Reserve to secure a HAP Contract. Funds shall be available to cover operating shortfalls in the event Section 8 funds to the project are reduced or eliminated, subject to the consent of the limited partner, and any requisite approvals.
- **Debt Service Reserves** – The partnership received funds from the loan servicer for the next scheduled monthly debt service payment, which are held by the trustee until the due date.
- **Revenue Deficit Reserves** – The partnership is required to establish a revenue deficit reserve to fund the operating deficits in case the HUD rental assistance contract is not renewed or is reduced.
- **Escrow Deposits** – The partnerships hold escrow deposits for monthly impound deposits.
- **Tenant Security Deposits** – The partnerships are required to hold security deposits in separate bank accounts in the name of the housing project.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

**NOTE 14 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

At December 31, 2014, these component units' restricted cash, cash equivalents and investments are as follows:

	CLA	MGA	OCHP	LWHP	CHP	FFA	TP	TP II	VSHP	LCS	Total
Restricted deposits for:											
Replacement reserves	\$ 914,061	\$ 573,809	\$ 337,499	\$ 275,619	\$ 335,894	\$ 130,463	\$ 341,041	\$ 47,756	\$ 82,871	\$ -	\$ 3,039,013
Operating reserves	626,502	579,862	268,245	385,823	249,809	218,263	477,866	160,345	224,953	-	3,191,668
Affordability reserves	-	-	34,501	-	-	-	-	-	-	-	34,501
Priority distribution reserves	-	-	43,500	-	-	-	-	-	-	-	43,500
Security reserves	-	-	119,241	-	-	-	-	-	-	-	119,241
Asset management fee reserves	-	-	-	-	57,816	-	-	-	-	-	57,816
Section 8 reserves	-	-	-	87,186	116,387	-	-	-	142,350	-	345,923
Debt service reserves	-	-	-	-	-	-	63,839	-	-	-	63,839
Revenue deficit reserves	-	-	-	-	-	-	972,032	233,200	-	-	1,205,232
Escrow deposits	-	81,327	16,813	41,880	30,406	-	48,512	-	-	-	218,938
Tenant security deposits	94,117	113,653	60,607	72,773	45,931	37,715	75,098	3,091	28,553	27,598	559,136
Total restricted deposits	<u>\$ 1,634,680</u>	<u>\$ 1,348,651</u>	<u>\$ 880,406</u>	<u>\$ 863,281</u>	<u>\$ 836,243</u>	<u>\$ 386,441</u>	<u>\$ 1,978,388</u>	<u>\$ 444,392</u>	<u>\$ 478,727</u>	<u>\$ 27,598</u>	<u>\$ 8,878,807</u>

Capital Assets - The Authority component units' capital assets activity for the year ended December 31, 2014 was as follows:

	January 1, 2014	Additions	Reclassifications/ Transfers	December 31, 2014
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,853,794	\$ 2,597,963	\$ 9,918,872	\$ 16,370,629
Construction in progress	15,744,224	552,041	(15,735,748)	560,517
Total capital assets, not being depreciated	<u>19,598,018</u>	<u>3,150,004</u>	<u>(5,816,876)</u>	<u>16,931,146</u>
<i>Capital assets, being depreciated:</i>	9,918,872			
Buildings and improvements	294,502,735	14,350,720	5,816,026	314,669,481
Equipment and vehicles	8,932,830	1,600,541	850	10,534,221
Total capital assets, being depreciated	<u>303,435,565</u>	<u>15,951,261</u>	<u>5,816,876</u>	<u>325,203,702</u>
<i>Less accumulated depreciation</i>	<u>(63,638,714)</u>	<u>(10,580,198)</u>	<u>-</u>	<u>(74,218,912)</u>
Total capital assets, being depreciated, net	<u>239,796,851</u>	<u>5,371,063</u>	<u>5,816,876</u>	<u>250,984,790</u>
Component units capital assets, net	<u>\$ 259,394,869</u>	<u>\$ 8,521,067</u>	<u>\$ -</u>	<u>\$ 267,915,936</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

**NOTE 14 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

Long-Term Obligations (Other than Loans from the Authority)

Outstanding component units' long-term debt as of December 31, 2014 consisted of the following:

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Principal Installments</u>	<u>Balance December 31, 2014</u>
<i>Chestnut Linden Associates</i>				
City of Oakland (Successor Agency)	2057	0.0%	Excess/distributable cash	\$ 4,936,636
World Savings Bank Affordable Housing Program	2058	0.0%	At maturity	<u>604,000</u>
Total Chestnut Linden Associates				<u>5,540,636</u>
<i>Mandela Gateway Associates</i>				
California Housing Finance Agency Note #1	2020	6.5%	\$38,547 monthly payments	
California Housing Finance Agency Note #2	2015	6.5%	of principal and interest	
California Housing Finance Agency Note #3	2035	3.0%	Sufficient residual receipts	
Subtotal California Housing Finance Agency				2,148,334
City of Oakland (Successor Agency)	2059	3.0%	Sufficient residual receipts	2,500,000
City of Oakland	2058	3.0%	Sufficient residual receipts	1,000,000
World Savings Bank Affordable Housing Program	2060	0.0%	At maturity	<u>1,000,000</u>
Total Mandela Gateway Associates				<u>6,648,334</u>
<i>Oakland Coliseum Housing Partners</i>				
			\$18,366 monthly payments	
California Housing Finance Agency Note #A	2042	5.5%	of principal and interest	3,109,030
California Housing Finance Agency Note #B	2042	3.0%	\$2,213 monthly payments	493,930
Department of Housing and Community Development	2061	3.0%	0.42% of unpaid principal annually	7,965,000
City of Oakland	2059	0.0%	9.5% of cash flow	1,498,466
City of Oakland (Successor Agency)	2059	0.0%	9.5% of cash flow	1,498,466
Affinity Bank	2042	0.0%	At maturity	<u>460,000</u>
Total Oakland Coliseum Housing Partners				<u>15,024,892</u>
<i>Lion Way Housing Partners</i>				
			\$21,948 monthly payments	
California Housing Finance Agency Note #1	2047	5.9%	of principal and interest	3,820,726
California Housing Finance Agency Note #2	2047	3.0%	\$2,613 monthly payments	655,447
California Housing Finance Agency Note #3	2017	5.3%	\$6,652 monthly payments	215,437
Department of Housing and Community Development	2062	3.0%	0.42% of unpaid principal annually	10,315,000
Affinity Bank	2042	0.0%	At maturity	645,000
East Bay Asical Local Development Corporation	2019	0.0%	At maturity	<u>315,507</u>
Total Lion Way Housing Partners				<u>15,967,117</u>
<i>Creekside Housing Partners</i>				
			\$21,601 monthly payments	
California Housing Finance Agency Note #A	2047	5.7%	of principal and interest	3,896,271
California Housing Finance Agency Note #B	2017	5.5%	\$5,155 monthly payments	229,880
California Housing Finance Agency Note #C	2047	3.0%	\$1,897 monthly payments	486,278
Department of Housing and Community Development	2064	3.0%	0.42% of unpaid principal annually	9,028,478
Redevelopment Agency of the City of Oakland	2061	0.0%	18% of cash flow	2,995,755
City of Oakland	2061	0.0%	9% of cash flow	1,597,828
Far East National Bank	2067	0.0%	At maturity	<u>525,000</u>
Total Creekside Housing Partners				<u>18,759,490</u>
<i>Foothill Family Apartments</i>				
	May be forgiven at			
Hanmi Bank, Federal Savings Bank	end of 15 years	0.0%	At maturity	575,000
Hanmi Bank, Federal Savings Bank	2035	7.5%	\$12,375 monthly payments	1,557,569
Limited Partner Advance	n/a	8.0%	n/a	<u>1,294,381</u>
Total Foothill Family Apartments				<u>3,426,950</u>
<i>Tassafaronga Partners, L.P.</i>				
Wells Fargo Bank, N.A. Series A and Series B	2046	5.45% - 5.65%	\$68,376 monthly payments	8,205,000
Redevelopment Agency of the City of Oakland	2063	0.0%	14.88% of cash flow	3,000,000
Department of Housing and Community Development	2065	3.0%	0.42% of unpaid principal annually	<u>10,000,000</u>
Total Tassafaronga Partners				<u>21,205,000</u>

(To be continued)

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2015

**NOTE 14 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

Long-Term Obligations (Other than Loans from the Authority)

Outstanding component units' long-term debt as of December 31, 2014 consisted of the following (continued):

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Principal Installments</u>	<u>Balance December 31, 2014</u>
<i>(Continued from previous page)</i>				
<i>Tassafaronga Partners II, L.P.</i>				
Department of Housing and Community Development	2066	3.0%	0.42% of unpaid principal annually	2,725,055
Citibank, N.A. - Affordable Housing Program	2065	0.0%	At maturity	200,000
County of Alameda - HOPWA Loan	2065	3.0%	At maturity	500,000
California Tax Credit Allocation Committee (TCAC)	2065	0.0%	At maturity	388,241
Total Tassafaronga Partners II				<u>3,813,296</u>
<i>Village-Side Housing Partners, L.P.</i>				
California Community Reinvestment Corporation	2022 and 2042	6.3%	\$3,817 and \$3,739 monthly payments	889,820
City of Oakland	2065	0.0%	50% of cash flow	3,499,453
Department of Housing and Community Development	2067	3.0%	0.42% of unpaid principal annually	7,527,592
Redevelopment Agency of the City of Oakland	2065	0.0%	50% of cash flow	2,980,547
Total Village-Side Housing Partners, L.P.				<u>14,897,412</u>
<i>Lion Creek Senior Housing Partners L.P.</i>				
Union Bank of California	2030	65% of LIBOR + 2.25%		6,090,798
Total Lion Creek Senior Housing Partners, L.P.				<u>6,090,798</u>
Total Component Units				<u>\$ 111,373,925</u>

Changes to the component units' long-term obligations for the year ended December 31, 2014 were as follows:

<i>Component Units:</i>	<u>Balance January 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2014</u>	<u>Amounts Due Within One Year</u>
Chestnut Linden Associates	\$ 5,645,288	\$ -	\$ (104,653)	\$ 5,540,635	\$ 140,482
Mandela Gateway Associates	7,221,524	-	(573,190)	6,648,334	368,486
Oakland Coliseum Housing Partners	15,087,462	-	(62,570)	15,024,892	62,571
Lion Way Housing Partners	16,104,994	-	(137,877)	15,967,117	121,038
Creekside Housing Partners	18,853,548	-	(94,058)	18,759,490	96,898
Foothill Family Apartments	3,457,352	-	(30,402)	3,426,950	32,800
Tassafaronga Partners	21,560,000	-	(355,000)	21,205,000	375,000
Tassafaronga Partners II	3,813,296	-	-	3,813,296	-
Village-Side Housing Partners, L.P.	14,931,317	-	(33,905)	14,897,412	36,085
Lion Creek Senior Housing Partners, L.P.	55,570	6,035,228	-	6,090,798	93,590
Total	<u>\$ 106,730,351</u>	<u>\$ 6,035,228</u>	<u>\$ (1,391,655)</u>	<u>\$ 111,373,924</u>	<u>\$ 1,326,950</u>

Prior Period Adjustment

During the year ended December 31, 2014, Chestnut Linden Associates reported a prior period adjustment of \$322,300 to correct the notes payable and retained earnings for a credit received in 2002.

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Changes in the Net Pension Liability and Related Ratios
Miscellaneous Plan
Last 10 Years*

	2015
Total Pension Liability	
Service cost	\$ 3,364,122
Interest on the total pension liability	6,975,906
Benefit payments, including refunds of employee contributions	(3,893,482)
Net change in total pension liability during measurement period	6,446,546
Total pension liability, beginning	93,276,760
Total pension liability, ending	\$ 99,723,306
Plan Fiduciary Net Position	
Contributions from the employer	\$ 6,509,930
Contributions from the employees	1,491,558
Net investment income, net of administrative expenses	13,852,443
Benefit payments, including refunds of employee contributions	(3,893,482)
Net change in plan fiduciary net position	17,960,449
Plan fiduciary net position, beginning	78,692,438
Plan fiduciary net position, ending	\$ 96,652,887
Plan Net Pension Liability, ending	\$ 3,070,419
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.92%
Covered-Employee Payroll	\$ 20,393,561
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	15.06%

* Fiscal year 2015 was the 1st year of implementation of GASB Statement No. 68, therefore only one year is shown.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
Safety Plan
Last 10 Years*

	<u>2015</u>
Plan's proportion of the net pension liability	0.03091%
Plan's proportionate share of the net pension liability	\$ 1,923,489
Plan's covered-employee payroll	\$ 2,814,791
Plan's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.34%
Plan's proportionate share of the fiduciary net pension as a percentage of the plan's total pension liability	81.42%

* Fiscal year 2015 was the 1st year of implementation of GASB Statement No. 68, therefore only one year is shown.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Pension Contributions
Last 10 Years*

	2013-14	2014-15
Miscellaneous Plan		
Actuarially determined contribution	\$ 1,940,192	\$ 1,980,747
Contributions in relation to the actuarially determined contribution	(6,509,930)	(10,661,908)
Contribution deficiency (excess)	\$ (4,569,738)	\$ (8,681,161)
Covered-Employee Payroll	\$ 20,393,561	\$ 18,952,179
Contributions as a Percentage of Covered-Employee Payroll	31.92%	56.26%
Safety Plan		
Actuarially determined contribution	\$ 238,613	\$ 609,327
Contributions in relation to the actuarially determined contribution	(238,613)	(804,888)
Contribution deficiency (excess)	\$ -	\$ (195,561)
Covered-Employee Payroll	\$ 2,814,791	\$ 3,347,620
Contributions as a Percentage of Covered-Employee Payroll	8.48%	24.04%

The actuarial methods and assumptions used to set the actuarially determined contributions are as follows:

	June 30, 2011	June 30, 2012
Valuation date	June 30, 2011	June 30, 2012
Actuarial cost method	Entry-age normal cost method	
Amortization method	Level percent of payroll	
Asset valuation method	Actuarial value of assets 15 year smoothed market	
Inflation	2.75%	
Payroll growth	3.00%	
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment	
Investment rate of return	7.50%, net of pension plans' investment expenses, including inflation	
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for 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 2015 was the 1st year of implementation of GASB Statement No. 68, therefore only two years are shown.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Funding Progress
Postemployment Healthcare Benefits (Dollars in Thousands)
Last 3 Valuations

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)]
7/1/2013	\$ 23,678	\$ 47,558	\$ 23,880	49.8%	\$ 23,989	99.5%
7/1/2011	12,750	49,604	36,854	25.7%	17,400	211.8%
7/1/2009	-	46,113	46,113	0.0%	15,200	303.4%

See accompanying notes to the required supplementary information.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2015

NOTE 1 – BENEFIT CHANGES

The Schedule of Changes in Net Pension Liability and Related Ratios – Miscellaneous Plan and the Schedule of the Plan’s Proportionate Share of the Net Pension Liability and Related Ratios – Safety Plan does not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

NOTE 2 – CHANGES IN ASSUMPTIONS

There were no changes in assumptions related to the defined benefit pension plans.

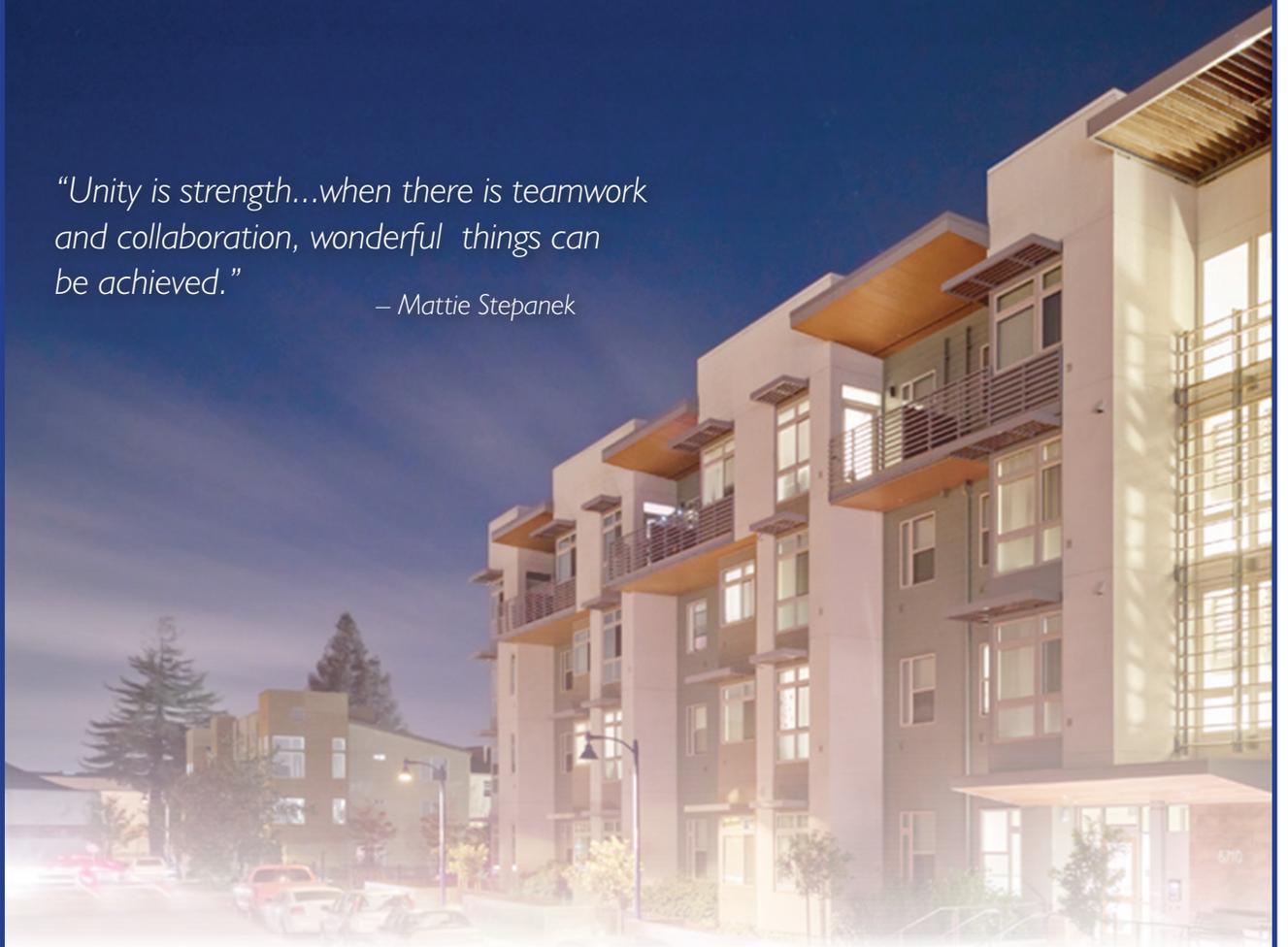
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OTHER SUPPLEMENTARY INFORMATION

- Federal, Non-Federal and General Programs
- Federal Programs
- Non-Federal Programs

“Unity is strength...when there is teamwork and collaboration, wonderful things can be achieved.”

– Mattie Stepanek



Oakland Housing
Authority



STEPPING BEYOND EXPECTATIONS

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Net Position
Federal, Non-Federal and General Programs
June 30, 2015

	Federal Programs	Non-Federal Programs	General Programs	Eliminations	Total
Assets:					
Current assets:					
Unrestricted cash, cash equivalents and investments	\$ 47,210,167	\$ 67,621,046	\$ 700	\$ -	\$ 114,831,913
Accounts receivable, net:					
U.S. Department of Housing and Urban Development	33,371,150	1,235,036	-	-	34,606,186
Tenants	255,133	1,477,046	3,325	-	1,735,504
Interest	-	1,358	-	-	1,358
Other	4,595,952	1,873,437	494,417	-	6,963,806
Due from other funds	10,991,022	3,385,848	94,238	(14,471,108)	-
Prepaid expenses	359,887	353,082	110,529	-	823,498
Restricted cash, cash equivalents and investments	2,526,776	411,232	1,867	-	2,939,875
Total current assets	99,310,087	76,358,085	705,076	(14,471,108)	161,902,140
Noncurrent assets:					
Noncurrent interest receivable	3,770,269	246,410	-	-	4,016,679
Advance to other funds	-	-	61,844,399	(61,844,399)	-
Notes receivable from component units	71,015,022	3,181,907	-	-	74,196,929
Notes receivable from others	-	20,848,691	-	-	20,848,691
Net OPEB assets	366,625	137,796	253,855	-	758,276
Other noncurrent assets	-	7,645,449	1,600	-	7,647,049
Capital assets:					
Nondepreciable	33,344,522	42,658,363	443,573	-	76,446,458
Depreciable, net	10,865,688	26,330,483	1,739,969	-	38,936,140
Total capital assets	44,210,210	68,988,846	2,183,542	-	115,382,598
Total noncurrent assets	119,362,126	101,049,099	64,283,396	(61,844,399)	222,850,222
Total assets	218,672,213	177,407,184	64,988,472	(76,315,507)	384,752,362
Deferred outflows of resources:					
Deferred pension contributions	6,660,116	1,197,830	3,608,850	-	11,466,796
Liabilities:					
Current liabilities:					
Accounts payable	2,210,425	4,153,279	694,364	-	7,058,068
Accrued payroll	546,040	-	-	-	546,040
Due to the U.S. Department of Housing and Urban Development	98,223	-	-	-	98,223
Due to other funds	90,469	15,513,687	(1,133,048)	(14,471,108)	-
Unearned revenues	64,888	-	-	-	64,888
Other accrued liabilities	2,439,904	218,430	133,809	-	2,792,143
Tenant security deposits	306,595	348,382	-	-	654,977
Current portion of compensated absences	-	-	215,470	-	215,470
Total current liabilities	5,756,544	20,233,778	(89,405)	(14,471,108)	11,429,809
Noncurrent liabilities:					
Compensated absences, net of current portion	-	-	1,220,996	-	1,220,996
Advance from other funds	-	61,844,399	-	(61,844,399)	-
Net pension liability	3,358,714	405,981	1,229,213	-	4,993,908
Family Self Sufficiency deposits	361,167	-	-	-	361,167
Total noncurrent liabilities	3,719,881	62,250,380	2,450,209	(61,844,399)	6,576,071
Total liabilities	9,476,425	82,484,158	2,360,804	(76,315,507)	18,005,880
Deferred inflows of resources:					
Difference between expected and actual investment rate of return	3,502,099	826,356	2,502,012	-	6,830,467
Adjustments due to differences in proportions	257,970	-	-	-	257,970
Total deferred inflows of resources	3,760,069	826,356	2,502,012	-	7,088,437
Net position:					
Net investment in capital assets	44,210,210	68,988,846	2,183,542	-	115,382,598
Restricted for:					
Housing programs	1,822,603	62,850	1,867	-	1,887,320
OPEB assets held in trust with CERBT	366,625	137,796	253,855	-	758,276
Unrestricted	165,696,397	26,105,008	61,295,242	-	253,096,647
Total net position	\$ 212,095,835	\$ 95,294,500	\$ 63,734,506	\$ -	\$ 371,124,841

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Federal, Non-Federal and General Programs
For the Year Ended June 30, 2015

	Federal Programs	Non-Federal Programs	General Programs	Eliminations	Total
Operating revenues:					
Rental income	\$ 4,169,089	\$ 20,853,999	\$ 390	\$ -	\$ 25,023,478
Housing assistance payment revenues	663,162,146	-	-	-	663,162,146
Other operating grants Miscellaneous and other revenues	8,644,873	-	-	-	8,644,873
	<u>2,691,028</u>	<u>16,557,260</u>	<u>13,265,788</u>	<u>(12,257,603)</u>	<u>20,256,473</u>
Total operating revenues	<u>678,667,136</u>	<u>37,411,259</u>	<u>13,266,178</u>	<u>(12,257,603)</u>	<u>717,086,970</u>
Operating expenses:					
Housing assistance payments	598,649,713	-	-	-	598,649,713
Administrative	15,473,839	12,611,853	12,594,367	-	40,680,059
Tenant services	1,246,259	15,432	42,065	-	1,303,756
Utilities	1,289,596	1,903,630	185,814	-	3,379,040
Maintenance and operations	4,953,662	8,050,878	2,438,369	-	15,442,909
General expenses	8,644,056	1,659,624	908,188	-	11,211,868
Depreciation and amortization	2,369,895	5,581,964	319,190	-	8,271,049
Overhead allocation	7,672,262	2,905,383	1,679,958	(12,257,603)	-
Total operating expenses	<u>640,299,282</u>	<u>32,728,764</u>	<u>18,167,951</u>	<u>(12,257,603)</u>	<u>678,938,394</u>
Operating income (loss)	<u>38,367,854</u>	<u>4,682,495</u>	<u>(4,901,773)</u>	<u>-</u>	<u>38,148,576</u>
Nonoperating revenues (expenses):					
Gain on disposal of capital assets	-	576,592	-	-	576,592
Investment income	406,531	214,891	3,293	-	624,715
Other nonoperating expenses	(376)	(119,057)	(2,762)	-	(122,195)
Total nonoperating revenues, net	<u>406,155</u>	<u>672,426</u>	<u>531</u>	<u>-</u>	<u>1,079,112</u>
Income (loss) before transfers	<u>38,774,009</u>	<u>5,354,921</u>	<u>(4,901,242)</u>	<u>-</u>	<u>39,227,688</u>
Transfers in	131,556,122	1,455,143	-	(133,011,265)	-
Transfers out	(116,033,244)	-	(16,978,021)	133,011,265	-
Change in net position	<u>54,296,887</u>	<u>6,810,064</u>	<u>(21,879,263)</u>	<u>-</u>	<u>39,227,688</u>
Net position, beginning of year, as previously reported	171,085,707	91,957,913	94,844,419	-	357,888,039
Prior period adjustments	(13,286,759)	(3,473,477)	(9,230,650)	-	(25,990,886)
Net position, beginning of year, as restated	<u>157,798,948</u>	<u>88,484,436</u>	<u>85,613,769</u>	<u>-</u>	<u>331,897,153</u>
Net position, end of year	<u>\$ 212,095,835</u>	<u>\$ 95,294,500</u>	<u>\$ 63,734,506</u>	<u>\$ -</u>	<u>\$ 371,124,841</u>

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Cash Flows
Federal, Non-Federal and General Programs
For the Year Ended June 30, 2015

	Federal Programs	Non-Federal Programs	General Programs	Eliminations	Total
Cash flows from operating activities:					
Receipts from tenants	\$ 3,994,609	\$ 20,696,663	\$ -	\$ -	\$ 24,691,272
Receipts from customers and others	2,129,253	18,373,492	13,433,767	(12,257,603)	21,678,909
Receipts from housing assistance programs	645,284,333	(43,551)	-	-	645,240,782
Payments for interfund services used	(7,672,262)	(2,905,383)	(1,679,958)	12,257,603	-
Payments to suppliers for goods and services	(25,839,729)	(21,949,712)	(15,963,877)	-	(63,753,318)
Housing assistance payments on behalf of tenants	(598,830,788)	-	-	-	(598,830,788)
Operating grants received	8,644,873	-	-	-	8,644,873
Payments to employees for services	(5,257,878)	(863,190)	(4,469,117)	-	(10,590,185)
Net cash provided by (used in) operating activities	<u>22,452,411</u>	<u>13,308,319</u>	<u>(8,679,185)</u>	<u>-</u>	<u>27,081,545</u>
Cash flows from noncapital financing activities:					
Transfers received	131,556,122	1,455,143	-	(133,011,265)	-
Transfers paid	(116,033,244)	-	(16,978,021)	133,011,265	-
Bank overdraft payments	(1,405)	-	-	-	(1,405)
Net disbursement of loans to other programs	-	-	(21,060,809)	21,060,809	-
Net receipt of loans from other programs	9,001,419	12,059,390	-	(21,060,809)	-
Net disbursement of loans to related parties and component units	-	(2,683,494)	-	-	(2,683,494)
Net receipts of loans from related parties and component units	7,538	-	-	-	7,538
Net cash provided by (used in) noncapital financing activities	<u>24,530,430</u>	<u>10,831,039</u>	<u>(38,038,830)</u>	<u>-</u>	<u>(2,677,361)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	-	627,135	-	-	627,135
Acquisition of capital assets	(1,798,815)	(10,520,854)	(647,322)	-	(12,966,991)
Net cash used in capital and related financing activities	<u>(1,798,815)</u>	<u>(9,893,719)</u>	<u>(647,322)</u>	<u>-</u>	<u>(12,339,856)</u>
Cash flows from investing activities:					
Interest received	312	13,980	3,293	-	17,585
Proceeds from maturity of investments	-	526,548	-	-	526,548
Net cash provided by investing activities	<u>312</u>	<u>540,528</u>	<u>3,293</u>	<u>-</u>	<u>544,133</u>
Net change in cash and cash equivalents	45,184,338	14,786,167	(47,362,044)	-	12,608,461
Cash and cash equivalents, beginning of year	4,552,605	52,621,409	47,364,611	-	104,538,625
Cash and cash equivalents, end of year	<u>\$ 49,736,943</u>	<u>\$ 67,407,576</u>	<u>\$ 2,567</u>	<u>\$ -</u>	<u>\$ 117,147,086</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Cash Flows (Continued)
Federal, Non-Federal and General Programs
For the Year Ended June 30, 2015

	Federal Programs	Non-Federal Programs	General Programs	Eliminations	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 38,367,854	\$ 4,682,495	\$ (4,901,773)	\$ -	\$ 38,148,576
Adjustment to reconcile operating income (loss) to net cash provided (used in) by operating activities:					
Depreciation and amortization	2,369,895	5,581,964	319,190	-	8,271,049
Other expenses	(376)	(119,057)	(2,762)	-	(122,195)
Change in net pension liability and pension related deferred outflows and inflows of resources	(5,629,317)	(1,014,903)	(3,123,027)	-	(9,767,247)
Decrease (increase) in:					
Receivables	(17,404,176)	1,604,963	167,589	-	(15,631,624)
Prepaid expenses	937,856	(84,312)	907,584	-	1,761,128
Net OPEB assets	870,848	307,097	599,300	-	1,777,245
Other noncurrent assets	-	(319,594)	(1,600)	-	(321,194)
Increase (decrease) in:					
Accounts payable	1,404,631	2,450,649	(1,143,458)	-	2,711,822
Accrued payroll	546,040	-	(1,465,820)	-	(919,780)
Due to the U.S. Department of Housing and Urban Development	(181,075)	-	-	-	(181,075)
Tenant security deposits	(114,957)	10,382	-	-	(104,575)
Unearned revenues	(1,094,935)	-	-	-	(1,094,935)
Compensated absences	-	-	19,147	-	19,147
Other liabilities	2,380,123	208,635	(53,555)	-	2,535,203
Net cash provided by (used in) operating activities	<u>\$ 22,452,411</u>	<u>\$ 13,308,319</u>	<u>\$ (8,679,185)</u>	<u>\$ -</u>	<u>\$ 27,081,545</u>
Cash and cash equivalents:					
Unrestricted cash, cash equivalents and investments	\$ 47,210,167	\$ 67,621,046	\$ 700	\$ -	\$ 114,831,913
Restricted cash, cash equivalents and investments	2,526,776	411,232	1,867	-	2,939,875
Less investments not meeting the definition of cash and cash equivalents	-	(624,702)	-	-	(624,702)
Total cash and cash equivalents	<u>\$ 49,736,943</u>	<u>\$ 67,407,576</u>	<u>\$ 2,567</u>	<u>\$ -</u>	<u>\$ 117,147,086</u>

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Net Position
Federal Programs
June 30, 2015

	Section 8				
	Low Rent Housing Program	Substantial and Moderate Rehabilitation	Housing Choice Voucher	Moving To Work	Mainstream Voucher
Assets:					
Current assets:					
Unrestricted cash, cash equivalents and investments	\$ 1,371,365	\$ -	\$ 7,929	\$ 45,741,834	\$ -
Accounts receivable:					
U.S. Department of Housing and Urban Development	-	34,896	-	33,336,254	-
Tenants	255,133	-	-	-	-
Other	12,408	-	3,060,596	445,070	832
Due from other funds	-	-	267,481	10,716,657	-
Prepaid expenses	195,398	-	122,278	42,211	-
Restricted cash, cash equivalents and investments	2,115,108	-	375,257	-	-
Total current assets	3,949,412	34,896	3,833,541	90,282,026	832
Noncurrent assets:					
Noncurrent interest receivable	2,516,015	-	-	-	-
Notes receivable from component units	28,762,342	-	-	-	-
Net OPEB assets	71,982	-	218,186	76,457	-
Capital assets:					
Nondepreciable	32,112,803	-	1,231,719	-	-
Depreciable, net	10,483,855	-	83,900	297,933	-
Total capital assets	42,596,658	-	1,315,619	297,933	-
Total noncurrent assets	73,946,997	-	1,533,805	374,390	-
Total assets	77,896,409	34,896	5,367,346	90,656,416	832
Deferred outflows of resources:					
Deferred pension contributions	725,264	-	2,711,731	3,184,963	38,158
Liabilities:					
Current liabilities:					
Accounts payable	745,132	54,021	909,845	408,251	93,176
Accrued payroll	148,469	-	250,852	140,893	5,826
Due to the U.S. Department of Housing and Urban Development	-	41,554	-	-	20,258
Due to other funds	-	-	-	-	-
Unearned revenues	64,888	-	-	-	-
Other accrued liabilities	91,571	100	128,552	2,190,702	28,979
Tenant security deposits	306,595	-	-	-	-
Total current liabilities	1,356,655	95,675	1,289,249	2,739,846	148,239
Noncurrent liabilities:					
Net pension liability	246,831	-	922,890	2,176,006	12,987
Family Self Sufficiency deposits	-	-	361,167	-	-
Total noncurrent liabilities	246,831	-	1,284,057	2,176,006	12,987
Total liabilities	1,603,486	95,675	2,573,306	4,915,852	161,226
Deferred inflows of resources:					
Difference between expected and actual investment rate of return	502,413	-	1,878,501	1,094,751	26,434
Adjustments due to differences in proportions	-	-	-	257,970	-
Total deferred inflows of resources	502,413	-	1,878,501	1,352,721	26,434
Net position:					
Net investment in capital assets	42,596,658	-	1,315,619	297,933	-
Restricted for:					
Housing programs	1,808,513	-	14,090	-	-
OPEB assets held in trust with CERBT	71,982	-	218,186	76,457	-
Unrestricted	32,038,621	(60,779)	2,079,375	87,198,416	(148,670)
Total net position	\$ 76,515,774	\$ (60,779)	\$ 3,627,270	\$ 87,572,806	\$ (148,670)

HOPE VI	Family Self Sufficiency	Shelter Plus Care	California Affordable Housing Initiatives, Inc.	Total
\$ -	\$ -	\$ 89,039	\$ -	\$ 47,210,167
-	-	-	-	33,371,150
-	-	-	-	255,133
6,884	-	1,077,046	-	4,595,952
-	-	-	-	10,991,022
-	-	-	-	359,887
-	-	-	36,411	2,526,776
6,884	-	1,166,085	36,411	99,310,087
1,254,254	-	-	-	3,770,269
42,252,680	-	-	-	71,015,022
-	-	-	-	366,625
-	-	-	-	33,344,522
-	-	-	-	10,865,688
-	-	-	-	44,210,210
43,506,934	-	-	-	119,362,126
43,513,818	-	1,166,085	36,411	218,672,213
-	-	-	-	6,660,116
-	-	-	-	2,210,425
-	-	-	-	546,040
-	-	-	36,411	98,223
-	-	90,469	-	90,469
-	-	-	-	64,888
-	-	-	-	2,439,904
-	-	-	-	306,595
-	-	90,469	36,411	5,756,544
-	-	-	-	3,358,714
-	-	-	-	361,167
-	-	-	-	3,719,881
-	-	90,469	36,411	9,476,425
-	-	-	-	3,502,099
-	-	-	-	257,970
-	-	-	-	3,760,069
-	-	-	-	44,210,210
-	-	-	-	1,822,603
-	-	-	-	366,625
43,513,818	-	1,075,616	-	165,696,397
\$ 43,513,818	\$ -	\$ 1,075,616	\$ -	\$ 212,095,835

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Federal Programs
For the Year Ended June 30, 2015

	Section 8				
	Low Rent Housing Program	Substantial and Moderate Rehabilitation	Housing Choice Voucher	Moving To Work	Mainstream Voucher
Operating revenues:					
Rental income	\$ 4,169,089	\$ -	\$ -	\$ -	\$ -
Housing assistance payment revenues	-	2,024,923	2,148,008	204,021,877	1,207,843
Other operating grants	-	-	-	4,937,985	-
Miscellaneous and other revenues	92,648	-	2,598,380	-	-
Total operating revenues	4,261,737	2,024,923	4,746,388	208,959,862	1,207,843
Operating expenses:					
Housing assistance payments	-	1,690,680	136,996,201	1,489,761	1,349,748
Administrative	2,055,281	-	10,732,776	2,412,874	106,011
Tenant services	200,122	-	996,622	49,515	-
Utilities	1,246,679	-	34,716	8,201	-
Maintenance and operations	4,795,602	-	122,402	35,658	-
General expenses	2,318,744	-	565,982	5,752,879	6,451
Depreciation and amortization	2,088,880	-	97,535	183,480	-
Overhead allocation	2,024,470	288,090	3,079,962	1,857,097	144,458
Total operating expenses	14,729,778	1,978,770	152,626,196	11,789,465	1,606,668
Operating income (loss)	(10,468,041)	46,153	(147,879,808)	197,170,397	(398,825)
Nonoperating revenues (expenses):					
Investment income	254,869	-	-	-	-
Other nonoperating expenses	(376)	-	-	-	-
Total nonoperating revenues, net	254,493	-	-	-	-
Income (loss) before transfers	(10,213,548)	46,153	(147,879,808)	197,170,397	(398,825)
Transfers in	8,200,769	-	105,383,470	17,414,466	491,690
Transfers out	-	(436,445)	-	(115,596,799)	-
Change in net position	(2,012,779)	(390,292)	(42,496,338)	98,988,064	92,865
Net position, beginning of year, as previously reported	80,450,761	329,513	52,272,160	(6,233,410)	(207,384)
Prior period adjustment	(1,922,208)	-	(6,148,552)	(5,181,848)	(34,151)
Net position, beginning of year, as restated	78,528,553	329,513	46,123,608	(11,415,258)	(241,535)
Net position, end of year	\$ 76,515,774	\$ (60,779)	\$ 3,627,270	\$ 87,572,806	\$ (148,670)

HOPE VI	Family Self Sufficiency	Shelter Plus Care	California Affordable Housing Initiatives, Inc.	Total
\$ -	\$ -	\$ -	\$ -	\$ 4,169,089
-	-	-	453,759,495	663,162,146
-	166,897	3,539,991	-	8,644,873
-	-	-	-	2,691,028
-	166,897	3,539,991	453,759,495	678,667,136
-	-	3,363,828	453,759,495	598,649,713
-	166,897	-	-	15,473,839
-	-	-	-	1,246,259
-	-	-	-	1,289,596
-	-	-	-	4,953,662
-	-	-	-	8,644,056
-	-	-	-	2,369,895
-	-	278,185	-	7,672,262
-	166,897	3,642,013	453,759,495	640,299,282
-	-	(102,022)	-	38,367,854
151,662	-	-	-	406,531
-	-	-	-	(376)
151,662	-	-	-	406,155
151,662	-	(102,022)	-	38,774,009
-	-	65,727	-	131,556,122
-	-	-	-	(116,033,244)
151,662	-	(36,295)	-	54,296,887
43,362,156	-	1,111,911	-	171,085,707
-	-	-	-	(13,286,759)
43,362,156	-	1,111,911	-	157,798,948
\$ 43,513,818	\$ -	\$ 1,075,616	\$ -	\$ 212,095,835

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Net Position
Non-Federal Programs
June 30, 2015

	Non-Federal Authority	Non-Federal CAHI	Non-Federal OAHPI	Total
Assets:				
Current assets:				
Unrestricted cash, cash equivalents and investments	\$ 7,735,492	\$ 28,438,303	\$ 31,447,251	\$ 67,621,046
Accounts receivable, net:				
U.S. Department of Housing and Urban Development	-	1,235,036	-	1,235,036
Tenants	-	-	1,477,046	1,477,046
Interest	1,358	-	-	1,358
Other	1,279,008	146,406	448,023	1,873,437
Due from other funds	3,291,755	-	94,093	3,385,848
Prepaid expenses	100	57,127	295,855	353,082
Restricted cash, cash equivalents and investments	62,850	-	348,382	411,232
Total current assets	12,370,563	29,876,872	34,110,650	76,358,085
Noncurrent assets:				
Noncurrent interest receivable	246,410	-	-	246,410
Notes receivable from component units Notes receivable from others	3,181,907	-	-	3,181,907
Net OPEB assets	20,848,691	-	-	20,848,691
Other noncurrent assets	-	5,419	132,377	137,796
Capital assets:				
Nondepreciable	7,609,137	36,312	-	7,645,449
Depreciable, net	29,650,631	12,109,322	898,410	42,658,363
Total capital assets	1,326,826	1,032,683	23,970,974	26,330,483
Total noncurrent assets	62,863,602	13,183,736	25,001,761	101,049,099
Total assets	75,234,165	43,060,608	59,112,411	177,407,184
Deferred outflows of resources:				
Deferred pension contributions	-	67,572	1,130,258	1,197,830
Liabilities:				
Current liabilities:				
Accounts payable Due to other funds Other	86,499	3,213,379	853,401	4,153,279
accrued liabilities Tenant security deposits	15,107,502	406,185	-	15,513,687
	-	14,450	203,980	218,430
	-	-	348,382	348,382
Total current liabilities	15,194,001	3,634,014	1,405,763	20,233,778
Noncurrent liabilities:				
Advance from other funds	-	-	61,844,399	61,844,399
Net pension liability	-	22,997	382,984	405,981
Total noncurrent liabilities	-	22,997	62,227,383	62,250,380
Total liabilities	15,194,001	3,657,011	63,633,146	82,484,158
Deferred inflows of resources:				
Difference between expected and actual investment rate of return	-	46,809	779,547	826,356
Net position:				
Net investment in capital assets	30,977,457	13,142,005	24,869,384	68,988,846
Restricted for:				
Housing programs	62,850	-	-	62,850
OPEB assets held in trust with CERBT	-	5,419	132,377	137,796
Unrestricted	28,999,857	26,276,936	(29,171,785)	26,105,008
Total net position	\$ 60,040,164	\$ 39,424,360	\$ (4,170,024)	\$ 95,294,500

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Non-Federal Programs
For the Year Ended June 30, 2015

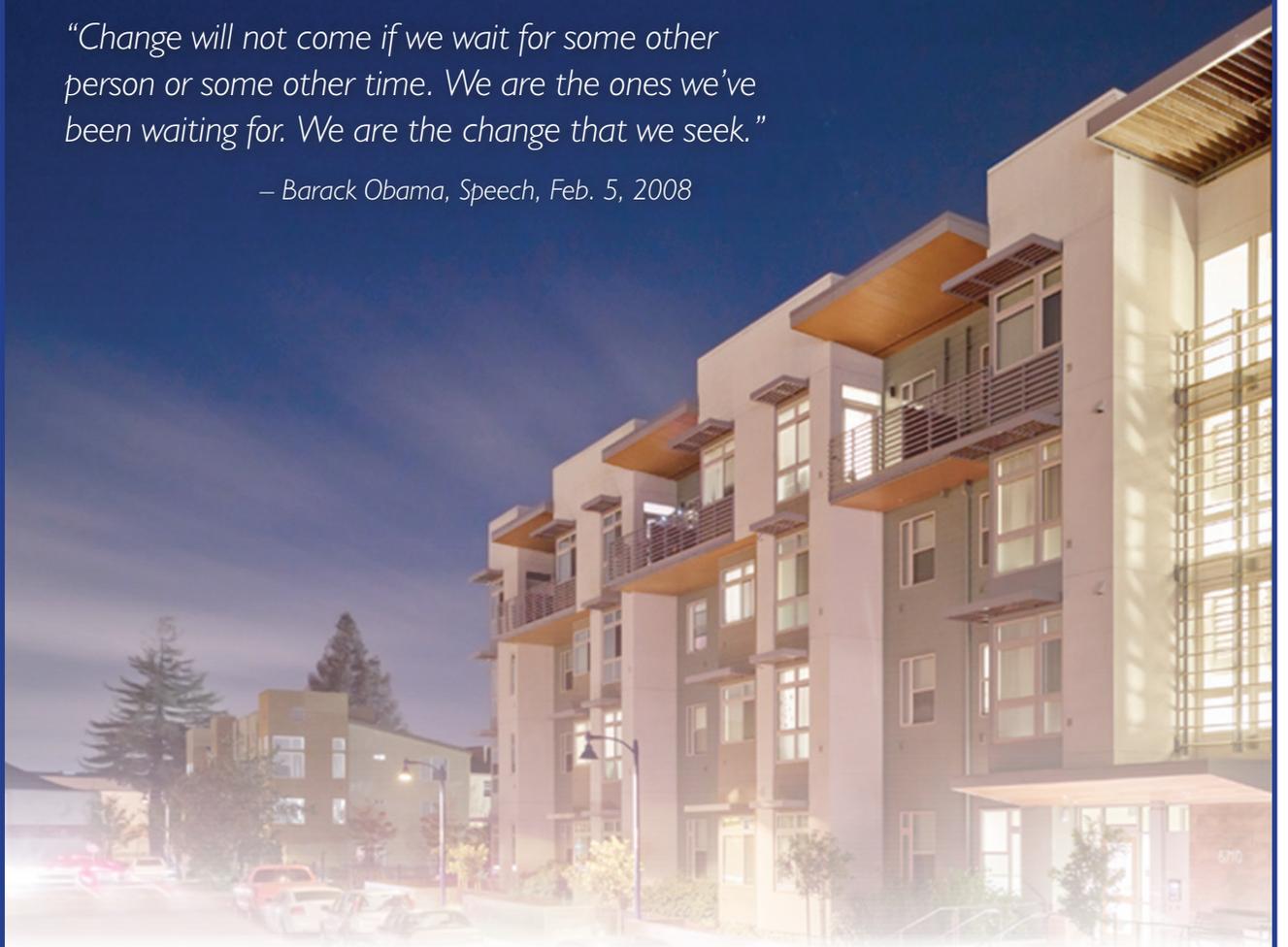
	Non-Federal Authority	Non-Federal CAHI	Non-Federal OAHPI	Total
Operating revenues:				
Rental income	\$ -	\$ -	\$ 20,853,999	\$ 20,853,999
Miscellaneous and other revenues	1,763,221	14,695,967	98,072	16,557,260
Total operating revenues	<u>1,763,221</u>	<u>14,695,967</u>	<u>20,952,071</u>	<u>37,411,259</u>
Operating expenses:				
Administrative	177,424	11,028,009	1,406,420	12,611,853
Tenant services	-	-	15,432	15,432
Utilities	690	5,754	1,897,186	1,903,630
Maintenance and operations	1,598	710	8,048,570	8,050,878
General expenses	-	234,259	1,425,365	1,659,624
Depreciation and amortization	220,612	42,007	5,319,345	5,581,964
Overhead allocation	26,545	130,943	2,747,895	2,905,383
Total operating expenses	<u>426,869</u>	<u>11,441,682</u>	<u>20,860,213</u>	<u>32,728,764</u>
Operating income (loss)	<u>1,336,352</u>	<u>3,254,285</u>	<u>91,858</u>	<u>4,682,495</u>
Nonoperating revenues (expenses):				
Gain on disposal of capital assets	576,592	-	-	576,592
Investment income	211,922	2,969	-	214,891
Other nonoperating expenses	-	-	(119,057)	(119,057)
Total nonoperating revenues (expenses)	<u>788,514</u>	<u>2,969</u>	<u>(119,057)</u>	<u>672,426</u>
Income (loss) before transfers in	<u>2,124,866</u>	<u>3,257,254</u>	<u>(27,199)</u>	<u>5,354,921</u>
Transfers in	-	-	1,455,143	1,455,143
Change in net position	<u>2,124,866</u>	<u>3,257,254</u>	<u>1,427,944</u>	<u>6,810,064</u>
Net position, beginning of year, as previously reported	57,915,298	36,269,700	(2,227,085)	91,957,913
Prior period adjustments	-	(102,594)	(3,370,883)	(3,473,477)
Net position, beginning of year, as restated	<u>57,915,298</u>	<u>36,167,106</u>	<u>(5,597,968)</u>	<u>88,484,436</u>
Net position, end of year	<u>\$ 60,040,164</u>	<u>\$ 39,424,360</u>	<u>\$ (4,170,024)</u>	<u>\$ 95,294,500</u>

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STATISTICAL SECTION

"Change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek."

– Barack Obama, Speech, Feb. 5, 2008



Oakland Housing
Authority



STEPPING BEYOND EXPECTATIONS

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Statistical Section (Unaudited)

This section of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Financial Trend

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Authority's significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs.

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Net Position by Component - Last Ten Years (Unaudited)
(\$ in Thousands)

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total
2015	\$ 115,383	\$ 2,645	\$ 253,097	\$ 371,125
2014	110,737	20,037	227,114	357,888
2013	110,590	11,613	196,857	319,060
2012	109,101	1,649	179,923	290,673
2011	83,574	1,649	170,435	255,658
2010	67,564	1,700	140,977	210,241
2009	101,391	1,001	114,218	216,610
2008	78,087	1,582	113,548	193,217
2007	81,709	1,625	84,460	167,794
2006	84,864	-	80,892	165,756

Note: Prior balances were not restated with the implementation of GASB Statement Nos. 68 and 71 in 2015.

Source: Department of Finance

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Change in Net Position - Last Ten Years (Unaudited)
(\$ in Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues:										
Rental income	\$ 10,059	\$ 9,994	\$ 9,333	\$ 9,794	\$ 8,424	\$ 2,371	\$ 17,421	\$ 20,164	\$ 22,592	\$ 25,023
Housing assistance payment revenues and fees	427,539	429,711	494,296	501,021	552,439	586,826	604,956	613,081	618,216	663,162
Operating grants	6,614	5,822	7,779	7,146	3,486	2,760	2,719	2,801	3,262	8,645
Miscellaneous and other	1,357	927	2,050	1,700	23,950	20,168	12,983	17,119	12,133	20,257
Total operating revenues	445,569	446,454	513,458	519,661	588,299	612,125	638,079	653,165	656,203	717,087
Operating expenses:										
Housing assistance payments	381,658	392,717	414,688	427,898	481,420	508,431	528,705	544,072	568,064	598,650
Administrative	31,938	28,886	33,778	36,757	35,913	37,381	43,591	41,516	28,043	40,680
Tenant services	554	458	451	247	1,873	2,281	2,205	780	1,152	1,303
Utilities	2,655	2,590	2,680	2,708	2,289	1,140	2,516	2,826	3,161	3,379
Maintenance and operations	12,388	12,240	21,182	13,308	22,329	13,452	32,766	24,748	15,855	15,443
General expenses	4,919	9,749	14,204	12,602	9,692	12,565	11,663	11,506	12,401	11,212
Depreciation and amortization	12,916	11,557	10,417	12,410	13,299	6,503	12,158	9,691	8,449	8,271
Total operating expenses	447,028	458,197	497,400	505,930	566,815	581,753	633,604	635,139	637,125	678,938
Operating income (loss)	(1,459)	(11,743)	16,058	13,731	21,484	30,372	4,475	18,026	19,078	38,149
Nonoperating revenues (expenses):										
Investment income	990	3,041	3,227	2,832	916	1,090	506	446	453	625
Interest expense	(62)	(72)	(31)	(74)	(45)	-	-	-	-	-
Gain (loss) on disposal of capital assets	540	15	(975)	(3)	(1,532)	22	-	2,854	(3)	576
Other nonoperating revenues	-	-	-	-	-	-	4,722	-	24	-
Other nonoperating expenses	-	-	-	(62)	(28)	(8)	-	(93)	(587)	(122)
Total nonoperating revenues (expenses)	1,468	2,984	2,221	2,693	(689)	1,104	5,228	3,207	(113)	1,079
Income (loss) before capital contributions and special items	9	(8,759)	18,279	16,424	20,795	31,476	9,703	21,233	18,965	39,228
Capital contributions	6,483	10,797	7,143	-	9,269	13,941	5,282	7,154	19,863	-
Special item	-	-	-	-	(36,433)	-	20,030	-	-	-
Change in net position	6,492	2,038	25,422	16,424	(6,369)	45,417	35,015	28,387	38,828	39,228
Net position, beginning of year, as previously reported	159,264	165,756	167,794	193,216	216,610	210,241	255,658	290,673	319,060	357,888
Prior period adjustments	-	-	-	6,970	-	-	-	-	-	(25,991)
Net position, beginning of year, as restated	159,264	165,756	167,794	200,186	216,610	210,241	255,658	290,673	319,060	331,897
Net position, end of year	\$ 165,756	\$ 167,794	\$ 193,216	\$ 216,610	\$ 210,241	\$ 255,658	\$ 290,673	\$ 319,060	\$ 357,888	\$ 371,125

Note: Prior balances were not restated with the implementation of GASB Statement Nos. 68 and 71 in 2015.

Source: Department of Finance

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Operating Revenues by Source - Last Ten Years (Unaudited)

(\$ in Thousands)

Fiscal Year	Rental Income		Housing Assistance Pay- ment Revenues and Fees		Other Operating Grants		Miscellaneous and Other		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
2015	\$ 25,023	3%	\$ 663,162	92%	\$ 8,645	1%	\$ 20,257	3%	\$ 717,087	100%
2014	22,592	3%	618,216	94%	3,262	0%	12,133	2%	656,203	100%
2013	20,164	3%	613,081	94%	2,801	0%	17,119	3%	653,165	100%
2012	17,421	3%	604,956	95%	2,719	0%	12,983	2%	638,079	100%
2011	2,371	0%	586,826	96%	2,760	0%	20,168	3%	612,125	100%
2010	8,424	1%	552,439	94%	3,486	1%	23,950	4%	588,299	100%
2009	9,794	2%	501,021	96%	7,146	1%	1,700	0%	519,661	100%
2008	9,333	2%	494,296	96%	7,779	2%	2,050	0%	513,458	100%
2007	9,994	2%	429,711	96%	5,822	1%	927	0%	446,454	100%
2006	10,059	2%	427,539	96%	6,614	1%	1,357	0%	445,569	100%

Source: Department of Finance

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Nonoperating Revenues by Source - Last Ten Years (Unaudited)
(\$ in Thousands)

Fiscal Year	Investment Income		Other Nonoperating		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
2015	\$ 625	52%	\$ 576	48%	\$ 1,201	100%
2014	453	95%	22	5%	475	100%
2013	446	14%	2,854	86%	3,300	100%
2012	506	10%	4,722	90%	5,228	100%
2011	1,090	98%	22	2%	1,112	100%
2010	916	100%	-	0%	916	100%
2009	2,832	100%	-	0%	2,832	100%
2008	3,227	100%	-	0%	3,227	100%
2007	3,041	100%	15	0%	3,056	100%
2006	990	65%	540	35%	1,530	100%

Source: Department of Finance

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Debt Service Coverage - Last Ten Years (Unaudited)
(\$ in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues ⁽¹⁾	\$ 446,559	\$ 449,495	\$ 516,685	\$ 522,493	\$ 589,215	\$ 613,215	\$ 638,585	\$ 653,611	\$ 656,656	\$ 717,712
Operating expenses (excluding depreciation)	<u>434,112</u>	<u>446,640</u>	<u>486,983</u>	<u>493,520</u>	<u>553,516</u>	<u>575,250</u>	<u>621,446</u>	<u>625,448</u>	<u>628,676</u>	<u>670,667</u>
Revenues available for debt service	<u>12,447</u>	<u>2,855</u>	<u>29,702</u>	<u>28,973</u>	<u>35,699</u>	<u>37,965</u>	<u>17,139</u>	<u>28,163</u>	<u>27,980</u>	<u>47,045</u>
Debt service requirements:										
Principal	160	168	176	185	194	204	214	29	-	-
Interest	<u>62</u>	<u>72</u>	<u>31</u>	<u>74</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt service	<u>222</u>	<u>240</u>	<u>207</u>	<u>259</u>	<u>239</u>	<u>204</u>	<u>214</u>	<u>29</u>	<u>-</u>	<u>-</u>
Debt service coverage	<u><u>56.07</u></u>	<u><u>11.90</u></u>	<u><u>143.49</u></u>	<u><u>111.86</u></u>	<u><u>149.37</u></u>	<u><u>186.10</u></u>	<u><u>80.09</u></u>	<u><u>971.14</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Note: (1) Revenues include operating revenues, operating grants and investment income.

Source: Department of Finance

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Outstanding Debt Related to Capital Assets - Last Ten Years (Unaudited)
(\$ in Thousands)

Fiscal Year	Long-Term Debt			Capital Assets, Net	Ratio of Total Debt to Capital Assets
	Current Portion	Noncurrent Portion	Total		
2015	\$ -	\$ -	\$ -	\$ 115,383	0.00%
2014	-	-	-	110,737	0.00%
2013	-	-	-	110,590	0.00%
2012	29	-	29	109,130	0.03%
2011	251	-	251	83,644	0.30%
2010	204	1,751	1,955	97,469	2.01%
2009	286	1,455	1,741	103,131	1.69%
2008	185	853	1,038	78,921	1.32%
2007	176	1,038	1,214	82,719	1.47%
2006	168	1,214	1,382	86,041	1.61%

Source: Department of Finance

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Demographic and Economic Statistics - Last Ten Years (Unaudited)

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2015	410,603	\$ 13,799,956	\$ 33,609	36.2	37,147	5.7%
2014	403,703 (1)	13,154,920 (1)	32,586	36.4	37,040	9.0%
2013	399,326	12,391,086	31,030	36.6	36,180	11.3%
2012	394,832	11,281,140	28,572	36.2	37,742	14.3%
2011	392,333	11,107,340	28,311	36.3	38,540	16.3%
2010	390,757	10,607,099	27,145	37.1	38,450	17.2%
2009	425,068	11,182,689	26,308	36.7	38,826	17.1%
2008	420,183	10,554,157	25,118	36.1	39,705	9.6%
2007	415,492	9,114,233	21,936	33.3	39,802	7.4%
2006	411,755	11,697,548	28,409	33.3	41,467	7.1%

(1) 2014 population is updated with newly available data from the California Department of Finance, personal income is also updated accordingly.

Source: City of Oakland 2015 Comprehensive Annual Financial Report

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Principal Employers in Oakland
Current Year and Nine Years Ago

State of California Employer	2015			2006		
	Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% of Total Employment
Kaiser Permanente Hospitals/Permanente Medical Center	9,992	1	5.0%	N/A		
Oakland Unified School District	6,637	2	3.3%	8,000	2	4.3%
County of Alameda	5,312	3	2.7%	9,740	1	5.3%
City of Oakland	3,352	4	1.7%	4,290	5	2.3%
Bay Area Rapid Transit	3,210	5	1.6%	2,800	6	1.5%
State of California	3,169	6	1.6%	N/A		
Children's Hospital Oakland	2,800	7	1.4%	N/A		
Alameda County Health System	2,300	8	1.2%	N/A		
United Parcel Service	2,200	9	1.1%	N/A		
Southwest Airlines	2,213	10	1.1%	N/A		
Kaiser Permanente Medical Center	N/A			5,450	3	2.9%
Kaiser Foundation Hospitals	N/A			4,340	4	2.3%
Federal Express	N/A			2,790	7	1.5%
Alta-Bates Medical Center	N/A			2,620	8	1.4%
Kaiser Foundation Health Plan	N/A			2,590	9	1.4%
Summit Medical Center	N/A			2,230	10	1.2%
	41,185			44,850		

Source: City of Oakland 2015 Comprehensive Annual Financial Report

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Capital Assets by Category (Unaudited)
(\$ in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010⁽²⁾</u>	<u>2011</u>	<u>2012⁽¹⁾</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Category:										
Land	\$ 28,001	\$ 31,951	\$ 32,688	\$ 34,750	\$ 35,254	\$ 45,143	\$ 60,242	\$ 65,679	\$ 67,069	\$ 67,319
Construction in progress	-	-	-	-	7,752	14,418	-	4,138	9,091	9,127
Buildings and improvements	212,512	216,722	204,252	238,650	151,406	154,886	256,369	256,964	258,761	269,564
Equipment and vehicles	7,298	7,198	7,201	7,565	4,387	4,820	5,244	5,473	5,700	7,478
Total capital assets, gross	247,811	255,871	244,141	280,965	227,075	219,267	321,855	332,254	340,621	353,488
Less accumulated depreciation	(161,770)	(173,152)	(165,220)	(177,834)	(129,606)	(135,623)	(212,725)	(221,664)	(229,884)	(238,105)
Total capital assets, net	86,041	82,719	78,921	103,131	97,469	83,644	109,130	110,590	110,737	115,383
Related debt	(1,177)	(1,010)	(834)	(1,740)	(29,905)	(70)	(29)	-	-	-
Net investment in capital assets	<u>\$ 84,864</u>	<u>\$ 81,709</u>	<u>\$ 78,087</u>	<u>\$ 101,391</u>	<u>\$ 67,564</u>	<u>\$ 83,574</u>	<u>\$ 109,101</u>	<u>\$ 110,590</u>	<u>\$ 110,737</u>	<u>\$ 115,383</u>

Notes: (1) Increase represents transfer in of OAHPI blended component unit capital assets upon change of board composition.

(2) Decrease represents disposition of capital of assets to OAHPI nonprofit.

Source: Department of Finance

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Full-time Equivalent Employees by Department – Last Ten Years (Unaudited)

Department	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Executive Office	7	9	9	6	5	6	7	7	9	10
Office of Program Administration	-	-	-	5	5	5	2	3	3	2
Family and Community Partnerships	-	-	-	-	-	11	12	14	15	17
Finance	14	18	18	16	17	18	20	20	21	20
Information Technology	9	9	9	9	9	10	11	11	11	11
Contract Compliance & General Services	9	9	9	10	9	9	10	8	9	8
Human Resources	7	7	7	7	7	7	8	8	8	8
California Affordable Housing Initiatives	1	1	1	1	1	1	1	1	1	1
Office of Real Estate Development	10	11	11	15	15	15	8	8	8	8
Leased Housing	68	73	73	66	82	84	87	90	90	87
Office of Property Operations	155	161	161	150	149	151	158	157	152	154
Police	23	30	30	31	38	43	45	45	45	45
TOTAL	303	328	328	316	337	360	369	372	372	371

Source: Department of Finance

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Unit Inventory by Program - Last Ten Years (Unaudited)

Program	Number of Units									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PUBLIC HOUSING										
Large Family Sites										
Campbell Village	154	154	154	154	154	154	154	154	154	154
Lockwood Gardens	372	372	372	372	372	372	371	371	372	372
Peralta Villa	390	390	390	390	390	390	390	390	390	390
Tassafaronga	87	87	-	-	-	-	-	-	-	-
	<u>1,003</u>	<u>1,003</u>	<u>916</u>	<u>916</u>	<u>916</u>	<u>916</u>	<u>915</u>	<u>915</u>	<u>916</u>	<u>916</u>
Designated Senior Sites										
Harrison Tower	101	101	101	101	101	101	101	101	101	101
Adel Court	30	30	30	30	30	30	30	30	30	30
Oak Grove North	77	77	77	77	77	77	77	77	77	77
Oak Grove South	75	75	75	75	75	75	75	75	75	75
Palo Vista Gardens	100	100	100	100	100	100	100	100	100	100
	<u>383</u>									
Scattered Sites										
	<u>1,615</u>	<u>1,615</u>	<u>1,615</u>	<u>1,615</u>	-	-	-	-	-	-
HOPE VI Sites (Public Housing Units Only)										
Foothill Family Apts.	21	21	21	21	21	21	21	21	21	21
Linden Court	38	38	38	38	38	38	38	38	38	38
Chestnut Court	45	45	45	45	45	45	45	45	45	45
Mandela Gateway	46	46	46	46	46	46	46	46	46	46
Lion Creek Crossings	157	157	157	157	157	157	157	157	157	157
	<u>307</u>									
TOTAL PUBLIC HOUSING	<u>3,308</u>	<u>3,308</u>	<u>3,221</u>	<u>3,221</u>	<u>1,606</u>	<u>1,606</u>	<u>1,605</u>	<u>1,605</u>	<u>1,606</u>	<u>1,606</u>
HOUSING CHOICE VOUCHER PROGRAM										
Moving to Work (MTW)										
General MTW Housing Choice Vouchers (1)	10,928	10,958	10,717	11,232	11,228	12,518	12,433	12,687	12,805	12,814
Non-MTW										
Section 8 Mod Rehab	514	516	489	510	502	502	329	320	259	251
Section 8 Mainstream	-	-	172	166	175	175	175	175	175	175
Veterans Affairs Supportive Housing	-	-	-	-	105	105	205	265	265	326
Non-Elderly Disabled Vouchers	-	-	-	-	-	-	85	-	-	-
Tenant Protection Vouchers	-	-	-	-	1,258	-	169	118	9	-
	<u>514</u>	<u>516</u>	<u>661</u>	<u>676</u>	<u>2,040</u>	<u>782</u>	<u>963</u>	<u>878</u>	<u>708</u>	<u>752</u>
TOTAL HOUSING CHOICE VOUCHERS	<u>11,442</u>	<u>11,474</u>	<u>11,378</u>	<u>11,908</u>	<u>13,268</u>	<u>13,300</u>	<u>13,396</u>	<u>13,565</u>	<u>13,513</u>	<u>13,566</u>
SHELTER PLUS CARE PROGRAM	<u>n/a</u>	<u>n/a</u>	<u>208</u>	<u>242</u>	<u>242</u>	<u>242</u>	<u>242</u>	<u>237</u>	<u>296</u>	<u>333</u>
TOTAL INVENTORY	<u>14,750</u>	<u>14,782</u>	<u>14,807</u>	<u>15,371</u>	<u>15,116</u>	<u>15,148</u>	<u>15,243</u>	<u>15,407</u>	<u>15,415</u>	<u>15,505</u>

(1) Authorized vouchers not vouchers in use.

Source: MTW Annual Reports, 2006-2015

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Number of Households on Waiting Lists - Last Ten Years (Unaudited)

Program	Number of Households									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Housing	4,760	9,772	6,616	4,499	3,672	2,791	1,609	3,236	4,288	11,612
Section 8 Vouchers										
General, Mainsteam, and Mod Rehab	10,645	8,845	6,942	6,499	5,500	10,007	10,230	10,489	9,334	7,557
OAHPI Scattered Sites	(1)	(1)	(1)	(1)	2,099	6,235	5,647	6,253	3,071	2,997
Other Project Based Voucher Sites*	(2)	(2)	(2)	(2)	5,596	6,665	3,292	10,561	15,428	17,291
Shelter Plus Care	(2)	(2)	(2)	(2)	43	37	37	56	56	59
Subtotal - Section 8 Vouchers	10,645	8,845	6,942	6,499	13,238	22,944	19,206	27,359	27,889	27,904
HOPE VI Sites**	(2)	(2)	3,938	3,633	2,431	627	615	1,550	1,819	2,101
Total	15,405	18,617	17,496	14,631	19,341	26,362	21,430	32,145	33,996	41,617

(1) Did not exist at that time

(2) Not available

* Combined waitlists for Project Based Voucher and other units at some sites.

** Combined waitlists for Public Housing, Project Based Voucher, and other units. HOPE VI waiting list data not available prior to 2008.

Source: MTW Annual Reports, 2005-2014

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Completed Work Orders for Authority-Managed Housing - Last Seven Years (Unaudited)

Development	Number of Units						
	2009	2010	2011	2012	2013	2014	2015
Large Public Housing							
Lockwood Gardens	1,099	1,346	1,328	1,657	1,931	1,952	1,910
Peralta Village	1,154	2,025	1,922	2,353	2,444	2,721	1,195
Palo Vista Gardens*	169	304	163	132	130	*	*
Subtotal	2,422	3,675	3,413	4,142	4,505	4,673	3,105
Scattered Sites							
Deep East	1,183	1,503	1,810	1,578	1,167	1,670	1,666
East Oakland	985	1,511	1,483	1,348	1,282	1,458	1,697
Fruitvale	800	1,251	944	1,499	1,408	1,834	2,444
San Antonio	789	1,439	1,365	1,862	1,510	1,636	1,449
West Oakland	846	1,235	1,307	1,340	1,421	1,234	1,251
North Oakland	826	1,615	2,118	1,665	1,490	1,656	1,285
Subtotal	5,429	8,554	9,027	9,292	8,278	9,488	9,792
Total	7,851	12,229	12,440	13,434	12,783	14,161	12,897

* Management of Palo Vista Gardens was taken over by a third-party management company on February 1, 2013. Only data for work orders completed under Authority management is included here.

Sources: MTW Annual Report and Authority Records

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Police Department Activities - Last Ten Years (Unaudited)

	Calendar Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
OHA Police Department Calls for Service (1)										
Number of Incidents	4,636	6,113	8,633	8,479	10,193	14,095	17,482	15,979	16,870	20,725
OHA Police Department Reported UCR Part 1 Crimes (2)										
Number of Offenses	450	480	692	924	926	955	931	818	834	891
OHA Police Department Parking Enforcement Revenue										
Number of Citations	3,178	4,204	3,734	5,019	5,060	4,630	4,416	3,445	2,853	4,640
Revenue	(3)	\$ 51,122	\$ 73,012	\$ 74,731	\$ 54,756	\$ 60,246	\$ 59,088	\$ 62,944	\$ 45,115	\$ 47,086
OHA Police Department Fraud Recovery Revenue										
Repayment Agreements	\$ 223,660	\$ 79,873	\$ 105,721	\$ 146,433	\$ 389,491	\$ 239,327	\$ 142,716	\$ 517,436	\$ 802,127	\$ 399,500
Recovered Funds	\$ 276,208	\$ 276,210	\$ 278,170	\$ 185,374	\$ 291,143	\$ 288,069	\$ 349,644	\$ 353,672	\$ 317,489	\$ 300,596

- (1) Calls for service represents all communication incidents with the OHA PD Communications Center, including calls for service, communications from OHA PD officers in the field, 911 calls, etc.
- (2) Uniform Crime Reporting (UCR) Part 1 Crimes include murder, rape, robbery, assault, burglary, larceny and auto theft.
- (3) Parking Enforcement data on revenue prior to 2006 not available.

Sources: OHA Police Department Annual Reports; OHA Police Records Management System; Indico Public Safety Records

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Property Characteristics and Dwelling Unit Composition (Unaudited)
June 30, 2015

Authority Public Housing Developments

Name of Development	Location	# of Units
Harrison Towers	1621 Harrison Street	101
Adel Court	2001 MacArthur Blvd.	30
Campbell Village	1657 10th Street	154
Lockwood Gardens	1263 65th Avenue	371
Oak Grove Plaza North	620 17th Street	77
Oak Grove Plaza South	570 16th Street	75
Palo Vista Gardens	1110 64th Avenue	100
Peralta Villa	906 Mandela Parkway	390
Total Public Housing Units		1,298

Source: Table 1, MTW Annual Report, 2014

OAHPI Project Based Voucher Sites

Name of Development	Location	# of Units
Deep East Scattered Sites	Various	281
East Oakland Scattered Sites	Various	272
Fruitvale Scattered Sites	Various	248
North Oakland Scattered Sites	Various	246
San Antonio Scattered Sites	Various	241
West Oakland Scattered Sites	Various	241
Total OAHPI Project Based Voucher Units		1,529

Source: Authority Internal Records

Mixed Finance Developments

Name of Development	Location	Project Based			Total Units
		Public Housing Units	Voucher Units	Other Units	
Foothill Family Apts.	6900 Foothill Blvd	21	11	33	65
Linden Court	1089 26th Street	38	-	41	79
Chestnut Court	1088 West Grand Ave	45	-	27	72
Mandela Gateway	1350-1400 7th Street	46	30	92	168
Lion Creek Crossings	6888 Lion Way	157	44	238	439
Tassafaronga Village	945 84th Avenue	-	99	58	157
Total Mixed Finance Developments		307	184	489	980

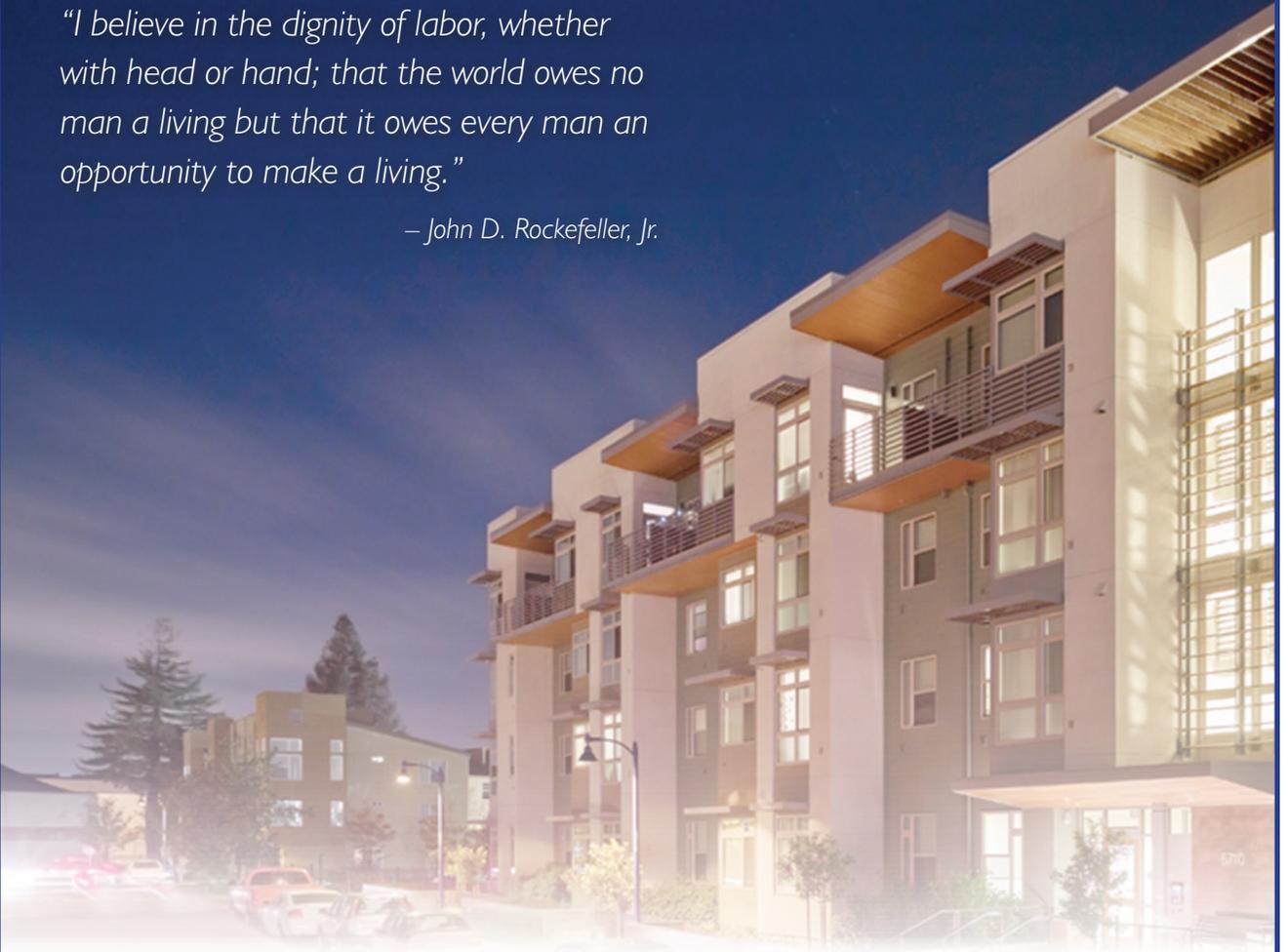
Source: Table 4, MTW Annual Report, 2014

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FEDERAL COMPLIANCE SECTION

"I believe in the dignity of labor, whether with head or hand; that the world owes no man a living but that it owes every man an opportunity to make a living."

– John D. Rockefeller, Jr.



Oakland Housing
Authority



STEPPING BEYOND EXPECTATIONS



**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Members of the Board of Commissioners of the
Housing Authority of the City of Oakland, California
Oakland, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Oakland, California (Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated December 29, 2015. Our report includes a reference to other auditors who audited the financial statements of the Authority’s discretely presented component units, as described in our report on the Authority’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Chestnut Linden Associates and Lion Creek Senior Housing Partners, L.P., discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Oakland, California
December 29, 2015



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance

Members of the Board of Commissioners of the
Housing Authority of the City of Oakland, California
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Oakland, California's (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Authority's basic financial statements include the operations of the California Affordable Housing Initiatives, Inc. (CAHI), which expended \$468,449,179 in federal awards, which is not included in the schedule of expenditures of federal awards (SEFA) for the year ended June 30, 2015. Our audit, described below, did not include the operations of the CAHI because we audited and reported on CAHI in accordance with OMB Circular A-133 as a separate engagement.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be material weaknesses.

The Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Oakland, California
December 29, 2015

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program Title	Grantor Identifying Number(s)	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:			
<i>Pass-through the County of Alameda:</i>			
Shelter Plus Care	CA0085L9T021306 CA0085L9T02130X CA0747L9T021204-PRA CA0747L9T021305 CA0084L9T021306 CA0084L9T02130X	14.238	\$ 3,539,991
<i>Direct:</i>			
Section 8 Project Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation	n/a	14.182	1,508,571
Section 8 Moderate Rehabilitation	n/a	14.856	<u>516,352</u>
Subtotal Section 8 Project Based Cluster			<u>2,024,923</u>
Family Self-Sufficiency	n/a	14.896	166,897
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	n/a	14.871	2,148,008
Mainstream Vouchers	n/a	14.879	<u>1,207,843</u>
Subtotal Housing Voucher Cluster			<u>3,355,851</u>
Section 8 Moving To Work Demonstration Program	n/a	14.881	<u>208,959,862</u>
Total U.S. Department of Housing and Urban Development			<u>218,047,524</u>
Total Expenditures of Federal Awards			<u><u>\$ 218,047,524</u></u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Housing Authority of the City of Oakland, California (the Authority), except for expenditures reported for the California Affordable Housing Initiatives, Inc. (see Note 5). The Authority’s reporting entity is defined in Note 1 of the Authority’s basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

NOTE 2 – BASIS OF ACCOUNTING

Amounts reported on the Schedule represent expenditures incurred for the Authority’s federal programs, except for the Section 8 Moving To Work Demonstration (MTW) Program (CFDA No. 14.881), and are reported on the accrual basis of accounting and include capitalized expenditures. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Given the flexibility of the MTW Program, the housing assistance payment revenue earned from the Department of Housing and Urban Development (HUD) provides a better reflection of how HUD has funded the program and such amounts are reported as the Authority’s MTW Program expenditures.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

NOTE 4 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The Schedule agrees to or can be reconciled with the amounts reported in the Authority’s basic financial statements.

**NOTE 5 – CALIFORNIA AFFORDABLE HOUSING INITIATIVES, INC. (CAHI)
FEDERAL EXPENDITURES**

The California Affordable Housing Initiatives, Inc. (CAHI) federal expenditures are excluded from the Schedule because the CAHI’s federal expenditures are separately audited. Expenditures for the program of the CAHI listed below are taken from the separately issued single audit report. The program of the CAHI is as follows:

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
<i>Direct:</i>		
Section 8 Housing Assistance Payments Program -		
Special Allocations	14.195	\$ 468,449,179

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(cies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
◆ Material weakness(es) identified?	Yes
◆ Significant deficiency(cies) identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major programs?	14.881 - Section 8 Moving To Work Demonstration Program 14.238 – Shelter Plus Care
Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditee qualified as a low-risk auditee?	No

Section II - Financial Statement Findings

None reported.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs

Reference Number: 2015-001
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title: Section 8 Moving to Work Demonstration Program
Federal Catalog Number: 14.881
Federal Grant Number: Not Applicable
Category of Finding: Eligibility; Special Tests and Provisions
Classification of Finding: Material Weakness in Internal Control over Compliance
Incident of Noncompliance

Criteria

Except for the elderly and disabled households on a fixed income in the specific Public Housing and Section 8 programs described in the Authority's Moving to Work (MTW) Plan for fiscal year 2015, pursuant to 24 CFR §982.516(a) and 24 CFR §960.259, the Public Housing Agency (PHA) must conduct a re-examination of family income and composition at least annually. The PHA must obtain and document in the tenant file third party verification of the following factors, or must document in the tenant file why third party verification was not available: (i) reported family annual income; (ii) the value of assets; (iii) expenses related to deduction from annual income; and (iv) other factors that affect the determination of adjusted income. The Authority implemented rent reform as part of its MTW initiatives approved by HUD, whereby elderly and disabled households on fixed income are re-examined every three years.

The PHA should also determine the amount of monthly housing assistance payment in accordance with HUD regulations and other requirements.

Pursuant to 24 CFR §982.405, the PHA must inspect the unit leased to family prior to the initial term of the lease, at least annually during assisted occupancy, and at other times as needed, to determine if the unit meets the Housing Quality Standards. Because of its MTW status, the Authority established a protocol of risk-based inspection for units assisted under the Section 8 HCV program, which was approved by HUD as part of the Authority's MTW initiatives. Under the risk-based inspection, properties that pass the first HQS inspection and are HQS in compliance need to be inspected bi-annually. Properties that fail the first HQS inspection will be inspected on annual basis.

Condition and Context

During our audit of the eligibility requirements of the Moving to Work's Section 8 Housing Choice Voucher (HCV) and Low Rent Public Housing (LRPH) Programs, we selected tenants from each program representing a population of 12,253 HCV tenant cases and 1,597 LRPH cases for testing. The following were noted:

HCV Program (a total of 40 tenant cases selected for testing):

- In two cases, income used in calculating the housing assistance payment was not properly supported.
- In one case, third party income verification documentation was missing from file.
- In two cases, the HQS inspection that was due in FY2015 were not performed or were not performed timely.
- In one case, tenant income used in the rent calculations were not properly calculated based on the third party income verification documentation, which resulted in an overstatement of the housing assistance payment calculation.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs (Continued)

LRPH (a total of 40 tenant cases selected for testing):

- In one case, a re-examination was performed six months after the due date.
- In one case, the tenant rent stated in the rent roll did not agree to the HUD 50058 form and thus, considered not to be properly supported.
- In one case, third party income verification documentation was missing from file.
- In one case, initial eligibility documentation showing Declaration of 214 was not obtained at the time of admission in July 2014.
- In one case, tenant income used to calculate the tenant rent was not properly calculated, which resulted in an understatement in the tenant's rent amount.

Cause

The Authority has established quality control inspections on the completed eligibility re-determination, including quality control for determination of adjusted income, timeliness of annual eligibility re-determination and tenant rent calculation on a monthly basis. In fiscal year 2015, the timeliness of its quality control inspections was compromised because the Authority's staff was re-directed with a system implementation project, which impacted its routine operating functions. The system implementation project stressed the Authority's staffing resources by requiring them to prepare tenant related information prior to conversion into the new system, while continuing to maintain services levels to its tenants.

Effect

The Authority did not comply with the eligibility requirements related to the re-examination and had computation errors in housing assistance benefits.

Questioned Costs

The questioned costs totaled \$25,237, of which \$10,516 relates to the HCV program \$14,721 relates to the LRPH program, and are related to various HAP payments made to the participants. The questioned costs was computed by obtaining the total HAP paid to each participants when the Authority did not perform the required reexamination or HQS inspection timely, missing third party income verification or miscalculating the tenant rent or income. .

Recommendation

We recommend that the Authority evaluate its resources to ensure that staffing and processes are in place and is documented so that the re-determinations are performed timely and accurately.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs (Continued)

Reference Number: 2015-002
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title: Shelter Plus Care
Federal Catalog Number: 14.238
Federal Grant Number: Not Applicable
Category of Finding: Eligibility; Special Tests and Provisions
Classification of Finding: Material Weakness in Internal Control over Compliance
Incident of Noncompliance

Criteria

The PHA should determine eligibility of tenants admitted into the program by (1) obtaining signed applications that contained the information needed to determine eligibility, income, and rent; and, when appropriate, (2) obtaining third party verifications or documentation of expected income, assets, unusual medical expenses, and any other pertinent information.

Pursuant to 24 CFR section 582.305(a), housing assisted under the SPC program must also meet applicable housing quality standards (HQS). The PHA must perform initial inspections prior to any assistance is provided on behalf of a participant. Additionally, the PHA must perform annual inspections to ensure the units continue to meet housing quality standards.

Condition and Context

During our audit of the eligibility requirements of the SPC program, we selected 40 tenants from a population of 3,918 cases for testing. The following were noted:

- In one tenant case, income used in calculating the housing assistance payment was not properly supported.
- In five tenant cases, the annual Housing Quality Standards inspection was not performed timely during the fiscal year 2015. The inspections were performed subsequent to June 30, 2015.
- In one tenant case, housing assistance payment was disbursed for a month after the tenant had vacated the unit and the payment was not yet recouped.

Cause

The Authority has established quality control inspections on the completed eligibility re-determination, including quality control for determination of adjusted income, timeliness of annual eligibility re-determination and tenant rent calculation on a monthly basis. In fiscal year 2015, the timeliness of its quality control inspections was compromised because the Authority's staff was re-directed with a system implementation project, which impacted its routine operating functions. The system implementation project stressed the Authority's staffing resources by requiring them to prepare tenant related information prior to conversion into the new system, while continuing to maintain services levels to its tenants.

Effect

The Authority did not comply with the eligibility requirements related to the re-examination and did not comply with its internal control procedures.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs (Continued)

Questioned Costs

The questioned costs totaled \$7,834. The questioned costs are computed by taking the participants' monthly rent made from the date of the applicable re-examination with proper tenant's income to the Authority's fiscal year-end.

Recommendation

We recommend that the Authority evaluate its resources to ensure that staffing and processes are in place and is documented so that the re-determinations are performed timely and accurately.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Summary Schedule of Prior Audit Finding
For the Year Ended June 30, 2015

Summary of Prior Year's Federal Award Finding

Reference Number:	Finding 2014-001 – Eligibility and Special Tests and Provisions Shelter Plus Care, CFDA No. 14.238 Pass-through County of Alameda
Audit Finding:	During our audit of the eligibility requirements of the Shelter Plus Care program, we selected 40 tenants from a population of 3,597 cases for testing. The following were noted: <ul style="list-style-type: none">• In three tenant cases, the files were missing documentation that a rent reasonableness determination was performed.• In one tenant case, the housing quality inspection was improperly determined to be not necessary because the unit was considered vacant by mistake.• In four tenant cases, the inspection detail forms were missing tenant and/or inspector signatures.
Recommendation:	We recommend that the Authority establish a procedure to review the system data with the case files at each initial examination and re-examination date to ensure the system was properly established and the correct tenant information is used to compute the housing assistance payments.
Status of Corrective Action:	See finding 2015-002.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Corrective Action Plan
For the Year Ended June 30, 2015

The following findings were reported in the Authority's Schedule of Findings and Questioned Costs for the Year Ended June 30, 2015. The Authority's Corrective Action Plan for these findings are as follows:

Comment #2015-001- (Material Weakness in Internal Control and Noncompliance) – Eligibility and Special Tests and Provisions (MTW 14.881)

Except for the elderly and disabled households on a fixed income in the specific Public Housing and Section 8 programs described in the Authority's Moving to Work (MTW) Plan for fiscal year 2015, pursuant to 24 CFR section 982.516(a) and 24 CFR section 960-259, the Public Housing Agency (PHA) must conduct a re-examination of family income and composition at least annually. The PHA must obtain and document in the tenant file third party verification of the following factors, or must document in the tenant file why third party verification was not available: (i) reported family annual income; (ii) the value of assets; (iii) expenses related to deduction from annual income; and (iv) other factors that affect the determination of adjusted income. The Authority implemented rent reform as part of its MTW initiatives approved by HUD, where elderly and disabled households on fixed income are re-examined every three years.

Management's Response and Corrective Action:

The Authority purchased and implemented a new business system, which has electronic processes designed to assist in strengthening internal controls over required documentation and analyses for each participant. The system was in use for only three months during the fiscal year 2015 during which time management and staff were analyzing results and designing reporting and control features, including those over re-examinations of tenant income. As better controls are developed within the new system, the Authority will provide additional technical training on the rental recertification process. In addition, training will be provided by a third party industry leader in affordable housing. The Authority will also strengthen its quality control review process ensuring a comprehensive sampling of completed staff work is included in the monthly quality control audits, which will be resumed in fiscal year 2016 (they were suspended during the business system implementation). Management will provide immediate feedback and training to staff on quality control audit finding to ensure errors are not duplicated.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**

Corrective Action Plan
For the Year Ended June 30, 2015

Comment #2015-002- (Material Weakness in Internal Control and Noncompliance) – Eligibility and Special Tests and Provisions (SPC 14.238)

The PHA should determine eligibility of tenants admitted into the program by (1) obtaining signed applications that contained the information needed to determine eligibility, income, and rent; and, when appropriate (2) obtaining third party verifications or documentation of expected income, assets, unusual medical expenses, and many other pertinent information.

Pursuant to 24 CFR section 582.305(a), housing assisted under the SPC program must also meet applicable housing quality standards (HQS). The PHA must perform initial inspections prior to any assistance is provided on behalf of a participant. Additionally, the PHA must perform annual inspections to ensure the units continue to meet housing quality standards.

Management’s Response and Corrective Action:

The Authority purchased and implemented a new business system, which has electronic processes designed to assist in strengthening internal controls over required documentation and analyses for each participant. The system was in use for only three months during the fiscal year 2015 during which time management and staff were analyzing results and designing reporting and control features, including those over re-examinations of tenant income and conducting housing quality standard inspections. It was discovered that the SPC program was assigned the same features as the Authority’s MTW program for HQS inspection protocol, which is not correct. This has since been changed to properly reflect the required annual inspection for SPC units. In addition, as stated in the previous section, as better controls are developed within the new system, the Authority will provide additional technical training on the rental recertification process. In addition, training will be provided by a third party industry leader in affordable housing. The Authority will also strengthen its quality control review process ensuring a comprehensive sampling of completed staff work is included in the monthly quality control audits, which will be resumed in fiscal year 2016 (they were suspended during the business system implementation). Management will provide immediate feedback and training to staff on quality control audit finding to ensure errors are not duplicated.

If you have any further questions, please contact Tracy Stabler, Chief Financial Officer at (510) 874-1650 or Andres Manriquez, Chief Operating Officer at (510) 874-1513.



Oakland Housing
Authority



STEPPING BEYOND EXPECTATIONS