

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Housing Authority of the City of Oakland, California
Fiscal Year Ended June 30, 2018



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

Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Prepared by:
Finance Department

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
For the Year Ended June 30, 2018

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INTRODUCTORY SECTION

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- Organizational Chart
- Board of Commissioners
- Executive Team and Directors





January 31, 2019

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, 2018. 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 accounting principles generally accepted in the United States of America (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, 2018. 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 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*. 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 compliance audits pursuant to the Uniform Guidance. Information related to this single audit, including the 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*, 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 summary schedule of prior audit 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 in substance part of the operations of 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 (Section 9 public 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 opportunities for 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 a 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 2018, HUD provided over 93% 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. The Authority has remained conservative in its budgeting and anticipates funding at the budgeted level for fiscal 2018, although capital expenditures for major renovations and development continue as planned.

The 2016 Appropriations Act included language instructing HUD to extend the current MTW Agreements of all existing MTW Agencies until 2028. As directed, HUD notified the Authority that the Agreement was modified to show this extension. The Authority's Board approved the amendment in May 2016. The impact of this extension will have a direct impact on the level of funding, funding fungibility, as well as the Authority's ability to provide a variety of services currently being offered through 2028 under the existing terms and conditions of its MTW Agreement.

Major Initiatives

AveVista project – the Authority partnered with BRIDGE Housing Corporation to develop a mixed-use development on a 0.68 acre site located directly across Grand Avenue from Lake Merritt. This mixed-use building contains 68 units of affordable family rental housing and 3,400 square feet of ground-floor commercial space. The Authority owns the land, contributed predevelopment financing, and issued bonds that provided construction and permanent financing. The Authority also allocated 34 Project Based Vouchers. The building is now 100% occupied and BRIDGE is marketing the commercial space.

Oak Groves project – In August 2017, The Authority's Board approved the submission of a Disposition Application to HUD for three public housing sites (including the two Oak Groves), subsequent application for Section 8 vouchers and a project basing of the awards to the sites, which has been approved. In early 2019, the two sites will be conveyed to Oakland Affordable Housing Preservation Initiatives, a blended component unit, who have designated resources to facilitate the restoration of the properties, and have secured a 4% tax credit allocation to complete the work.

Brooklyn Basin project – the Authority is partnering with the City of Oakland and MidPen Housing Corporation to develop 465 units of affordable housing for low-income families and seniors as part of the Brooklyn Basin project. The project is a large scale, master planned community on a former industrial site



along Oakland's waterfront. The project site is approximately 64 acres of property and, when complete, will include up to 3,100 residential units (including the 465 affordable rental units), 200,000 square feet of commercial space, 32 acres of parks and public open space, two renovated marinas (170 boat slips) and an existing wetlands restoration area. The master developer is Zarsion-OHP I, LLC (ZOHP), whose principal local partner is the Signature Development Group.

Four projects in total are planned, two on each parcel for a total of 465 affordable units. There are two buildings included on Parcel F, all of which received a Notice to Proceed on December 20, 2018. The first building includes phases A and B of Paseo Estero, totaling 101 units for families. The second building is Vista Estero and has 110 units for seniors.

The Authority has purchased a 50% tenant-in-common interest in Parcels A and F for \$10 million and allocated 258 Section 8 Project Based Vouchers to be distributed between the four projects. The land acquisition closing was completed in October 2017.

Empyrean Towers project – the Authority is partnering with Resources for Community Development (RCD) for the acquisition and rehabilitation of Empyrean Towers, a market-rate Single Room Occupancy (SRO) building built in 1911 consisting of 99 small units with no kitchens at 344 13th Street in Oakland. The Empyrean had a history of poor management and code violations. RCD purchased the building in March 2017. RCD plans to convert the project to permanently affordable housing. The renovation involves expanding the units to studios and one-bedroom apartments, all including baths and kitchenettes. The resulting property will house 66 units (54 studios and 12 one-bedrooms) targeting low-income individuals and small households.

The Authority's contribution to the project includes: a \$1,410,000 predevelopment loan that will be rolled into the Authority's construction and permanent loan to the project; \$2,228,571 to acquire the land under the Empyrean, \$4,571,429 in permanent financing and 32 Project Based Section 8 Vouchers. In total, the Authority has committed up to \$6.2 million to assist with the Empyrean Towers Project. Construction will start in January 2019 and is expected to take 13 months.

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 ensure that 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, 2018, the Authority's primary government had no outstanding 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, 2017. The Authority intends to submit its CAFR for the year ended June 30, 2018 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,

A blue ink signature of Eric Johnson, consisting of a stylized 'E' followed by a long horizontal line.

Eric Johnson
Executive Director

A blue ink signature of Victor S. Madamba, featuring a stylized 'V' and 'M'.

Victor S. Madamba
Director of Finance



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, 2017

Christopher P. Morill

Executive Director/CEO

BOARD OF COMMISSIONERS



BOARD OF COMMISSIONERS

Gregory D. Hartwig, Chair
Marlene C. Hurd, Vice-Chair
Janny Castillo
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Donna Griggs-Murphy
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Eric Johnson
Executive Director



Patricia Wells
Deputy Executive
Director



Andrés Manriquez
Chief Operating
Officer



David Kiddoo
Senior Director of Real
Estate Development



Victor Madamba
Director of
Finance

DIRECTORS

William Bailey, Capital Improvements

Chief Carel Duplessis, Police Department

LeeAnn Farnar, California Affordable Housing Initiatives, Inc.

Drew Felder, Human Resources

Michelle Hasan, Leased Housing

Dominica Henderson, Planning, Implementation and Compliance

Anna Kaydanovskaya, Asset Management

Mark Schiferl, Property Management

Lenita Wheeler, Family and Community Partnerships



FINANCIAL SECTION

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



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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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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, Lion Creek Senior Housing Partners, L.P., and AveVista Associates, 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 opinion.

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 15 to the basic financial statements, effective July 1, 2017, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of GASB Statement No. 75, the business-type activities net position as of July 1, 2017, was restated and reduced by \$9.2 million. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of proportionate share of the net pension liability and related ratios, schedule of pension contributions, schedule of changes in the net other postemployment benefit (OPEB) liability and related ratios, and schedule of OPEB contributions 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 31, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California

January 31, 2019

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

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, 2018. Please read it in conjunction with the Authority's financial statements and related notes, which follow this section.

As required under accounting principles generally accepted in the United States of America (GAAP), 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 associated with the operations of the Authority are included in the statement of financial position.

Financial Highlights

- Total net position increased from \$393.4 million to \$491.8 million as of June 30, 2018, a net increase of \$98.4 million. The net increase of \$98.4 million, which is offset by the \$9.2 million restatement from the implementation of GASB 75, is primarily due to revenues of \$966.5 million exceeding expenses of \$859.5 million.
- Total assets increased by \$64.4 million. The biggest changes contributing to this increase include an increase of unrestricted cash and cash equivalents of \$62.6 million. There was a decrease in the net OPEB asset of \$12.7 million primarily due to the accounting changes resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).
- Capital assets increased by \$8.0 million, representing additions of \$17.4 million netted with a \$9.4 million charge for depreciation.
- Total liabilities increased by \$3.2 million. Changes contributing to this increase include an increase of \$0.9 million in current liabilities due to timing differences in accounts payable and other year-end accruals and an increase of \$2.4 million in noncurrent liabilities, primarily due to the \$2.2 increase in the Authority's net pension liability.
- Total revenues increased by \$154.8 million from \$812.4 million to \$967.2 million. This increase is comprised of increases in subsidy revenues of \$156.5 million, \$4.3 million in rental income, decrease of \$3.0 million in operating grant revenue, and \$1.4 million in miscellaneous and other revenues. Subsidy revenues increased mostly due to an increase in the amount of housing assistance payments, particularly those payments administered on behalf of HUD through the California Affordable Housing Initiatives, Inc. (CAHI), a blended component unit of the Authority.

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 relative 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, 2018

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. This statement was prepared using the direct method and includes a reconciliation of operating activities to operating income.

Notes to Basic 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, and other postemployment benefits plan as well as Combining Schedules for its Federal, Other Housing and General Programs, and Federal Programs financial statements.

Financial Analysis of the Authority

Net Position - The Authority's net position increased by \$98.4 million during the current fiscal year. This represents an increase of 25% of net position. A summary of the statement of net position as of June 30, 2018 and 2017 is shown in the following table (dollars in millions).

	June 30		Increase/(Decrease)	
	2018	2017	Amount	%
Assets:				
Current and other assets	\$ 343.2	\$ 286.9	\$ 56.3	20%
Capital assets	123.3	115.3	8.0	7%
Total assets	466.5	402.2	64.3	16%
Deferred outflows of resources	49.4	10.8	38.6	357%
Liabilities:				
Current liabilities	8.7	7.9	0.8	10%
Noncurrent liabilities	11.3	8.9	2.4	27%
Total liabilities	20.0	16.8	3.2	19%
Deferred inflows of resources	4.1	2.8	1.3	46%
Net position:				
Net investment in capital assets	123.3	115.3	8.0	7%
Restricted	1.9	14.8	(12.9)	-87%
Unrestricted	366.6	263.3	103.3	39%
Total net position	\$ 491.8	\$ 393.4	\$ 98.4	25%

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

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

The net increase/ (decrease) in the Authority's current and other assets was 20% or 56.3 million from the prior year. Significant balances with fluctuations compared to the prior year include:

- Unrestricted Cash – the Authority's cash position increased by \$62.6 million resulting from increases in revenues from the prior year, mainly subsidy revenue.
- HUD Receivables - the Authority expects to be reimbursed \$20.1 million for Administrative Subsidy expenditures.
- Net OPEB Asset – The Authority's net OPEB asset decreased \$12.7 million primarily associated with the re-measurement of the Authority's net OPEB liability pursuant to GASB 75. The Authority recognized current year net OPEB expense of \$4.9 million, but continued to make contributions to reduce the unfunded actuarially accrued OPEB obligations in FY2018. The Authority made a payment to CalPERS in the amount of \$25,265,895 to the California Employers' Retiree Benefit Trust Fund Program (CERBT).

The net increase in the Authority's total liabilities was \$3.2 million compared to the prior year due to:

- Accounts payable and accrued payroll timing differences accounted for a \$1.0 million increase.
- The net pension liability increased by \$2.2 million as discussed in Note 10 to the basic financial statements.

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

- Net investment in capital assets increased by \$8.0 million representing a net of additions of capital assets offset by depreciation expense.
- Restricted net position decreased by \$12.8 million primarily as a result of the implementation of GASB 75 and the re-measurement of the Authority's net OPEB liability, resulting in a reduction of the net OPEB asset of \$12.7 million.
- Unrestricted net position increased by \$103.2 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, 2018

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, 2018 and 2017 is shown in the following table (dollars in millions).

	For the year ended June 30		Increase/(Decrease)	
	2018	2017	Amount	%
Revenues:				
Operating revenues:				
Rental income	\$ 35.2	\$ 30.9	\$ 4.3	14%
Housing assistance payments revenues	896.0	739.5	156.5	21%
Other operating grants	8.8	11.8	(3.0)	-25%
Miscellaneous and other revenues	26.5	25.1	1.4	6%
Nonoperating revenues:				
Investment income	0.7	0.7	-	0%
Other nonoperating revenues	-	4.4	(4.4)	-100%
Total revenues	967.2	812.4	154.8	19%
Expenses:				
Operating expenses				
Housing assistance payments	769.7	706.0	63.7	9%
Depreciation and amortization	9.5	9.3	0.2	2%
Other operating expenses	80.3	81.0	(0.7)	-1%
Nonoperating expenses				
Other nonoperating expense	0.1	0.1	-	-
Total expense	859.6	796.4	63.2	8%
Change in net position	107.6	16.0	91.6	573%
Net position, beginning of year, as previously reported	393.4	377.4	16.0	-
Prior period adjustment	(9.2)	-	(9.2)	-
Net position, beginning of year, as restated	384.2	377.4	6.8	2%
Net position, end of year	\$ 491.8	\$ 393.4	\$ 98.4	25%

Revenues: Revenues increased by \$154.8 million with the following explanations:

- Revenues – An increase of \$4.3 million in rental income is due to lower vacancy rates as well as rent increases related to the Oakland Affordable Housing Preservation Initiatives (OAHPI) scattered site units during the year ended June 30, 2018.
- Housing assistance and other operating grant revenues were \$156.5 million higher due to increases in fair market rents in the HUD contracts administered by both CAHI and the Authority.
- Other operating grants were \$3.0 million lower as the Authority made use of its capital fund program block grant.
- Miscellaneous and other operating revenues were \$1.4 million higher due to the increase in administrative fees earned by CAHI.

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

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Expenses: Expenses increased by \$63.2 million with the following explanations:

- Housing Assistance Payments – Payments increased by \$63.7 million. This is due to increased payments paid under the CAHI contract and the Authority payments due to increases in the payment standards the Authority paid to address the rising rent crisis in the City of Oakland.
- Other Operating Expense decreased by \$0.7 million due to increased costs for employee benefits, primarily pension and health care benefits and an increase in management fees.

Capital Asset Activity

During the fiscal year ended June 30, 2018, the Authority expended funds on buildings and improvement and construction in progress in the amount of \$6.6 million; the majority of that was used to address deferred maintenance in the buildings held by OAHPI. 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 2018 and fiscal 2019 budget process. Also, the Authority acquired a 50% tenant-in-common interest in Parcels A and F for \$10 million related to the Brooklyn Basin project, allocating 258 Section 8 project based vouchers to be distributed between four projects. 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, 2018 and 2017:

	June 30		Increase/(Decrease)	
	2018	2017	Amount	%
Land	\$ 77.8	\$ 67.7	\$ 10.1	15%
Construction in process	2.5	3.2	(0.7)	-22%
Building and improvements	296.5	289.2	7.3	3%
Equipment and vehicles	10.8	10.2	0.6	6%
	387.6	370.3	17.3	5%
Accumulated depreciation	(264.3)	(255.0)	(9.3)	4%
Total capital assets, net	\$ 123.3	\$ 115.3	\$ 8.0	7%

Long Term Debt Activity

The Authority did not have any long-term debt outstanding as of June 30, 2018 and 2017.

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 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 2018 year and beyond. The Authority's budget for fiscal 2018 was developed with the conservative estimates of revenue, assuming federal uncertainty in appropriations and potential cuts to programs affecting the Authority. The Authority, anticipating ongoing uncertainty in budget negotiations, was once more conservative in its fiscal 2018 operations budget, but has

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

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

elected to proceed with development projects that would be financed with Authority reserves should HUD funding be reduced. The Authority has been assessing its financial condition and is attempting to align its activities and the financial position of the Authority so it can respond to new terms and conditions that may be incorporated by ongoing continuing resolutions and stop gap funding measures. By 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.

- Local inflationary, economic and employment trends that can affect resident income and therefore impact the amount of rental income. Oakland's unemployment rate is at a low 3.8% in 2018, resulting in a moderate growth of payroll of 1.1% from 2017. There is job growth in almost every sector resulting in an influx of new residents and businesses which contribute again to the tight rental market. Current forecasts estimate mean household income and job growth to continue to increase at rate close to what has occurred in the past year, however, this increase is not keeping pace with the increase in rents in the area. As a result, the Authority anticipates an increase in the need for the affordable housing units managed by the Authority.
- Local and national property rental markets determine availability. Oakland and the entire East Bay region saw significant growth over the course of the last five years. The area has transformed into a higher-skilled labor market and is more accessible due to lower costs compared to San Francisco and San Jose. Oakland got to a point in 2015 and 2016 where it was leading rent growth by far as compared to every other major city in the U.S. The metro had a double-digit growth spanning a total of 21 months, from July 2014 to March 2016. Following the excessive growth period, rents appear to have stabilized, with a modest increase in 2017 of 2 percent, in line with other California markets. Unfortunately, however, the damage has been done, as the higher rents based on the 2014 to 2016 rent increases are still in place.
- Local and national property rental markets determine availability. In Oakland, apartment vacancy rates remained consistent at 4% in 2017 and 2018. At the same time, apartment rent increases from the double digit pace of prior years, has only slightly increased over 2017 by 1% on top of prior years increases of over 38%. This increase, while slower than in prior years, 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. In fiscal 2017, the Authority requested approval from HUD to offer 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. These programs were designed to be launched in early fiscal year 2018.
- HUD issued Fair Market Rents (FMRS) are primarily used to determine payment standard 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. In fiscal year 2016, the Authority increased its payment standards as much as allowed to encourage more landlords to accept its Section 8 vouchers. In addition, the Authority was successful in convincing HUD 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, which resulted in a 35% increase in the FMR's. While this has helped the Authority to address the rent disparity, there is still a shortage of landlords willing to accept Section 8 vouchers in such an escalating rental market.

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

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

- In November of 2016, voters in Alameda County approved Measure A1 to issue up to \$580 million in bonds for affordable housing across the County. The funds will be allocated to rental housing and homeowner programs. Approximately \$425 million of that amount will be used to create and preserve affordable rental housing for vulnerable populations, including lower-income workforce housing. In addition, City of Oakland voters approved Measure KK which will allow the City to issue general obligation bonds up to \$600 million, of which \$100 million will be used in anti-displacement and housing programs, to acquire and rehabilitate housing for vulnerable communities, including seniors, people with disabilities and veterans. These measures will provide much needed assistance to address the housing needs of some of the same households that rely on the Authority to provide safe and affordable housing. The Authority was included in both competitive solicitations by the County and City for awards of these funds to developers, and expects to secure new project based rental agreements into these new properties as a result. We anticipate this will improve our current Section 8 leasing in this accelerated rental market, and further stabilize participation in that program.

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, Director of Finance, 1619 Harrison Street, Oakland, CA 94612.

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

Statement of Net Position
June 30, 2018

(With Discretely Presented Component Units as of December 31, 2017)

	Primary Government - Business-Type Activities	Discretely Presented Component Units
Assets:		
Current assets:		
Unrestricted cash and cash equivalents	\$ 192,228,590	\$ 3,703,626
Accounts receivable, net:		
U.S. Department of Housing and Urban Development	20,091,561	-
Tenants	1,949,962	282,882
Others	8,964,012	361,497
Prepaid expenses	455,554	328,984
Restricted cash and cash equivalents	3,591,595	10,283,472
Total current assets	<u>227,281,274</u>	<u>14,960,461</u>
Noncurrent assets:		
Interest receivable	5,879,551	-
Notes receivable from component units	82,845,669	-
Notes receivable from others	13,021,321	-
Net OPEB asset	165,474	-
Other noncurrent assets	14,105,677	4,491,466
Capital assets:		
Nondepreciable	80,217,842	17,576,223
Depreciable, net	43,038,703	244,703,457
Total capital assets	<u>123,256,545</u>	<u>262,279,680</u>
Total noncurrent assets	<u>239,274,237</u>	<u>266,771,146</u>
Total assets	<u>466,555,511</u>	<u>281,731,607</u>
Deferred outflows of resources:		
Pension related items	17,666,108	-
OPEB related items	31,695,210	-
Total deferred outflows of resources	<u>49,361,318</u>	<u>-</u>
Liabilities:		
Current liabilities:		
Accounts payable	3,303,209	530,933
Accrued payroll	791,884	27,389
Accrued interest payable	-	373,372
Due to the U.S. Department of Housing and Urban Development	102,018	-
Unearned revenues	1,094,332	276,922
Other accrued liabilities	2,251,879	1,597,593
Tenant security deposits	699,025	622,729
Current portion of compensated absences	410,401	-
Current portion of long-term debt due to primary government	-	483,606
Current portion of long-term debt to others	-	1,493,236
Total current liabilities	<u>8,652,748</u>	<u>5,405,780</u>
Noncurrent liabilities:		
Compensated absences, net of current portion	1,220,995	-
Net pension liability	9,145,707	-
Long-term interest payable	-	17,258,509
Long-term debt due to primary government, net of current portion	-	79,022,801
Long-term debt to others, net of current portion	-	111,683,006
Family Self Sufficiency deposits	980,645	-
Total noncurrent liabilities	<u>11,347,347</u>	<u>207,964,316</u>
Total liabilities	<u>20,000,095</u>	<u>213,370,096</u>
Deferred inflows of resources:		
Pension related items	2,611,632	-
OPEB related items	1,512,572	-
Total deferred inflows of resources	<u>4,124,204</u>	<u>-</u>
Net position:		
Net investment in capital assets	123,256,545	55,615,986
Restricted for housing programs	1,911,925	9,660,743
Unrestricted	366,624,060	3,084,782
Total net position	<u>\$ 491,792,530</u>	<u>\$ 68,361,511</u>

See accompanying notes to basic 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, 2018

(With Discretely Presented Component Units for the Year Ended December 31, 2017)

	Primary Government - Business-Type Activities	Discretely Presented Component Units
Operating revenues:		
Rental income	\$ 35,236,069	\$ 15,705,531
Housing assistance payment revenues	895,972,125	-
Other operating grants	8,789,816	-
Miscellaneous and other revenues	26,480,494	1,328,636
Total operating revenues	966,478,504	17,034,167
Operating expenses:		
Housing assistance payments	769,676,657	-
Administrative	33,887,286	3,412,411
Tenant services	709,953	-
Utilities	4,014,184	1,966,460
Maintenance and operations	16,867,383	4,064,050
General expenses	24,862,764	2,305,745
Depreciation and amortization	9,463,012	11,359,035
Total operating expenses	859,481,239	23,107,701
Operating income (loss)	106,997,265	(6,073,534)
Nonoperating revenues (expenses):		
Gain on disposal of capital assets	10,170	-
Investment income	700,034	29,537
Interest expense	-	(4,266,777)
Other nonoperating revenues	-	2,448,633
Other nonoperating expenses	(83,965)	(22,908)
Total nonoperating revenues (expenses)	626,239	(1,811,515)
Income (loss) before capital contributions	107,623,504	(7,885,049)
Capital contributions	-	283,214
Change in net position	107,623,504	(7,601,835)
Net position, beginning of year, as previously reported	393,404,427	75,963,346
Prior period adjustment	(9,235,401)	-
Net position, beginning of year, as restated	384,169,026	75,963,346
Net position, end of year	\$ 491,792,530	\$ 68,361,511

See accompanying notes to basic financial statements.

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

Statement of Cash Flows
For the Year Ended June 30, 2018

	<u>Primary Government - Business-Type Activities</u>
Cash flows from operating activities:	
Receipts from tenants	\$ 35,017,333
Receipts from customers and others	26,500,815
Receipts from housing assistance programs	894,554,018
Payments to suppliers for goods and services	(82,810,817)
Housing assistance payments on behalf of tenants	(769,686,492)
Operating grants received	8,789,816
Payments to employees for services	<u>(31,976,102)</u>
Net cash provided by operating activities	<u>80,388,571</u>
Cash flows from noncapital financing activities:	
Loans to related parties and component units	<u>(286,019)</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	10,170
Acquisition of capital assets	<u>(17,410,492)</u>
Net cash used in capital and related financing activities	<u>(17,400,322)</u>
Cash flows from investing activities:	
Interest received	<u>142,777</u>
Net change in cash and cash equivalents	62,845,007
Cash and cash equivalents, beginning of year	<u>132,975,178</u>
Cash and cash equivalents, end of year	<u><u>\$ 195,820,185</u></u>

See accompanying notes to basic financial statements.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

	<u>Primary Government - Business-Type Activities</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 106,997,265
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	9,463,012
Other expenses	(83,965)
Change in net pension liability and pension related deferred outflows and inflows of resources	(31,631,986)
Decrease (increase) in:	
Receivables	(2,252,466)
Prepaid expenses	148,403
Other noncurrent assets	(3,314,417)
Increase (decrease) in:	
Accounts payable	1,386,506
Accrued payroll	(430,078)
Due to the U.S. Department of Housing and Urban Development	(9,835)
Tenant security deposits	243,283
Unearned revenues	392,661
Compensated absences	85,962
Other liabilities	(605,774)
Net cash used in operating activities	<u>\$ 80,388,571</u>
Cash and cash equivalents:	
Unrestricted cash and cash equivalents	\$ 192,228,590
Restricted cash and cash equivalents	<u>3,591,595</u>
Total cash and cash equivalents	<u>\$ 195,820,185</u>

See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018 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 Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

- The *Housing Choice Voucher* program provides rental housing assistance subsidies in support of 12,866 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 and Shelter Plus Care.
 - **Other Housing 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 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.

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

Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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*, Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14* 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 of the governing board, 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, Inc. (CAHI) was created as a non-profit public benefit 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. Since the Authority's Board can impose its will on CAHI, management has 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 Other Housing Programs.

- **Oakland Affordable Housing Preservation Initiatives** – The Oakland Affordable Housing Preservation Initiatives (OAHPI), a non-profit public benefit 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 Board of Directors, which comprise the Authority's Executive Director and two members of the Authority's Board of Commissioners. Since, the Authority's Board can impose its will on OAHPI, management has 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, OAHPI's financial statements are blended into the Authority's financial statements as part of the Other Housing Programs.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

Discrete Component Units

The following discrete component units' fiscal year ended on December 31, 2017 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 Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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.

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.

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

Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

- **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.

- **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.

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

Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

- **AveVista Associates, L.P.** – AveVista Associates, L.P. (AveVista), a California limited partnership, was formed in October 2013 to develop and operate a 68-unit affordable housing development located in Oakland. The managing general partner is AveVista Associates LLC and the investor limited partner is Wells Fargo Affordable Housing Community Development Co.

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

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 Harrison Menlo Preservation, L.P. and Oakland International Housing Partners, L.P., to develop and construct additional senior and/or affordable housing sites. These entities have not had substantial financial activity through December 31, 2017, but it is anticipated that it will in future years, at which time these entities 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 programs. Operating revenues also include other operating grants. Operating expenses generally include housing assistance payments, administrative expenses, tenant services, utilities, maintenance and operations, general 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.

(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.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments

Investment transactions are recorded on the trade date. Investments are reported at fair value. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles.

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:

	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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

The Authority did not hold investments at June 30, 2018.

(d) Allowance for Bad Debts

Management reviews the collectability of receivables on a periodic basis. The Authority established an allowance of \$809,163 for accounts receivable as of June 30, 2018.

(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, donated works of art and similar items, and capital assets received in a service concession arrangement are valued at their acquisition 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:

	Primary Government	Discrete Component Units								
		CLA	MGA	OCHP	LWHP	CHP	FFA	TP and TPII	VSHP and LCSHP	AveVista
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	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	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	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	7 years
Computer equipment and related software	5 years	n/a	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	n/a

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 also include 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.”

(i) 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.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) *Other Postemployment Benefits (OPEB)*

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(k) *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.

(l) *Effects of New Governmental Accounting Standards*

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the Authority, for the year ended June 30, 2018.

- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), which applies to state and local government employers who provide OPEB to employees, such as the Authority. GASB 75 replaces previously issued statements related to the employer's accounting and financial reporting for other postemployment benefits (OPEB). GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet specific criteria, and for employers whose employees are provided with defined contribution OPEB. For OPEB that is administered through trusts, GASB 75 requires the liability of employers to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. Refer to Note 11 for more information regarding the Authority's OPEB and Note 15 concerning the impact to the Authority's beginning net position resulting from the implementation of GASB 75.
- In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Authority implemented the requirements of GASB Statement No. 85 which have been incorporated into the required supplementary information.
- In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to basic financial statements for debt that is defeased in substance. The Authority had no reportable impacts for fiscal year 2018.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Upcoming Governmental Accounting Standards

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

- In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. It also establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement will become effective in fiscal year 2019.
- In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will become effective in fiscal year 2020.
- In June 2017, GASB issued Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use the lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will become effective in fiscal year 2021.
- In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specific in debt agreements related to significant events of default with finance-related consequences, significant termination events of finance-related consequences, and significant acceleration clauses. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement will become effective in fiscal year 2019.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Upcoming Governmental Accounting Standards (Continued)

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost. This statement will be effective in fiscal year 2020.

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, 2018, the Authority's security deposits in the amount of \$324,797 and \$374,464 were included in the Low Rent Housing Program and Other Housing 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 or public housing 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, 2018, FSS funds of \$980,646 held in the Low Rent Housing, Housing Choice Voucher, and Mainstream Vouchers Programs are included in the accompanying statement of net position.

(c) Affordability Reserves

The Regulatory and Operating Agreements related to the Authority's involvement with CLA, MGA, OCHP, LWHP, CHP, FFA, and VSHP 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 \$1,815,643 as of June 30, 2018.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 3 – RESTRICTED ASSETS (Continued)

(d) Other Restricted Accounts

At June 30, 2018, the Authority’s Police Department maintains a restricted asset forfeiture account in the amount of \$54,275 and the Authority has other miscellaneous restricted reserves in the amount of \$41,770.

NOTE 4 – CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents

Cash and cash equivalents are presented on the accompanying statement of net position as of June 30, 2018 (primary government) and December 31, 2017 (discrete component units) and are summarized as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Unrestricted cash and cash equivalents	\$ 192,228,590	\$ 3,703,626	\$ 195,932,216
Restricted cash and cash equivalents	3,591,595	10,283,472	13,875,067
Total cash and cash equivalents	<u>\$ 195,820,185</u>	<u>\$ 13,987,098</u>	<u>\$ 209,807,283</u>

Cash and cash equivalents as of June 30, 2018 (primary government) and December 31, 2017 (discrete component units) consist of the following:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Cash on hand	\$ 4,725	\$ -	\$ 4,725
Deposits with financial institutions	195,815,460	13,987,098	209,802,558
Total cash and cash equivalents	<u>\$ 195,820,185</u>	<u>\$ 13,987,098</u>	<u>\$ 209,807,283</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.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE

The Authority’s noncurrent notes and interest receivable at June 30, 2018 represents the following:

	<u>From Component Units</u>	<u>From Others</u>	<u>Total</u>
Notes receivable:			
Low Rent Housing	\$ 28,762,342	\$ -	\$ 28,762,342
Moving To Work	5,174,008	-	5,174,008
HOPE VI	38,510,747	-	38,510,747
Other Housing Programs	10,398,572	13,021,321	23,419,893
Total notes receivable	<u>\$ 82,845,669</u>	<u>\$ 13,021,321</u>	<u>\$ 95,866,990</u>
Interest receivable:			
Low Rent Housing	\$ 3,271,664	\$ -	\$ 3,271,664
Moving To Work	73,545	-	73,545
HOPE VI	1,620,892	-	1,620,892
Other Housing Programs	-	913,450	913,450
Total interest receivable	<u>\$ 4,966,101</u>	<u>\$ 913,450</u>	<u>\$ 5,879,551</u>

Notes payable from component units to primary government is \$79,506,407. 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, 2018 for the Authority, and December 31, 2017 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 \$9,368,862 as of June 30, 2018.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

(a) Low Rent Housing Notes Receivable (Continued)

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.

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 \$2,463,596 respectively, as of June 30, 2018

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, 2018. 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 \$675,636, respectively, as of June 30, 2018.

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 \$132,432, respectively, as of June 30, 2018. The principal outstanding for the non-interest bearing loan was \$1,319,688 as of June 30, 2018.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

(b) Moving To Work Notes Receivable

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 December 1, 2013, the Authority converted the loan from a predevelopment loan to a construction loan whereby the Authority agreed to loan an amount of \$8,326,105 to AveVista Associates, L.P. On September 1, 2016, the Board authorized the Executive Director to increase the loan amount to \$8,734,715. The loan bears simple interest at a rate of 3%. The loan is funded by the MTW and Other Housing programs. As of June 30, 2018, the amount outstanding on this loan and accrued interest were \$8,734,815 and \$913,450, respectively.

Acts Cyrene Apartments - On November 1, 2015, the Authority entered into a Loan Agreement with Oakland International Housing Partners, LP whereby the Authority agreed to loan an amount of \$2,630,000 for construction and permanent financing for improvements of the Acts Cyrene Apartments. The loan bears no interest and has a term of the earlier of (1) 55 years from the date of completion of the project, determined by the Certificate of Occupancy for all units and (2) the repayment of all principal and interest outstanding under the loan. 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 from Residual Receipts as defined in the loan agreement. The Authority shall receive 50% of Residual Receipts generated by the development, which will be shared on a pro rata basis with the City of Oakland. The outstanding principal amount as of June 30, 2018 was \$2,630,000.

Empyrean Hotel Project - On November 1, 2015, the Authority entered into a Predevelopment Loan Agreement with Harrison Menlo Preservation LP whereby the Authority agreed to loan an amount of \$275,000 to rehabilitate the Empyrean Hotel to create 66 studio and one-bedroom units for low-income households. On March 29, 2018, the original Predevelopment Loan Agreement was amended, and replaced in its entirety by the Second Amended and Restated Predevelopment Loan Agreement Promissory Note, which provided a loan in the amount of \$1,410,000. The loan bears no interest except in the event of default. The loan has a term of the earlier of (1) December 31, 2018, or (2) the date of the construction closing. The outstanding principal amount as of June 30, 2018 was \$1,209,494.

(c) 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 \$1,620,892, respectively, as of June 30, 2018.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

(c) HOPE VI Notes 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 \$5,418,084 as of June 30, 2018.

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, 2018.

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 \$3,309,848 as of June 30, 2018.

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 \$8,721,094 as of June 30, 2018.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

(c) HOPE VI Notes 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, 2018 was \$11,231,342.

(d) Other Housing Programs Notes Receivable

Terms and descriptions of the Other Housing 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 \$1,280,358 as of June 30, 2018.

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 Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

(d) Other Housing Programs Notes 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, 2018.

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 \$125,239 as of June 30, 2018.

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, 2018.

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 \$1,534,706 as of June 30, 2018.

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 lessor 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, 2018.

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

Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE (Continued)

(d) Other Housing Programs Notes Receivable (Continued)

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 \$6,604,531 as of June 30, 2018.

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, 2018, the principal amount outstanding was \$3,299,758.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Reductions/ Transfers	Balance June 30, 2018
<i>Capital assets, not being depreciated:</i>				
Land	\$ 67,747,778	\$ 10,008,792	\$ -	\$ 77,756,570
Construction in progress	3,220,555	2,232,966	(2,992,249)	2,461,272
Total capital assets, not being depreciated	<u>70,968,333</u>	<u>12,241,758</u>	<u>(2,992,249)</u>	<u>80,217,842</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	289,128,452	4,381,506	2,992,249	296,502,207
Equipment and vehicles	10,240,195	787,228	(220,224)	10,807,199
Total capital assets, being depreciated	<u>299,368,647</u>	<u>5,168,734</u>	<u>2,772,025</u>	<u>307,309,406</u>
<i>Less accumulated depreciation</i>				
Building and improvements	(248,448,360)	(8,256,011)	-	(256,704,371)
Equipment and vehicles	(6,579,555)	(1,207,001)	220,224	(7,566,332)
Less accumulated depreciation	<u>(255,027,915)</u>	<u>(9,463,012)</u>	<u>220,224</u>	<u>(264,270,703)</u>
Total capital assets, being depreciated, net	<u>44,340,732</u>	<u>(4,294,278)</u>	<u>2,992,249</u>	<u>43,038,703</u>
Total capital assets, net	<u>\$ 115,309,065</u>	<u>\$ 7,947,480</u>	<u>\$ -</u>	<u>\$ 123,256,545</u>

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

Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

In March 2009, HUD approved the disposition of the Authority’s 254 scattered sites properties, consisting of 1,615 units. As part of that approval, the Authority was authorized to sell the properties at fair market value consisting of five properties with 61 units. HUD then issued a letter dated December 15, 2009 to clarify the disposition and allow further disposition of the remaining scattered site properties “as long as the units are replaced” and subject to HUD approval. On July 27, 2015, the Authority submitted a request for HUD’s approval to designate 195 units at three sites (Cathedral Gardens, AveVista, and Eleventh and Jackson) as replacement disposition units of the former public housing scattered sites and to dispose/sell these replacement units at market rate. On November 5, 2015, HUD approved the disposition and the Authority’s first sales occurred during the year ended June 30, 2017.

NOTE 7 – LONG-TERM OBLIGATIONS

Changes to the Authority’s long-term obligations for the year ended June 30, 2018 was as follows:

Compensated absences:	
Beginning of year	\$ 1,545,434
Additions	599,640
Reductions	<u>(513,678)</u>
End of the year	1,631,396
Short-term compensated absences	<u>(410,401)</u>
Long-term compensated absences	<u><u>\$ 1,220,995</u></u>

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

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8 – RISK MANAGEMENT (Continued)

Changes in the Authority’s claims liability during the years ended June 30, 2018 and 2017 were as follows:

	<u>Liability July 1</u>	<u>Changes in Estimates</u>	<u>Claims Payments</u>	<u>Liability June 30</u>
2018	\$ 254,135	\$ 181,696	\$ 175,565	\$ 260,266
2017	204,281	225,616	175,762	254,135

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

(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, 2018, the Authority is due \$13.5 million from BAHARMA and reported this amount as a component of the other noncurrent assets in the Authority’s statement of net position.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 8 – RISK MANAGEMENT (Continued)

Condensed financial information for BAHARMA is presented below as of and for the year ended September 30, 2017 (most recently available):

	Statement of Net Position September 30, 2017		Statement of Revenues, Expenses and Changes in Net Position For the Year Ended September 30, 2017
Assets:		Operating revenues:	
Cash and equivalents	\$ 3,425,172	Claims servicing revenues	<u>\$ 963,620</u>
Prepaid and other	1,236,451		
Investments	<u>33,968,634</u>	Total operating revenues	<u>963,620</u>
Total assets	<u>38,630,257</u>	Operating expenses:	
Liabilities:		Claims administration	255,392
Claims liability	13,929,273	General and administration	<u>708,228</u>
Due to members	24,608,858	Total operating expenses	<u>963,620</u>
Premium deposit and other	<u>92,126</u>	Change in net position	-
Total liabilities	<u>38,630,257</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 Director of Finance of the Authority at 1619 Harrison Street, Oakland, California 94612.

NOTE 9 – PENSION PLAN – DEFINED CONTRIBUTION

The International City/County Management Association (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, 2018, there was one employee in this plan. For the year ended June 30, 2018, the Authority contributed 10% of annual covered salary related to this employee to the plan. Total contribution for the year ended June 30, 2018 was \$6,088 and the plan had an ending investment balance of \$2,137,510 at June 30, 2018.

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 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.

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

Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS – DEFINED BENEFIT (Continued)

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.

	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
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	6.904%	6.25%	8.982%	11.500%
Required employer contribution rates	9.197%	9.197%	17.875%	11.990%

Employees Covered – At June 30, 2018, the most recent information available (as of June 30, 2017), the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	263	5
Inactive employees entitled to but not yet receiving benefits	244	18
Active employees	298	20
Total	<u>805</u>	<u>43</u>

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for 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. Members hired after July 1, 2012 agreed to pay 4% of the employees’ 9% contribution.

For the year ended June 30, 2018, the Authority contributed \$2,099,562 and \$473,914 for Miscellaneous and Safety Plans, respectively that were reported as deferred outflows of resources on the statement of net position.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS – DEFINED BENEFIT (Continued)

(b) Net Pension Liability

At June 30, 2018, the Authority’s net pension liability is comprised of the following:

Miscellaneous Plan	\$ 7,862,934
Safety Plan	<u>1,282,773</u>
Total	<u><u>\$ 9,145,707</u></u>

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 proportionate share of the net pension liability of the Safety Risk Pool was first determined at the rate plan level. The proportionate share of the Safety Risk Pool is then determined using the methodology as described below:

- 1) Total Pension Liability (TPL) – Allocated based on the employer’s share of the Actuarial Liability
- 2) Fiduciary Net Position (FNP) – Allocated based on the employer’s share of the Market Value of Assets plus Additional Payments
- 3) Net Pension Liability (NPL) – After completing the above calculations, subtract the FNP from TPL to calculate the employer’s NPL.

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, actuarially determined. The Authority’s net pension liability for each plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures.

Actuarial Assumptions - The total pension liability for the Authority’s Miscellaneous Plan was determined using the following actuarial assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Measurement period	July 1, 2016 to June 30, 2017
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Projected salary increases	3.20% to 12.20% which varies by entry age and service
Payroll growth	3.00%
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power allowance floor on purchasing power applies, 2.75% thereafter.
Mortality	Derived using CalPERS membership data for all funds*

* The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Scale BB published by the Society of Actuaries. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increases, mortality and retirement rates.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS – DEFINED BENEFIT (Continued)

The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

Change in Assumptions – The discount rate was reduced from 7.65% to 7.15%.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each Plan. 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 ran out of assets. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called the “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be 15 basis points. The discount rate of 7.15 percent used for the June 30, 2017 measurement date is without a reduction for pension plan administrative expenses.

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 PERF cash flows. Taking into account historical returns of all PERF’s asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF. 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 the long-term expected real rate of return by asset class. The rate of returns were calculated using the capital market assumptions applied to determine the discount rates and asset allocation. The target allocation for the June 30, 2017 measurement date was as follows:

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

^(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
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 over the measurement period July 1, 2016 to June 30, 2017 is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016	\$ 109,391,440	\$ 103,284,148	\$ 6,107,292
Changes recognized for the measurement period:			
Service cost	3,539,014	-	3,539,014
Interest on the total pension liability	8,131,615	-	8,131,615
Changes of assumptions	6,592,553	-	6,592,553
Differences between expected and actual experience	(1,610,353)	-	(1,610,353)
Contributions from the employer	-	2,024,979	(2,024,979)
Contributions from the employees	-	1,491,076	(1,491,076)
Investment income	-	11,533,624	(11,533,624)
Administrative expenses	-	(152,492)	152,492
Benefit payments, including refunds of employee contributions	(4,828,573)	(4,828,573)	-
Net changes during the measurement period	11,824,256	10,068,614	1,755,642
Balance at June 30, 2017 (measurement date)	\$ 121,215,696	\$ 113,352,762	\$ 7,862,934

The Authority's proportionate share of the net pension liability for the Safety Plan was 0.01293% as of June 30, 2017, an increase of 0.00282% from June 30, 2016.

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 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate		
	-1% (6.15%)	Current (7.15%)	+1% (6.15%)
Miscellaneous Plan	\$ 23,970,773	\$ 7,862,934	\$ (5,499,426)
Safety Plan	3,335,985	1,282,773	(395,625)
Net Pension Liability (Asset)	\$ 27,306,758	\$ 9,145,707	\$ (5,895,051)

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 Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 10 – PENSION PLANS – DEFINED BENEFIT (Continued)

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

For the year ended June 30, 2018, the Authority recognized \$4,103,440 in total pension expense including amortization of deferred outflows/inflows related to pensions. At June 30, 2018, the Authority's reported deferred outflows of resources and deferred of resources related to the pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Miscellaneous	Safety	Total	Miscellaneous	Safety	Total
Pension contributions subsequent to measurement date	\$ 9,100,364	\$ 750,371	\$ 9,850,735	\$ -	\$ -	\$ -
Changes in assumptions	4,653,567	621,510	5,275,077	(294,316)	(47,684)	(342,000)
Differences between expected and actual experiences	-	42,855	42,855	(1,797,335)	(11,173)	(1,808,508)
Net differences between projected and actual earnings on plans' investments	1,632,884	135,514	1,768,398	-	-	-
Adjustment due to differences in proportions	-	218,113	218,113	-	(461,124)	(461,124)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	510,930	510,930	-	-	-
	<u>\$ 15,386,815</u>	<u>\$ 2,279,293</u>	<u>\$ 17,666,108</u>	<u>\$ (2,091,651)</u>	<u>\$ (519,981)</u>	<u>\$ (2,611,632)</u>

The pension contributions made subsequent to the measurement date totaling \$9,850,735 will be recognized as a reduction of the net pension liability in 2018 and the other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources	
	Miscellaneous	Safety
2019	\$ 878,812	\$ 226,502
2020	2,946,844	484,208
2021	1,211,121	377,524
2022	(841,977)	(79,293)
	<u>\$ 4,194,800</u>	<u>\$ 1,008,941</u>

(e) Payable to the Pension Plan

At June 30, 2018, the Authority did not have a payable for the outstanding amount of contributions to the pension plans required for the year.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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. 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, CERT (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 and its OPEB liability at June 30, 2010 in the amount of \$9,214,450, and to make annual payments over the following five years, toward reducing the unfunded actuarial accrued liability. In February 2016, the Board authorized the Authority to make three annual payments of \$6,851,860. The Authority made the payments on April 14, 2016, July 14, 2016, and June 16, 2017. During fiscal year 2017-18, the Authority made another payment to the CERBT on August 8, 2017 of \$25,265,895 and funded the pay-as-you-go amount of \$6,429,316

As of June 30, 2018, the fair value of the Authority’s investments in the CERBT was proximately \$86,386,658. This balance is net of all plan activity during fiscal year 2018, including net annual investment earnings of \$5,872,068.

Employees Covered

As of the June 30, 2017 actuarial valuation, the table below summarizes the participant data for active and retired employees and covered dependents of retirees.

Active employees	342
Retired employees	176
Covered dependents of retirees	<u>74</u>
Total	<u>592</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Net OPEB Liability (Asset)

The Authority's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2017, using the following actuarial methods and

<u>Description</u>	<u>Method and Assumptions</u>
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Amortization Method/Period	Closed 20 Year Period
Discount Rate	6.00%
Inflation	2.00%
Salary Increases	3.25%
Investment Rate of Return	6.00%
Healthcare Cost Trend Rates	7.75% pre-65 in fiscal year 2019 with trend rates decreasing 0.25% per year through fiscal year 2030. 5.10% post-65 in fiscal year 2019 with rate decreasing 0.1% in fiscal 2020 for an ultimate rate of 5.00% through fiscal year 2030.
Mortality	Pre-retirement: CalPERS 2014 Mortality for pre-retirement. Post-Retirement: CalPERS 2014 Mortality for Post-retirement.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past experiences and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing cost between the Authority and plan members through June 30, 2017. Additionally, actuarial calculations reflect a long-term perspective and include methods and assumptions that are designed to reduce short-term volatility of actuarial accrued liabilities and actuarial value of assets. The Authority has relied on the work of the Authority's actuary to determine the Authority's net OPEB liability, and considers the underlying assumptions used by the actuary to be reasonable.

Long Term Expected Rate of Return

The valuation uses a discount rate of 6.00% per year, net of investment expenses and including inflation. This is an arithmetic long-term expected rate of return assumption on plan assets. This rate is based on the general inflation rate and expected real rate of return required for CalPERS reporting for use by employers who elect certain investment strategies as participants in CERBT. The target allocation and best estimates for long-term expected real rates of return for each major asset class, as of the June 30, 2017 measurement date, are summarized in the following table using CERBT Strategy 1 investment policy.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.0%	5.49%
Fixed Income	32.0%	1.65%
REITs	8.0%	5.06%

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net OPEB Liability/(Asset)

The following table shows the changes in the net OPEB liability/(asset) based upon the Authority's OPEB Plan actuarial valuation as of the June 30, 2017 measurement date.

	Increase/Decrease		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) – (b)
Balances at June 30, 2016	\$49,076,447	\$37,133,113	\$ 11,943,334
Changes for the year:			
Service cost	2,288,036	-	2,288,036
Interest	3,027,666	-	3,027,666
Change in benefit terms	2,608,282	-	2,608,282
Differences between expected and actual experience	(52,619)	-	(52,619)
Changes of assumptions	-	-	-
Contributions – employer	-	15,537,181	(15,537,181)
Contributions – employee	-	-	-
Net investment income	-	4,466,500	(4,466,500)
Benefit payments	(1,833,461)	(1,833,461)	-
Administrative expenses	-	(23,508)	(23,508)
Net changes	<u>6,037,904</u>	<u>18,146,712</u>	<u>(12,108,808)</u>
Balances at June 30, 2017	<u>\$55,114,351</u>	<u>\$55,279,825</u>	<u>\$ (165,474)</u>

The required schedule of changes in the net OPEB liability/(asset) and related ratios immediately following the notes to the financial statements presents the beginning and ending balances of the total OPEB liability/(asset), the plan fiduciary net position available for OPEB benefits, and the net OPEB liability/(asset), as well as the itemized changes in those amounts during the fiscal year. The schedule also reports a ratio of plan fiduciary net position as a percentage of the total OPEB liability/(asset), the payroll amount for current employees in the plan (covered employee payroll), and a ratio of the net OPEB liability/(asset) as a percentage of the covered employee payroll. One year of information is presented and will build to 10 year of information on a prospective basis.

The required schedule of employer contributions immediately following the notes to the financial statements presents the actuarially determined contribution to the OPEB Plan, the actual contribution, the difference between the actual and actuarially determined contributions, and a ratio of actual contributions as a percentage of covered employee payroll.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability/(Asset) Due to Changes in the Discount Rate – Pursuant to GASB 75, the following table represents the net OPEB liability/(asset), calculated using the current rate of 6.00%, as well as what it would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability/(Asset)	\$ 7,932,902	\$ (165,474)	\$(6,780,830)

Sensitivity of the Net OPEB Liability/(Asset) Due to Changes in the Health Care Cost Trend Rate – Pursuant to GASB 75, the following table represents the net OPEB liability/(asset) of the Authority, calculated using the current health care cost trend rate of 7.75% as well as what it would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	(6.75% pre-65/ 4.10% post-65 decreasing to 4.00% pre-65 / and 4.00% post-65)	(7.75% pre-65 / 5.10% post-65 decreasing to 5.00% pre-65 and post-65)	(8.75% pre-65 / 6.10% post-65 decreasing to 6.00% pre-65 and post-65)
Net OPEB Liability/(Asset)	\$ (7,517,583)	\$ (165,474)	\$ 9,006,884

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

For the fiscal year ended June 30, 2018, the Authority recognized OPEB expense of \$4,940,945. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	\$ 31,695,210	\$ -
Difference Between Expected and Actual Experience	-	45,304
Net Difference Between Projected and Actual Investment Earnings	-	1,467,268
Total	\$ 31,695,210	\$ 1,512,572

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Pursuant to GASB 75, \$31,695,210 reported as deferred outflows of resources related to OPEB contributions made subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized OPEB expense as follows:

Year Ending June 30	Deferred Inflows of Resources
2019	\$ (374,132)
2020	(374,132)
2021	(374,132)
2022	(374,132)
2023	(7,315)
Thereafter	(8,729)

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, 2018, approximately 93% of operating revenues and 65% 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, 2018, 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 \$21.0 million 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, 2018, the principal amount payable for these bonds was approximately \$8.7 million.

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 Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

(a) *Chestnut Linden Associates (CLA)*

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 (MGA)*

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 (OHCP)*

Ground Lease - OHCP'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 OHCP 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 OHCP and the California Tax Credit Allocation Committee's tax credit restrictive covenant agreement.

(d) *Lion Way Housing Partners (LWHP)*

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 (CHP)*

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.

(f) *Foothill Family Apartments (FFA)*

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, 2018, the Authority did not receive lease income.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

(g) Tassafaronga Partners (TP)

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, 2018, 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 \$7,015,000 as of December 31, 2017 as summarized in Note 16.

(h) Tassafaronga Partners II (TP 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, 2018, there have been no operating deficit loans made to TP II.

(i) Village-Side Housing Partners (VSHP)

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, 2017, accumulated amortization was \$157,030.

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.

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

Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 13 – RELATED PARTY TRANSACTIONS (Continued)

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. (LCSHP)

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.

(k) AveVista Associates, L.P. (AV)

Ground Lease – AveVista entered into a ground lease agreement with the Authority to lease the land upon the 68-unit project is located. The lease term is for a period of 90 years, which expires in 2102. Upon termination of the lease, the buildings and improvements become the property of the Authority. The ground lease consists of required payments totaling \$90, equivalent to \$1 annual rent.

Developer Fee – AveVista agreed to pay a developer fee to the Authority and BRIDGE Housing Corporation (BRIDGE) in the amount not to exceed \$2,500,000. Per the administrative fee and option indemnity agreement, the fee is to be split evenly between the Authority and BRIDGE. Proceeds for this fee should be paid from available debt and equity proceeds of the Partnership. The remainder of the developer fee shall constitute a non-interest bearing note payable to the developer from cash flow and or net proceeds or at maturity of the loan on October 1, 2025. To the extent that cash flows and or net proceeds have not covered the entirety of the loan the general partner shall make a capital contribution to the Partnership in the amount necessary to pay the developer loan. As of December 31, 2017, \$325,118 remains payable, of which 162,559 is payable to the Authority and \$162,559 is payable to BRIDGE.

Conduit Debt - The Authority also participated in the issuance of \$16,532,000 of Multi-family Housing Revenue Bonds (AveVista Apartments Project) Series 2013A-1 and Series 2013A-2. These bonds were issued to provide financing for the construction and development by AveVista. These bonds have a principal balance of \$5,193,922 as of December 31, 2017 as summarized in Note 16.

NOTE 14 – SPECIAL ITEM

As a blended component unit of the Authority, OAHPI is allocated a percentage of costs associated with various intergovernmental activities (administrative, operations, maintenance, and management costs, etc.) incurred by the Authority on behalf of OAHPI. The OAHPI properties receive an allocation of costs from the Authority's centrally provided services which caused these properties to operate at a loss. Net losses accumulated over the years resulting in a payable owed back to the Authority in the amount of \$100,438,567 as of June 30, 2017. During fiscal year 2018, OAHPI paid back the Authority \$90,000,000, which includes additional borrowings during fiscal year 2018, and the Authority forgave the remaining \$28,245,661, after consideration was given to the nature of the various intergovernmental activities occurring between the Authority and the OAHPI properties. The Authority's management determined that many of the services could be provided through its Move to Work Program prospectively, without further burdening the OAHPI properties. The effect of the special item is reported in the Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position within the Federal Programs and Other Housing Programs funds.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

NOTE 14 – SPECIAL ITEM (Continued)

On June 25, 2018, the Authority’s Board of Commissioners approved to adopt the resolution authorizing the Executive Director to instruct OAHPI to establish and maintain restricted Operating Reserves in the amount of \$5 million, restricted Capital Replacement Reserves in the amount of \$15 million, and restricted Replacement Development Reserves in the amount of \$60 million to facilitate the operations, preservation, and redevelopment of the portfolio.

Subsequent to June 30, 2018, the Authority contributed \$80,000,000 of the repayment back to OAHPI to establish the three Restricted Reserves noted above for the benefit of the properties to address some of the outstanding capital needs.

NOTE 15 – RESTATEMENT OF NET POSITION

The Authority implemented GASB 75, which applies to state and local government employers who provide OPEB to employees. The accounting changes adopted to conform to the provisions of this statement were applied retroactively by restating the Authority’s beginning net position. The restatements include the reversal of the net OPEB asset under the former GASB standard, and establishing the net OPEB liability/asset and prior year contribution reclassification pursuant to GASB 75. The restatement resulted in a net decrease to beginning net position of \$9,235,401. Refer to Note 11 for more information regarding the Authority’s OPEB Plan.

The table below summarizes the components of the restatement to the Authority’s net position:

Net position as of June 30, 2017, as previously reported	\$	393,404,427
GASB Statement No. 75 adjustments:		
Reversal of net OPEB asset determined pursuant to GASB Statement No. 45		(12,829,248)
Establish the net OPEB liability/asset		(11,943,334)
Reclassification of 2017 OPEB contributions to deferred outflows of resources		15,537,181
		15,537,181
Net position as of June 30, 2017, as restated	\$	384,169,026

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

**NOTE 16 – 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)	Lion Creek Senior Housing Partners (1)	Village-Side Housing Partners (1)	Ave Vista Associates (1)	Total
Assets												
Unrestricted cash and cash equivalents	\$ 200,156	\$ 365,200	\$ 222,681	\$ 280,895	\$ 387,685	\$ 169,850	\$ 498,686	\$ 97,732	\$ 803,910	\$ 203,121	\$ 473,710	\$ 3,703,626
Restricted cash and cash equivalents	1,647,762	946,847	1,023,591	972,566	991,051	464,577	2,190,363	526,362	514,641	588,579	417,133	10,283,472
Accounts receivable and other current assets	64,868	191,844	126,066	97,047	94,068	86,130	75,181	17,906	53,818	51,943	114,492	973,363
Other noncurrent assets	9,738	-	536,855	946,778	1,043,491	1,782	40,467	6,480	52,554	1,821,513	31,808	4,491,466
Capital assets, net	22,202,405	26,808,371	23,754,644	26,693,397	29,129,597	7,413,417	39,871,027	5,634,395	30,004,914	24,725,267	26,042,246	262,279,680
Total assets	24,124,929	28,312,262	25,663,837	28,990,683	31,645,892	8,135,756	42,675,724	6,282,875	31,429,837	27,390,423	27,079,389	281,731,607
Liabilities												
Current liabilities	266,039	693,016	170,409	354,370	227,057	253,071	509,101	105,518	342,913	101,936	405,508	3,428,938
Other noncurrent liabilities	-	3,277,464	2,225,304	2,461,921	1,742,091	1,531,190	2,649,661	1,186,707	328,543	944,413	911,215	17,258,509
Loans from the Authority (Note 5)	10,613,079	3,389,085	5,434,592	8,994,620	3,320,312	2,400,000	14,313,793	1,819,688	11,765,430	8,721,093	8,734,715	79,506,407
Long-term obligations (other than loans from the Authority)	5,245,768	5,875,867	14,792,407	15,275,295	18,418,587	2,012,014	19,684,319	3,745,484	6,258,725	14,368,365	7,499,411	113,176,242
Total liabilities	16,124,886	13,235,432	22,622,712	27,086,206	23,708,047	6,196,275	37,156,874	6,857,397	18,695,611	24,135,807	17,550,849	213,370,096
Net position	\$ 8,000,043	\$ 15,076,830	\$ 3,041,125	\$ 1,904,477	\$ 7,937,845	\$ 1,939,481	\$ 5,518,850	\$ (574,522)	\$ 12,734,226	\$ 3,254,616	\$ 9,528,540	\$ 68,361,511
Operating revenues	\$ 1,909,507	\$ 2,256,780	\$ 1,562,852	\$ 1,934,452	\$ 1,372,633	\$ 888,100	\$ 2,572,052	\$ 300,441	\$ 2,118,989	\$ 880,034	\$ 1,238,327	\$ 17,034,167
Operating expenses	(2,684,872)	(2,998,995)	(2,128,351)	(3,089,199)	(1,942,549)	(876,600)	(3,567,204)	(530,004)	(2,266,158)	(1,676,886)	(1,346,883)	(23,107,701)
Operating income (loss)	(775,365)	(742,215)	(565,499)	(1,154,747)	(569,916)	11,500	(995,152)	(229,563)	(147,169)	(796,852)	(108,556)	(6,073,534)
Nonoperating revenues	3,882	7,303	186	4,710	4,435	2,356,238	6,446	-	94,352	159	459	2,478,170
Nonoperating expenses	(1,494)	(343,284)	(418,884)	(556,109)	(519,761)	(373,213)	(787,976)	(114,210)	(307,220)	(294,701)	(572,833)	(4,289,685)
Loss before capital contributions	(772,977)	(1,078,196)	(984,197)	(1,706,146)	(1,085,242)	1,994,525	(1,776,682)	(343,773)	(360,037)	(1,091,394)	(680,930)	(7,885,049)
Capital contributions	-	-	-	-	-	-	-	-	-	-	283,214	283,214
Change in net position	(772,977)	(1,078,196)	(984,197)	(1,706,146)	(1,085,242)	1,994,525	(1,776,682)	(343,773)	(360,037)	(1,091,394)	(397,716)	(7,601,835)
Net position, beginning of year	8,773,020	16,155,026	4,025,322	3,610,623	9,023,087	(55,044)	7,295,532	(230,749)	13,094,263	4,346,010	9,926,256	75,963,346
Net position, end of year	\$ 8,000,043	\$ 15,076,830	\$ 3,041,125	\$ 1,904,477	\$ 7,937,845	\$ 1,939,481	\$ 5,518,850	\$ (574,522)	\$ 12,734,226	\$ 3,254,616	\$ 9,528,540	\$ 68,361,511

(1) Component unit was audited by other auditors.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

**NOTE 16 – 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. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2017.

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 Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

**NOTE 16 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

At December 31, 2017, these component units' restricted cash and cash equivalents are as follows:

	CLA	MGA	OCHP	LWHP	CHP	FFA	TP	TP II	VSHP	LCS	AV	Total
Restricted deposits for:												
Replacement reserves	\$ 918,301	\$ 470,460	\$ 382,985	\$ 378,541	\$ 417,612	\$ 175,083	\$ 539,773	\$ 67,866	\$ 188,847	\$ 133,180	\$ 56,705	\$ 3,729,353
Operating reserves	631,208	269,832	353,286	387,118	322,104	251,599	471,715	160,345	225,122	351,298	225,431	3,649,058
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	-	-	-	87,863	117,203	-	-	-	142,457	-	-	347,523
Debt service reserves	-	-	-	-	-	-	69,114	-	-	-	-	69,114
Revenue deficit reserves	-	-	-	-	-	-	980,644	294,000	-	-	-	1,274,644
Escrow deposits	-	93,261	22,780	33,845	25,904	-	50,432	-	-	-	106,743	332,965
Tenant security deposits	98,253	113,294	67,298	85,199	50,412	37,895	78,685	4,151	32,153	30,163	28,254	625,757
Total restricted deposits	<u>\$ 1,647,762</u>	<u>\$ 946,847</u>	<u>\$ 1,023,591</u>	<u>\$ 972,566</u>	<u>\$ 991,051</u>	<u>\$ 464,577</u>	<u>\$ 2,190,363</u>	<u>\$ 526,362</u>	<u>\$ 588,579</u>	<u>\$ 514,641</u>	<u>\$ 417,133</u>	<u>\$ 10,283,472</u>

Capital Assets - The Authority component units' capital assets activity for the year ended December 31, 2017 was as follows:

	January 1, 2017	Additions	Reductions/ Transfers	December 31, 2017
<i>Capital assets, not being depreciated:</i>				
Land	\$ 16,563,703	\$ -	\$ -	\$ 16,563,703
Construction in progress	834,599	240,715	(62,794)	1,012,520
Total capital assets, not being depreciated	<u>17,398,302</u>	<u>240,715</u>	<u>(62,794)</u>	<u>17,576,223</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	342,153,808	20,643	-	342,174,451
Equipment and vehicles	10,750,353	68,180	-	10,818,533
Total capital assets, being depreciated	<u>352,904,161</u>	<u>88,823</u>	<u>-</u>	<u>352,992,984</u>
<i>Less accumulated depreciation</i>	<u>(97,026,593)</u>	<u>(11,262,934)</u>	<u>-</u>	<u>(108,289,527)</u>
Total capital assets, being depreciated, net	<u>255,877,568</u>	<u>(11,174,111)</u>	<u>-</u>	<u>244,703,457</u>
Component units capital assets, net	<u>\$ 273,275,870</u>	<u>\$ (10,933,396)</u>	<u>\$ (62,794)</u>	<u>\$ 262,279,680</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

**NOTE 16 – 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, 2017 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, 2017</u>
<i>Chestnut Linden Associates</i>				
City of Oakland (Successor Agency)	2057	0.0%	Excess/distributable cash	\$ 4,641,768
World Savings Bank Affordable Housing Program	2058	0.0%	At maturity	604,000
Total Chestnut Linden Associates				<u>5,245,768</u>
<i>AveVista Associates LP</i>				
JP Morgan Chase I	2051	5.3%	\$27,755 monthly payment	5,193,922
JP Morgan Chase II	2051	3.6%	\$3,564 monthly payment	824,426
JP Morgan Chase II	2027	5.3%	At maturity	850,000
Federal Home Loan Bank of San Francisco	2030	0.0%	At maturity	670,000
Total AveVista Associates L.P.				<u>7,538,348</u>
<i>Mandela Gateway Associates</i>				
California Housing Finance Agency Note #1	2020	6.5%	\$38,547 monthly payments of principal and interest	
California Housing Finance Agency Note #3	2035	3.0%	Sufficient residual receipts	
Subtotal California Housing Finance Agency				1,428,605
City of Oakland (Successor Agency)	2058	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	1,000,000
Total Mandela Gateway Associates				<u>5,928,605</u>
<i>Oakland Coliseum Housing Partners</i>				
California Housing Finance Agency Note #A	2042	5.5%	\$18,366 monthly payments of principal and interest	2,948,318
California Housing Finance Agency Note #B	2042	3.0%	\$2,213 monthly payments	457,135
Department of Housing and Community Development	2061	3.0%	0.42% of unpaid principal annually	7,965,000
City of Oakland	2059	0.0%	9.3% of cash flow	1,480,977
City of Oakland (Successor Agency)	2059	0.0%	9.3% of cash flow	1,480,977
Affinity Bank	2042	0.0%	At maturity	460,000
Total Oakland Coliseum Housing Partners				<u>14,792,407</u>
<i>Lion Way Housing Partners</i>				
California Housing Finance Agency Note #1	2047	5.9%	\$21,948 monthly payments of principal and interest	3,696,515
California Housing Finance Agency Note #2	2047	3.0%	\$2,613 monthly payments	618,780
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
Total Lion Way Housing Partners				<u>15,275,295</u>
<i>Creekside Housing Partners</i>				
California Housing Finance Agency Note #A	2049	5.7%	\$21,601 monthly payments of principal and interest	3,775,167
California Housing Finance Agency Note #B	2049	5.5%	\$5,155 monthly payments	69,748
California Housing Finance Agency Note #C	2049	3.0%	\$1,897 monthly payments	460,635
Department of Housing and Community Development	2064	3.0%	0.42% of unpaid principal annually	9,028,478
City of Oakland	2016	0.0%	18% of cash flow	2,973,638
City of Oakland	2061	0.0%	9% of cash flow	1,585,921
Far East National Bank	2061	0.0%	At maturity	525,000
Total Creekside Housing Partners				<u>18,418,587</u>
<i>Foothill Family Apartments</i>				
Hanmi Bank, Federal Savings Bank	2035 - may be forgiven at end of 15 years	0.0%	At maturity	575,000
Hanmi Bank, Federal Savings Bank	2035	7.5%	\$12,375 monthly payments	1,451,706
Total Foothill Family Apartments				<u>2,026,706</u>

(To be continued)

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

**NOTE 16 – 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, 2017 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, 2017</u>
<i>(Continued from previous page)</i>				
<i>Tassafaronga Partners, L.P.</i>				
Wells Fargo Bank, N.A. Series A and Series B	2026	5.45% - 5.65%	\$68,376 monthly payments	\$ 7,015,000
Redevelopment Agency of the City of Oakland	2063	0.0%	14.88% of cash flow	3,000,000
Department of Housing and Community Development	2066	3.0%	0.42% of unpaid principal annually	10,000,000
Total Tassafaronga Partners				<u>20,015,000</u>
<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	2064	0.0%	At maturity	200,000
County of Alameda - HOPWA Loan	2064	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	774,453
City of Oakland	2065	0.0%	50% of cash flow	3,487,236
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	2,970,130
Total Village-Side Housing Partners, L.P.				<u>14,759,411</u>
<i>Lion Creek Senior Housing Partners L.P.</i>				
Union Bank of California Tranche A-1	2030	65% of LIBOR + 2.35%	Payment based on 30 year	4,609,620
Union Bank of California Tranche A-2	2030	65% of LIBOR + 2.35%	amortization with all unpaid principal	817,709
Union Bank of California	2070	0.0%	and interest due at maturity	1,270,000
Total Lion Creek Senior Housing Partners, L.P.				<u>6,697,329</u>
Total Component Units				<u>\$ 114,510,752</u>

Changes to the component units' long-term obligations for the year ended December 31, 2017 were as follows:

<u>Component Units:</u>	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Amounts Due Within One Year</u>
Chestnut Linden Associates	\$ 5,350,307	\$ -	\$ (104,539)	\$ 5,245,768	\$ 77,100
AveVista Associates, L.P.	6,753,910	850,000	(65,562)	7,538,348	129,699
Mandela Gateway Associates	6,109,917	-	(181,312)	5,928,605	193,454
Oakland Coliseum Housing Partners	14,871,185	-	(78,778)	14,792,407	72,758
Lion Way Housing Partners	15,403,035	-	(127,740)	15,275,295	59,496
Creeside Housing Partners	18,540,360	-	(121,773)	18,418,587	113,803
Foothill Family Apartments	3,359,219	-	(1,332,513)	2,026,706	41,047
Tassafaronga Partners	20,435,000	-	(420,000)	20,015,000	445,000
Tassafaronga Partners II	3,813,296	-	-	3,813,296	-
Village-Side Housing Partners, L.P.	14,809,752	-	(50,341)	14,759,411	43,506
Lion Creek Senior Housing Partners, L.P.	7,000,007	-	(302,678)	6,697,329	317,373
Total	<u>\$ 116,445,988</u>	<u>\$ 850,000</u>	<u>\$ (2,785,236)</u>	114,510,752	<u>\$ 1,493,236</u>
				Less unamortized debt issuance costs	(1,334,510)
				Long-term obligations, net	<u>\$ 113,176,242</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

**NOTE 16 – SUMMARIZED FINANCIAL INFORMATION OF
BLENDED COMPONENT UNITS**

The statement of net position of CAHI and OAHPI are as follows at June 30, 2018:

	California Affordable Housing Initiatives, Inc.	Oakland Affordable Housing Preservation Initiatives
Assets		
Unrestricted cash and cash equivalents	\$ 42,874,378	\$ 485
Restricted cash and cash equivalents	22,616	377,673
Accounts receivable and other current assets	1,921,402	3,102,187
Other noncurrent assets	804	24,584
Capital assets, net	14,168,788	22,761,273
Total assets	58,987,988	26,266,202
Deferred outflows of resources		
Pension related items	113,914	2,550,816
OPEB related items	137,852	4,243,010
Total deferred outflows of resources	251,766	6,793,826
Liabilities		
Current liabilities	1,199,451	2,171,999
Due to the Authority	178,750	-
Other noncurrent liabilities	69,621	1,180,806
Total liabilities	1,447,822	3,352,805
Deferred inflows of resources		
Pension related items	15,932	902,398
OPEB related items	7,351	224,705
Total deferred inflows of resources	23,283	1,127,103
Net position		
Net investment in capital assets	14,168,788	22,761,273
Restricted	22,616	-
Unrestricted	43,577,245	5,818,847
Total net position	\$ 57,768,649	\$ 28,580,120

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

**NOTE 16 – SUMMARIZED FINANCIAL INFORMATION OF
BLENDED COMPONENT UNITS (Continued)**

The statement of revenues, expenses and changes in net position of CAHI and OAHPI are as follows for the year ended June 30, 2018:

	California Affordable Housing Initiatives, Inc.	Oakland Affordable Housing Preservation Initiatives
Operating revenues:		
Rental income	\$ -	\$ 30,705,396
Housing assistance payment revenues	583,640,359	-
Miscellaneous and other revenues	21,352,504	3,763
Total operating revenues	<u>604,992,863</u>	<u>30,709,159</u>
Operating expenses		
Program services	583,640,359	-
Management and general	14,311,844	20,451,082
Depreciation and amortization	388,666	5,642,764
Total operating expenses	<u>598,340,869</u>	<u>26,093,846</u>
Operating income	<u>6,651,994</u>	<u>4,615,313</u>
Nonoperating revenues (expenses)		
Investment income	4,041	-
Other nonoperating expense	(4,970)	(3,530)
Total nonoperating revenues (expenses), net	<u>(929)</u>	<u>(3,530)</u>
Income before contributions and special item	6,651,065	4,611,783
Contributions from the Authority	-	4,623,156
Special item	-	28,245,661
Change in net position	<u>6,651,065</u>	<u>37,480,600</u>
Net position, beginning of year, as previously reported	51,110,634	(8,704,388)
Prior period adjustment	6,950	(196,092)
Net position, beginning of year, as restated	<u>51,117,584</u>	<u>(8,900,480)</u>
Net position, end of year	<u>\$ 57,768,649</u>	<u>\$ 28,580,120</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

**NOTE 16 – SUMMARIZED FINANCIAL INFORMATION OF
BLENDED COMPONENT UNITS (Continued)**

The statement of cash flows of CAHI and OAHPI are as follows for the year ended June 30, 2018:

	California Affordable Housing Initiatives, Inc.	Oakland Affordable Housing Preservation Initiatives
Cash flows from operating activities:		
Receipts from tenants	\$ 21,352,504	\$ 30,152,425
Receipts from others	-	3,763
Receipts from housing assistance programs	581,884,240	134,474
Payments to suppliers for goods and services	(13,151,465)	(19,898,274)
Housing assistance payments on behalf of tenants	(583,617,988)	-
Payments to employees for services	(144,148)	(3,656,899)
Total cash flows from operating activities	6,323,143	6,735,489
Cash flows from noncapital financing activities:		
Repayment of loan to the Authority	-	(72,192,906)
Short term borrowing from the Authority	96,101	-
Total cash flows from noncapital financing activities	96,101	(72,192,906)
Cash flows from capital and related financing activities		
Acquisition of capital assets	(10,807)	(54,186)
Cash flows from investing activities		
Interest income	4,041	-
Net change in cash and cash equivalents	6,412,478	(65,511,603)
Cash and cash equivalents, beginning of year	36,484,516	65,889,761
Cash and cash equivalents, end of year	\$ 42,896,994	\$ 378,158
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,653,974	\$ 4,419,221
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	388,666	5,642,764
Other nonoperating expense	-	(3,530)
Change in net pension and OPEB liability and pension and OPEB related deferred outflows and inflows of resources	(144,488)	(3,665,989)
(Increase) decrease in:		
Accounts receivables	(1,756,119)	(579,960)
Prepays and other assets	(2,290)	90,457
Decrease in:		
Accounts payable and other accrued liabilities	1,183,400	671,063
Tenant security deposits and unearned revenues	-	161,463
Net cash provided by operating activities	\$ 6,323,143	\$ 6,735,489
Supplementary information		
Noncash capital and related financing activities:		
Capital assets transferred from the Authority	\$ -	\$ 4,623,156
Forgiveness of loan amount due to the Authority	-	28,245,661

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

Measurement Date	2018	2017	2016	2015
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability				
Service cost	\$ 3,539,014	\$ 3,310,145	\$ 3,292,478	\$ 3,364,122
Interest on the total pension liability	8,131,615	7,816,926	7,426,882	6,975,906
Changes of assumptions**	6,592,553	-	(1,765,900)	-
Differences between expected and actual experience	(1,610,353)	(1,268,669)	(421,954)	-
Benefit payments, including refunds of employee contributions	(4,828,573)	(4,525,216)	(4,196,558)	(3,893,482)
Net change in total pension liability during measurement period	11,824,256	5,333,186	4,334,948	6,446,546
Total pension liability, beginning	109,391,440	104,058,254	99,723,306	93,276,760
Total pension liability, ending	\$ 121,215,696	\$ 109,391,440	\$ 104,058,254	\$ 99,723,306
Plan Fiduciary Net Position				
Contributions from the employer	\$ 2,024,979	\$ 2,131,200	\$ 7,801,695	\$ 6,509,930
Contributions from the employees	1,491,076	1,418,382	1,403,565	1,491,558
Net investment income	11,533,624	552,372	2,225,891	13,852,443
Benefit payments, including refunds of employee contributions	(4,828,573)	(4,525,216)	(4,196,558)	(3,893,482)
Administrative expenses	(152,492)	(63,244)	(116,826)	-
Net change in plan fiduciary net position	10,068,614	(486,506)	7,117,767	17,960,449
Plan fiduciary net position, beginning	103,284,148	103,770,654	96,652,887	78,692,438
Plan fiduciary net position, ending	\$ 113,352,762	\$ 103,284,148	\$ 103,770,654	\$ 96,652,887
Plan Net Pension Liability, ending	\$ 7,862,934	\$ 6,107,292	\$ 287,600	\$ 3,070,419
Plan fiduciary Net Position as a Percentage of the Total Pension Liability	93.51%	94.42%	99.72%	96.92%
Covered Payroll	\$ 19,680,125	\$ 20,060,344	\$ 21,885,064	\$ 20,393,561
Plan Net Pension Liability as a Percentage of Covered Payroll	39.95%	30.44%	1.31%	15.06%

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

** For the actuarial valuation with a measurement date as of June 30, 2017, the discount rate was reduced from 7.65% in 2016 to 7.15% for 2017.

For the actuarial valuation with a measurement date as of June 30, 2015, an adjustment was made to the discount rate from 7.5% (net of administrative expenses) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.5% discount rate.

*** The Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan does not include any liability impact that may have resulted from from plan changes which occurred after June 30, 2017. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability and Related Ratio:
Safety Plan
Last 4 Years*

	2018	2017	2016	2015
Plan's proportion of the net pension liability	0.01293%	0.01011%	0.00153%	0.03091%
Plan's proportionate share of the net pension liability	\$ 1,282,773	\$ 874,556	\$ 104,748	\$ 1,923,489
Plan's covered payroll	\$ 2,966,000	\$ 2,968,499	\$ 3,068,536	\$ 2,814,791
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	43.25%	29.46%	3.41%	68.34%
Plan's proportionate share of the fiduciary net pension as a percentage of the plan's total pension liability	73.31%	74.06%	78.40%	81.42%

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

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last 5 Years*

	2017-18	2016-17	2015-16	2014-15	2013-14
Miscellaneous Plan					
Actuarially determined contribution	\$ 2,108,634	\$ 2,894,523	\$ 3,113,392	\$ 1,980,747	\$ 1,940,192
Contributions in relation to the actuarially determined contributor	(2,108,634)	(2,894,523)	(3,113,392)	(7,801,695)	(6,509,930)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,820,948)</u>	<u>\$ (4,569,738)</u>
Covered Payroll	\$ 22,984,635	\$ 20,060,344	\$ 21,885,064	\$ 18,952,179	\$ 20,393,561
Contributions as a Percentage of Covered Payroll	9.17%	14.43%	14.23%	41.17%	31.92%
Safety Plan					
Actuarially determined contribution	\$ 750,371	\$ 782,591	\$ 735,732	\$ 609,327	\$ 238,613
Contributions in relation to the actuarially determined contributor	(750,371)	(782,591)	(735,732)	(804,888)	(238,613)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (195,561)</u>	<u>\$ -</u>
Covered Payroll	\$ 2,879,630	\$ 2,968,499	\$ 3,068,536	\$ 3,347,620	\$ 2,814,791
Contributions as a Percentage of Covered Payroll	26.06%	26.36%	23.98%	24.04%	8.48%

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

Valuation date	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011
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%**	7.50%**	7.65%	7.50%**	7.50%**
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 first year of implementation of GASB Statement No. 68, therefore only five years of information is shown.

** Net of pension plans' investment and administrative expenses, including inflation

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

Required Supplementary Information (Unaudited)

Schedule of Changes in the Net Other Postemployment Benefit (OPEB) Liability(Asset) and Related Ratios

Measurement Date	<u>2018</u> June 30, 2017
Total OPEB Liability	
Service cost	\$ 2,288,036
Interest on the total pension liability	3,027,666
Change in benefit terms	2,608,282
Differences between expected and actual experience	(52,619)
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,833,461)</u>
Net change in total OPEB liability during measurement period	6,037,904
Total OPEB liability, beginning	<u>49,076,447</u>
Total OPEB liability, ending	<u><u>\$ 55,114,351</u></u>
Plan Fiduciary Net Position	
Contributions from the employer	\$ 15,537,181
Contributions from the employees	-
Net investment income	4,466,500
Administrative expenses	(23,508)
Benefit payments, including refunds of employee contributions	<u>(1,833,461)</u>
Net change in plan fiduciary net position	18,146,712
Plan fiduciary net position, beginning	<u>37,133,113</u>
Plan fiduciary net position, ending	<u><u>\$ 55,279,825</u></u>
Plan net OPEB liability (asset), ending	<u><u>\$ (165,474)</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>100.30%</u>
Covered-employee payroll	<u>\$ 24,365,498</u>
Plan net OPEB liability as a percentage of covered-employee payroll	<u><u>-0.68%</u></u>

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

** The Schedule of 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, 2017. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Required Supplementary Information (Unaudited)
Schedule of OPEB Contributions

	2018
Actuarially determined contribution	\$ 3,135,555
Contributions in relation to the actuarially determined contribution	31,695,210
Contribution deficiency (excess)	\$ (28,559,655)
Covered-employee payroll	\$ 25,864,264
Contributions as a percentage of covered-employee payroll	122.54%

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

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Actuarial cost method	Entry-age normal
Amortization method	Straight line
Asset valuation method	Market value of assets
Inflation	2.00%
Projected salary increases	3.25%
Investment rate of return	6.00%
Health Care Cost Trend Rate	7.75% for pre-65 and 5.10% for post-65 reduced by level decrements to 5.00% in 2030 for both pre-65 and post-65.
Retirement Age	Varies by age, service, and employee type. For non-safety personnel rates were based on the most recent CalPERS Public Agency Miscellaneous 2% @ 55 for actives hired before January 1, 2013 and 2% @ 62 for actives hired on or after January 1, 2013. For safety personnel the rates were from the CalPERS Public Agency Police 2014 experience study.
Mortality	The mortality rates used are those from the most recent CalPERS 2014 Mortality pre-retirement and CalPERS 2014 Mortality post-retirement valuations

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

See accompanying notes to the required supplementary information.

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OTHER SUPPLEMENTARY INFORMATION

- Federal, Other Housing and General Programs
- Federal Programs
- Other Housing Programs



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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Net Position
Federal, Other Housing and General Programs
June 30, 2018

	Federal Programs	Other Housing Programs	General Programs	Eliminations	Total
Assets:					
Current assets:					
Unrestricted cash and cash equivalents	\$ 136,854,056	\$ 54,092,188	\$ 1,282,346	\$ -	\$ 192,228,590
Accounts receivable, net:					
U.S. Department of Housing and Urban Development	18,335,442	1,756,119	-	-	20,091,561
Tenants	198,203	1,748,434	3,325	-	1,949,962
Other	6,217,488	2,434,285	312,239	-	8,964,012
Due from other funds	12,179,142	3,334,448	1,493,052	(17,006,642)	-
Prepaid expenses	124,978	179,950	150,626	-	455,554
Restricted cash and cash equivalents	3,135,175	454,564	1,856	-	3,591,595
Total current assets	177,044,484	63,999,988	3,243,444	(17,006,642)	227,281,274
Noncurrent assets:					
Noncurrent interest receivable	4,966,101	913,450	-	-	5,879,551
Notes receivable from component units	72,447,097	10,398,572	-	-	82,845,669
Notes receivable from others	-	13,021,321	-	-	13,021,321
Net OPEB asset	100,483	25,388	39,603	-	165,474
Other noncurrent assets	635,807	13,468,270	1,600	-	14,105,677
Capital assets:					
Nondepreciable	43,634,646	35,710,424	872,772	-	80,217,842
Depreciable, net	8,077,474	32,097,655	2,863,574	-	43,038,703
Total capital assets	51,712,120	67,808,079	3,736,346	-	123,256,545
Total noncurrent assets	129,861,608	105,635,080	3,777,549	-	239,274,237
Total assets	306,906,092	169,635,068	7,020,993	(17,006,642)	466,555,511
Deferred outflows of resources:					
Pension related items	10,577,946	2,042,850	5,045,312	-	17,666,108
OPEB related items	19,002,153	4,380,862	8,312,195	-	31,695,210
Total deferred outflows of resources	29,580,099	6,423,712	13,357,507	-	49,361,318
Liabilities:					
Current liabilities:					
Accounts payable	481,551	1,558,715	1,262,943	-	3,303,209
Accrued payroll	508,643	57,427	225,814	-	791,884
Due to the U.S. Department of Housing and Urban Development	79,402	22,616	-	-	102,018
Due to other funds	2,060,516	14,946,126	-	(17,006,642)	-
Unearned revenues	498,768	595,564	-	-	1,094,332
Other accrued liabilities	1,270,233	719,786	261,860	-	2,251,879
Tenant security deposits	324,561	374,464	-	-	699,025
Current portion of compensated absences	215,575	42,878	151,948	-	410,401
Total current liabilities	5,439,249	18,317,576	1,902,565	(17,006,642)	8,652,748
Noncurrent liabilities:					
Compensated absences, net of current portion	632,857	126,075	462,063	-	1,220,995
Net pension liability	4,927,656	1,124,352	3,093,699	-	9,145,707
Family Self Sufficiency deposits	980,645	-	-	-	980,645
Total noncurrent liabilities	6,541,158	1,250,427	3,555,762	-	11,347,347
Total liabilities	11,980,407	19,568,003	5,458,327	(17,006,642)	20,000,095
Deferred inflows of resources:					
Pension related items	1,545,766	296,450	769,416	-	2,611,632
OPEB related items	918,516	232,056	362,000	-	1,512,572
Total deferred inflows of resources	2,464,282	528,506	1,131,416	-	4,124,204
Net position:					
Net investment in capital assets	51,712,120	67,808,079	3,736,346	-	123,256,545
Restricted for housing programs	1,829,969	80,100	1,856	-	1,911,925
Unrestricted	268,499,413	88,074,092	10,050,555	-	366,624,060
Total net position	\$ 322,041,502	\$ 155,962,271	\$ 13,788,757	\$ -	\$ 491,792,530

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Federal, Other Housing and General Programs
For the Year Ended June 30, 2018

	Federal Programs	Other Housing Programs	General Programs	Eliminations	Total
Operating revenues:					
Rental income	\$ 4,530,673	\$ 30,705,396	\$ -	\$ -	\$ 35,236,069
Housing assistance payment revenues	312,331,766	583,640,359	-	-	895,972,125
Other operating grants	8,789,816	-	-	-	8,789,816
Miscellaneous and other revenues	2,300,287	25,135,343	17,694,551	(18,649,687)	26,480,494
Total operating revenues	<u>327,952,542</u>	<u>639,481,098</u>	<u>17,694,551</u>	<u>(18,649,687)</u>	<u>966,478,504</u>
Operating expenses:					
Housing assistance payments	185,403,644	583,640,359	632,654	-	769,676,657
Administrative	19,021,780	2,319,241	12,546,265	-	33,887,286
Tenant services	657,151	34,293	18,509	-	709,953
Utilities	1,529,515	2,212,491	272,178	-	4,014,184
Maintenance and operations	5,500,288	8,599,055	2,768,040	-	16,867,383
General expenses	8,824,568	15,260,306	777,890	-	24,862,764
Depreciation and amortization	2,526,093	6,170,491	766,428	-	9,463,012
Overhead allocation	10,776,991	6,410,778	1,461,918	(18,649,687)	-
Total operating expenses	<u>234,240,030</u>	<u>624,647,014</u>	<u>19,243,882</u>	<u>(18,649,687)</u>	<u>859,481,239</u>
Operating income (loss)	<u>93,712,512</u>	<u>14,834,084</u>	<u>(1,549,331)</u>	<u>-</u>	<u>106,997,265</u>
Nonoperating revenues (expenses):					
Gain on disposal of capital assets	10,170	-	-	-	10,170
Investment income	473,984	226,050	-	-	700,034
Other nonoperating expenses	(58,615)	(8,500)	(16,850)	-	(83,965)
Total nonoperating revenues (expenses), net	<u>425,539</u>	<u>217,550</u>	<u>(16,850)</u>	<u>-</u>	<u>626,239</u>
Income (loss) before transfers and special item	<u>94,138,051</u>	<u>15,051,634</u>	<u>(1,566,181)</u>	<u>-</u>	<u>107,623,504</u>
Transfers in	318,562,007	4,623,156	16,693,381	(339,878,544)	-
Transfers out	(335,007,323)	-	(4,871,221)	339,878,544	-
Special item	(28,245,661)	28,245,661	-	-	-
Change in net position	<u>49,447,074</u>	<u>47,920,451</u>	<u>10,255,979</u>	<u>-</u>	<u>107,623,504</u>
Net position, beginning of year, as previously reported	278,278,562	108,230,962	6,894,903	-	393,404,427
Prior period adjustment	(5,684,134)	(189,142)	(3,362,125)	-	(9,235,401)
Net position, beginning of year, as restated	<u>272,594,428</u>	<u>108,041,820</u>	<u>3,532,778</u>	<u>-</u>	<u>384,169,026</u>
Net position, end of year	<u>\$ 322,041,502</u>	<u>\$ 155,962,271</u>	<u>\$ 13,788,757</u>	<u>\$ -</u>	<u>\$ 491,792,530</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Cash Flows
Federal, Other Housing and General Programs
For the Year Ended June 30, 2018

	Federal Programs	Other Housing Programs	General Programs	Eliminations	Total
Cash flows from operating activities:					
Receipts from tenants	\$ 4,705,815	\$ 30,311,518	\$ -	\$ -	\$ 35,017,333
Receipts from customers and others	2,467,186	25,049,067	17,634,249	(18,649,687)	26,500,815
Receipts from housing assistance programs	312,535,304	582,018,714	-	-	894,554,018
Payments for interfund services used	(10,776,991)	(6,410,778)	(1,461,918)	18,649,687	-
Payments to suppliers for goods and services	(37,695,719)	(29,256,150)	(15,858,948)	-	(82,810,817)
Housing assistance payments on behalf of tenants	(185,435,850)	(583,617,988)	(632,654)	-	(769,686,492)
Operating grants received	8,789,816	-	-	-	8,789,816
Payments to employees for services	(19,769,835)	(3,935,706)	(8,270,561)	-	(31,976,102)
Net cash provided by (used in) operating activities	<u>74,819,726</u>	<u>14,158,677</u>	<u>(8,589,832)</u>	<u>-</u>	<u>80,388,571</u>
Cash flows from noncapital financing activities:					
Transfers received	318,562,007	-	16,693,381	(335,255,388)	-
Transfers paid	(330,384,167)	-	(4,871,221)	335,255,388	-
Net disbursement of loans to other programs	-	(72,054,484)	(235,964)	72,290,448	-
Net receipts of loans from other programs	72,290,448	-	-	(72,290,448)	-
Net receipts (disbursements) of loans to related parties and component units	(471,098)	185,079	-	-	(286,019)
Net cash provided by (used in) noncapital financing activities	<u>59,997,190</u>	<u>(71,869,405)</u>	<u>11,586,196</u>	<u>-</u>	<u>(286,019)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets	10,170	-	-	-	10,170
Acquisition of capital assets	(15,443,107)	(224,171)	(1,743,214)	-	(17,410,492)
Net cash used in capital and related financing activities	<u>(15,432,937)</u>	<u>(224,171)</u>	<u>(1,743,214)</u>	<u>-</u>	<u>(17,400,322)</u>
Cash flows from investing activities:					
Interest received	138,736	4,041	-	-	142,777
Net change in cash and cash equivalents	119,522,715	(57,930,858)	1,253,150	-	62,845,007
Cash and cash equivalents, beginning of year	20,466,516	112,477,610	31,052	-	132,975,178
Cash and cash equivalents, end of year	<u>\$ 139,989,231</u>	<u>\$ 54,546,752</u>	<u>\$ 1,284,202</u>	<u>\$ -</u>	<u>\$ 195,820,185</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Cash Flows (Continued)
Federal, Other Housing and General Programs
For the Year Ended June 30, 2018

	Federal Programs	Other Housing Programs	General Programs	Eliminations	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 93,712,512	\$ 14,834,084	\$ (1,549,331)	\$ -	\$ 106,997,265
Adjustment to reconcile operating income (loss) to net cash provided (used in) by operating activities:					
Depreciation and amortization	2,526,093	6,170,491	766,428	-	9,463,012
Other expenses	(58,615)	(8,500)	(16,850)	-	(83,965)
Change in net pension and OPEB liability and pension and OPEB related deferred outflows and inflows of resources	(19,305,212)	(4,002,563)	(8,324,211)	-	(31,631,986)
Decrease (increase) in:					
Receivables	71,098	(2,263,262)	(60,302)	-	(2,252,466)
Prepaid expenses	132,877	88,167	(72,641)	-	148,403
Other noncurrent assets	(635,807)	(2,678,610)	-	-	(3,314,417)
Increase (decrease) in:					
Accounts payable	(533,248)	1,260,087	659,667	-	1,386,506
Accrued payroll	(507,612)	57,427	20,107	-	(430,078)
Due to the U.S. Department of Housing and Urban Development	(32,206)	22,371	-	-	(9,835)
Tenant security deposits	216,294	26,989	-	-	243,283
Unearned revenues	258,187	134,474	-	-	392,661
Compensated absences	42,989	9,430	33,543	-	85,962
Other liabilities	(1,067,624)	508,092	(46,242)	-	(605,774)
Net cash provided by (used in) operating activities	<u>\$ 74,819,726</u>	<u>\$ 14,158,677</u>	<u>\$ (8,589,832)</u>	<u>\$ -</u>	<u>\$ 80,388,571</u>
Cash and cash equivalents:					
Unrestricted cash and cash equivalents	\$ 136,854,056	\$ 54,092,188	\$ 1,282,346	\$ -	\$ 192,228,590
Restricted cash and cash equivalents	3,135,175	454,564	1,856	-	3,591,595
Total cash and cash equivalents	<u>\$ 139,989,231</u>	<u>\$ 54,546,752</u>	<u>\$ 1,284,202</u>	<u>\$ -</u>	<u>\$ 195,820,185</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Net Position
Federal Programs
June 30, 2018

	Section 8				
	Low Rent Housing Program	Substantial and Moderate Rehabilitation	Housing Choice Voucher	Moving To Work	Mainstream Voucher
Assets:					
Current assets:					
Unrestricted cash and cash equivalents	\$ 10,294,581	\$ 779,194	\$ 450	\$ 117,967,882	\$ 11,403
Accounts receivable:					
U.S. Department of Housing and Urban Development	-	227,930	-	18,107,512	-
Tenants	198,203	-	-	-	-
Other	96,398	4,520	3,903,226	463,517	8,342
Due from other funds	9,714	-	356,107	11,784,920	2,769
Prepaid expenses	56,328	-	18,033	50,617	-
Restricted cash and cash equivalents	2,224,100	-	906,420	-	4,655
Total current assets	12,879,324	1,011,644	5,184,236	148,374,448	27,169
Noncurrent assets:					
Noncurrent interest receivable	3,271,664	-	-	73,545	-
Notes receivable from component units	28,762,342	-	-	5,174,008	-
Net OPEB asset	21,272	-	57,165	22,046	-
Other noncurrent assets	-	-	-	635,807	-
Capital assets:					
Nondepreciable	32,191,240	-	-	11,443,406	-
Depreciable, net	5,256,349	-	2,374,088	447,037	-
Total capital assets	37,447,589	-	2,374,088	11,890,443	-
Total noncurrent assets	69,502,867	-	2,431,253	17,795,849	-
Total assets	82,382,191	1,011,644	7,615,489	166,170,297	27,169
Deferred outflows of resources:					
Pension related items	1,311,532	-	5,172,722	4,093,692	-
OPEB related items	3,963,030	-	10,913,827	4,125,296	-
Total deferred inflows of resources	5,274,562	-	16,086,549	8,218,988	-
Liabilities:					
Current liabilities:					
Accounts payable	250,613	59,009	14,182	63,986	87,798
Accrued payroll	118,590	-	286,503	103,550	-
Due to the U.S. Department of Housing and Urban Development	-	-	-	-	79,402
Due to other funds	-	330,483	278,227	251,312	82,494
Unearned revenues	314,306	100	184,098	-	264
Other accrued liabilities	391,507	-	746,390	129,659	2,677
Tenant security deposits	324,561	-	-	-	-
Current portion of compensated absence	30,999	-	113,759	70,439	378
Total current liabilities	1,430,576	389,592	1,623,159	618,946	253,013
Noncurrent liabilities:					
Net pension liability	665,164	-	2,563,379	1,686,126	12,987
Compensated absence, net of current portion	89,562	-	300,707	240,439	2,149
Family Self Sufficiency deposits	83,660	-	892,330	-	4,655
Total noncurrent liabilities	838,386	-	3,756,416	1,926,565	19,791
Total liabilities	2,268,962	389,592	5,379,575	2,545,511	272,804
Deferred inflows of resources:					
Pension related items	172,634	-	676,980	669,718	26,434
OPEB related items	194,446	-	522,554	201,516	-
Total deferred inflows of resources	367,080	-	1,199,534	871,234	26,434
Net position:					
Net investment in capital assets	37,447,589	-	2,374,088	11,890,443	-
Restricted for housing programs	1,815,879	-	14,090	-	-
Unrestricted	45,757,243	622,052	14,734,751	159,082,097	(272,069)
Total net position	\$ 85,020,711	\$ 622,052	\$ 17,122,929	\$ 170,972,540	\$ (272,069)

HOPE VI	Family Self Sufficiency	Shelter Plus Care	Total
\$ 7,757,084	\$ -	\$ 43,462	\$ 136,854,056
-	-	-	18,335,442
-	-	-	198,203
-	163,052	1,578,433	6,217,488
25,632	-	-	12,179,142
-	-	-	124,978
-	-	-	3,135,175
<u>7,782,716</u>	<u>163,052</u>	<u>1,621,895</u>	<u>177,044,484</u>
1,620,892	-	-	4,966,101
38,510,747	-	-	72,447,097
-	-	-	100,483
-	-	-	635,807
-	-	-	43,634,646
-	-	-	8,077,474
-	-	-	51,712,120
<u>40,131,639</u>	<u>-</u>	<u>-</u>	<u>129,861,608</u>
<u>47,914,355</u>	<u>163,052</u>	<u>1,621,895</u>	<u>306,906,092</u>
-	-	-	10,577,946
-	-	-	19,002,153
-	-	-	29,580,099
-	739	5,224	481,551
-	-	-	508,643
-	-	-	79,402
42,125	162,313	913,562	2,060,516
-	-	-	498,768
-	-	-	1,270,233
-	-	-	324,561
-	-	-	215,575
<u>42,125</u>	<u>163,052</u>	<u>918,786</u>	<u>5,439,249</u>
-	-	-	4,927,656
-	-	-	632,857
-	-	-	980,645
-	-	-	6,541,158
<u>42,125</u>	<u>163,052</u>	<u>918,786</u>	<u>11,980,407</u>
-	-	-	1,545,766
-	-	-	918,516
-	-	-	2,464,282
-	-	-	51,712,120
-	-	-	1,829,969
<u>47,872,230</u>	<u>-</u>	<u>703,109</u>	<u>268,499,413</u>
<u>\$ 47,872,230</u>	<u>\$ -</u>	<u>\$ 703,109</u>	<u>\$ 322,041,502</u>

**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, 2018

	Section 8				
	Low Rent Housing Program	Substantial and Moderate Rehabilitation	Housing Choice Voucher	Moving To Work	Mainstream Voucher
Operating revenues:					
Rental income	\$ 4,528,564	\$ -	\$ 2,109	\$ -	\$ -
Housing assistance payment revenues	-	2,265,789	4,267,225	303,919,517	1,879,235
Other operating grants	-	-	36,768	-	-
Miscellaneous and other revenues	104,945	-	1,728,931	466,411	-
Total operating revenues	<u>4,633,509</u>	<u>2,265,789</u>	<u>6,035,033</u>	<u>304,385,928</u>	<u>1,879,235</u>
Operating expenses:					
Housing assistance payments	82,279	1,934,383	177,433,900	-	1,861,903
Administrative	2,415,153	-	13,895,015	2,168,814	-
Tenant services	329,938	-	248,292	68,124	-
Utilities	1,529,215	-	-	300	-
Maintenance and operations	5,420,723	-	75,240	4,325	-
General expenses	2,797,359	-	536,283	5,470,034	281
Depreciation and amortization	2,132,459	-	230,255	163,379	-
Overhead allocation	4,492,945	236,297	3,586,332	1,946,612	175,959
Total operating expenses	<u>19,200,071</u>	<u>2,170,680</u>	<u>196,005,317</u>	<u>9,821,588</u>	<u>2,038,143</u>
Operating income (loss)	<u>(14,566,562)</u>	<u>95,109</u>	<u>(189,970,284)</u>	<u>294,564,340</u>	<u>(158,908)</u>
Nonoperating revenues (expenses):					
Gain on disposal of capital assets	3,500	-	-	6,670	-
Investment income	255,164	-	-	46,589	-
Other nonoperating expenses	(58,615)	-	-	-	-
Total nonoperating revenues, net	<u>200,049</u>	<u>-</u>	<u>-</u>	<u>53,259</u>	<u>-</u>
Income (loss) before transfers	<u>(14,366,513)</u>	<u>95,109</u>	<u>(189,970,284)</u>	<u>294,617,599</u>	<u>(158,908)</u>
Transfers in	28,476,236	-	200,388,013	89,680,056	-
Transfers out	(11,787,252)	-	(59)	(323,169,787)	-
Special item	-	-	-	(28,245,661)	-
Change in net position	<u>2,322,471</u>	<u>95,109</u>	<u>10,417,670</u>	<u>32,882,207</u>	<u>(158,908)</u>
Net position, beginning of year, as previously reported	82,807,770	526,943	9,205,738	141,164,458	(113,161)
Prior period adjustment	<u>(109,530)</u>	<u>-</u>	<u>(2,500,479)</u>	<u>(3,074,125)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>82,698,240</u>	<u>526,943</u>	<u>6,705,259</u>	<u>138,090,333</u>	<u>(113,161)</u>
Net position, end of year	<u>\$ 85,020,711</u>	<u>\$ 622,052</u>	<u>\$ 17,122,929</u>	<u>\$ 170,972,540</u>	<u>\$ (272,069)</u>

<u>HOPE VI</u>	<u>Family Self Sufficiency</u>	<u>Shelter Plus Care</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 4,530,673
-	-	-	312,331,766
3,862,871	606,729	4,283,448	8,789,816
-	-	-	2,300,287
<u>3,862,871</u>	<u>606,729</u>	<u>4,283,448</u>	<u>327,952,542</u>
-	-	4,091,179	185,403,644
-	542,798	-	19,021,780
-	10,797	-	657,151
-	-	-	1,529,515
-	-	-	5,500,288
-	20,611	-	8,824,568
-	-	-	2,526,093
-	-	338,846	10,776,991
-	574,206	4,430,025	234,240,030
<u>3,862,871</u>	<u>32,523</u>	<u>(146,577)</u>	<u>93,712,512</u>
-	-	-	10,170
172,231	-	-	473,984
-	-	-	(58,615)
<u>172,231</u>	<u>-</u>	<u>-</u>	<u>425,539</u>
<u>4,035,102</u>	<u>32,523</u>	<u>(146,577)</u>	<u>94,138,051</u>
-	17,702	-	318,562,007
-	(50,225)	-	(335,007,323)
-	-	-	(28,245,661)
<u>4,035,102</u>	<u>-</u>	<u>(146,577)</u>	<u>49,447,074</u>
43,837,128	-	849,686	278,278,562
-	-	-	(5,684,134)
<u>43,837,128</u>	<u>-</u>	<u>849,686</u>	<u>272,594,428</u>
<u>\$ 47,872,230</u>	<u>\$ -</u>	<u>\$ 703,109</u>	<u>\$ 322,041,502</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Net Position
Other Housing Programs
June 30, 2018

	OHA Other	CAHI	OAHPI	Total
Assets:				
Current assets:				
Unrestricted cash and cash equivalents	\$ 11,217,325	\$ 42,874,378	\$ 485	\$ 54,092,188
Accounts receivable, net:				
U.S. Department of Housing and Urban Development	-	1,756,119	-	1,756,119
Tenants	-	-	1,748,434	1,748,434
Other	1,095,199	106,911	1,232,175	2,434,285
Due from other funds	3,334,448	-	-	3,334,448
Prepaid expenses	-	58,372	121,578	179,950
Restricted cash and cash equivalents	54,275	22,616	377,673	454,564
Total current assets	15,701,247	44,818,396	3,480,345	63,999,988
Noncurrent assets:				
Noncurrent interest receivable	913,450	-	-	913,450
Notes receivable from component units	10,398,572	-	-	10,398,572
Notes receivable from others	13,021,321	-	-	13,021,321
Net OPEB asset	-	804	24,584	25,388
Other noncurrent assets	13,468,270	-	-	13,468,270
Capital assets:				
Nondepreciable	29,609,785	4,770,593	1,330,046	35,710,424
Depreciable, net	1,268,233	9,398,195	21,431,227	32,097,655
Total capital assets	30,878,018	14,168,788	22,761,273	67,808,079
Total noncurrent assets	68,679,631	14,169,592	22,785,857	105,635,080
Total assets	84,380,878	58,987,988	26,266,202	169,635,068
Deferred outflows of resources:				
Pension related items	-	113,914	1,928,936	2,042,850
OPEB related items	-	137,852	4,243,010	4,380,862
Total deferred outflows of resources	-	251,766	6,171,946	6,423,712
Liabilities:				
Current liabilities:				
Accounts payable	-	1,171,662	387,053	1,558,715
Accrued payroll	-	2,974	54,453	57,427
Due to the U.S. Department of Housing and Urban Development	-	22,616	-	22,616
Due to other funds	14,767,376	178,750	-	14,946,126
Unearned revenues	-	-	595,564	595,564
Other accrued liabilities	-	-	719,786	719,786
Tenant security deposits	-	-	374,464	374,464
Current portion of compensated absences	-	2,199	40,679	42,878
Total current liabilities	14,767,376	1,378,201	2,171,999	18,317,576
Noncurrent liabilities:				
Compensated absences, net of current portion	-	8,017	118,058	126,075
Net pension liability	-	61,604	1,062,748	1,124,352
Total noncurrent liabilities	-	69,621	1,180,806	1,250,427
Total liabilities	14,767,376	1,447,822	3,352,805	19,568,003
Deferred inflows of resources:				
Pension related items	-	15,932	280,518	296,450
OPEB related items	-	7,351	224,705	232,056
Total deferred inflows of resources	-	23,283	505,223	528,506
Net position:				
Net investment in capital assets	30,878,018	14,168,788	22,761,273	67,808,079
Restricted for housing programs	54,275	22,616	3,209	80,100
Unrestricted	38,681,209	43,577,245	5,815,638	88,074,092
Total net position	\$ 69,613,502	\$ 57,768,649	\$ 28,580,120	\$ 155,962,271

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Other Housing Programs
For the Year Ended June 30, 2018

	OHA Other	CAHI	OAHPI	Total
Operating revenues:				
Rental income	\$ -	\$ -	\$ 30,705,396	\$ 30,705,396
Housing assistance payment revenues	-	583,640,359	-	583,640,359
Miscellaneous and other revenues	3,779,076	21,352,504	3,763	25,135,343
Total operating revenues	<u>3,779,076</u>	<u>604,992,863</u>	<u>30,709,159</u>	<u>639,481,098</u>
Operating expenses:				
Housing assistance payments	-	583,640,359	-	583,640,359
Administrative	27,510	329,153	1,962,578	2,319,241
Tenant services	17,950	-	16,343	34,293
Utilities	2,643	-	2,209,848	2,212,491
Maintenance and operations	15,406	44,981	8,538,668	8,599,055
General expenses	-	13,834,424	1,425,882	15,260,306
Depreciation and amortization	139,061	388,666	5,642,764	6,170,491
Overhead allocation	9,729	103,286	6,297,763	6,410,778
Total operating expenses	<u>212,299</u>	<u>598,340,869</u>	<u>26,093,846</u>	<u>624,647,014</u>
Operating income	<u>3,566,777</u>	<u>6,651,994</u>	<u>4,615,313</u>	<u>14,834,084</u>
Nonoperating revenues (expenses):				
Investment income	222,009	4,041	-	226,050
Other nonoperating expenses	-	(4,970)	(3,530)	(8,500)
Total nonoperating revenues (expenses)	<u>222,009</u>	<u>(929)</u>	<u>(3,530)</u>	<u>217,550</u>
Income before transfers and special item	<u>3,788,786</u>	<u>6,651,065</u>	<u>4,611,783</u>	<u>15,051,634</u>
Transfers in	-	-	4,623,156	4,623,156
Special item	-	-	28,245,661	28,245,661
Change in net position	<u>3,788,786</u>	<u>6,651,065</u>	<u>37,480,600</u>	<u>47,920,451</u>
Net position, beginning of year, as previously reported	65,824,716	51,110,634	(8,704,388)	108,230,962
Prior period adjustment	-	6,950	(196,092)	(189,142)
Net position, beginning of year, as restated	<u>65,824,716</u>	<u>51,117,584</u>	<u>(8,900,480)</u>	<u>108,041,820</u>
Net position, end of year	<u>\$ 69,613,502</u>	<u>\$ 57,768,649</u>	<u>\$ 28,580,120</u>	<u>\$ 155,962,271</u>

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STATISTICAL SECTION

- Financial Trend Information
- Revenue Capacity Information
- Debt Capacity Information
- Demographic and Economic Information
- Operating Information



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**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
2018	\$ 123,257	\$ 1,912	\$ 366,624	\$ 491,793
2017	115,309	14,720	263,375	393,404
2016	118,068	5,538	253,774	377,380
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

Source: Department of Finance

Note: Effective with the implementation of GASB Statement No. 63 in 2013, net assets was renamed net position.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating revenues:										
Rental income	\$ 9,794	\$ 8,424	\$ 2,371	\$ 17,421	\$ 20,164	\$ 22,592	\$ 25,023	\$ 25,831	\$ 30,909	\$ 35,236
Housing assistance payment revenues and fees	501,021	552,439	586,826	604,956	613,081	618,216	663,162	674,038	739,486	895,972
Operating grants	7,146	3,486	2,760	2,719	2,801	3,262	8,645	3,935	11,825	8,790
Miscellaneous and other	1,700	23,950	20,168	12,983	17,119	12,133	20,257	16,629	25,066	26,481
Total operating revenues	519,661	588,299	612,125	638,079	653,165	656,203	717,087	720,433	807,286	966,479
Operating expenses:										
Housing assistance payments	427,898	481,420	508,431	528,705	544,072	568,064	598,650	630,173	705,990	769,677
Administrative	36,757	35,913	37,381	43,591	41,516	28,043	40,680	45,168	36,900	33,887
Tenant services	247	1,873	2,281	2,205	780	1,152	1,303	1,687	1,368	710
Utilities	2,708	2,289	1,140	2,516	2,826	3,161	3,379	3,491	3,776	4,014
Maintenance and operations	13,308	22,329	13,452	32,766	24,748	15,855	15,443	15,362	15,864	16,867
General expenses	12,602	9,692	12,565	11,663	11,506	12,401	11,212	12,525	23,044	24,863
Depreciation and amortization	12,410	13,299	6,503	12,158	9,691	8,449	8,271	9,325	9,337	9,463
Total operating expenses	505,930	566,815	581,753	633,604	635,139	637,125	678,938	717,731	796,279	859,481
Operating income	13,731	21,484	30,372	4,475	18,026	19,078	38,149	2,702	11,007	106,998
Nonoperating revenues (expenses):										
Investment income	2,832	916	1,090	506	446	453	625	642	697	700
Interest expense	(74)	(45)	-	-	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	(3)	(1,532)	22	-	2,854	(3)	576	2,931	4,405	10
Other nonoperating revenues	-	-	-	4,722	-	24	-	11	-	-
Other nonoperating expenses	(62)	(28)	(8)	-	(93)	(587)	(122)	(31)	(85)	(84)
Total nonoperating revenues (expenses)	2,693	(689)	1,104	5,228	3,207	(113)	1,079	3,553	5,017	626
Income before capital contributions and special items	16,424	20,795	31,476	9,703	21,233	18,965	39,228	6,255	16,024	107,624
Capital contributions	-	9,269	13,941	5,282	7,154	19,863	-	-	-	-
Special item	-	(36,433)	-	20,030	-	-	-	-	-	-
Change in net position	16,424	(6,369)	45,417	35,015	28,387	38,828	39,228	6,255	16,024	107,624
Net position, beginning of year, as previously reported	193,216	216,610	210,241	255,658	290,673	319,060	357,888	371,125	377,380	393,404
Prior period adjustments	6,970	-	-	-	-	-	(25,991)	-	-	(9,235)
Net position, beginning of year, as restated	200,186	216,610	210,241	255,658	290,673	319,060	331,897	371,125	377,380	384,169
Net position, end of year	\$ 216,610	\$ 210,241	\$ 255,658	\$ 290,673	\$ 319,060	\$ 357,888	\$ 371,125	\$ 377,380	\$ 393,404	\$ 491,793

Note: Effective with the implementation of GASB Statement No. 63, in 2013, net assets was renamed net position.
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
2018	\$ 35,236	4%	\$ 895,972	93%	\$ 8,790	1%	\$ 26,481	3%	\$ 966,479	100%
2017	30,909	4%	739,486	92%	11,825	1%	25,066	3%	807,286	100%
2016	25,831	4%	674,038	94%	3,935	1%	16,629	2%	720,433	100%
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%

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
2018	\$ 700	99%	\$ 10	1%	\$ 710	100%
2017	697	14%	4,405	86%	5,102	100%
2016	642	18%	2,942	82%	3,584	100%
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%

Source: Department of Finance

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues ⁽¹⁾	\$ 529,639	\$ 592,701	\$ 615,975	\$ 641,304	\$ 656,412	\$ 659,918	\$ 717,712	\$ 721,075	\$ 807,983	\$ 967,179
Operating expenses (excluding depreciation)	493,520	553,516	575,250	621,446	625,448	628,676	670,667	708,406	786,942	850,018
Revenues available for debt service	36,119	39,185	40,725	19,858	30,964	31,242	47,045	12,669	21,041	117,161
Debt service requirements:										
Principal	185	194	204	214	29	-	-	-	-	-
Interest	74	45	-	-	-	-	-	-	-	-
Total debt service	259	239	204	214	29	-	-	-	-	-
Debt service coverage	139.46	163.95	199.63	92.79	1,067.72	-	-	-	-	-

Source: Department of Finance

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

**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		
2018	\$ -	\$ -	\$ -	\$ 123,257	0.00%
2017	-	-	-	115,309	0.00%
2016	-	-	-	118,067	0.00%
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	69,193	2.83%
2009	286	1,455	1,741	103,131	1.69%

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
2018	428,827	\$ 16,380,334	\$ 38,198	36.2	36,900	3.8%
2017	427,503	16,329,760	38,198	36.5	36,668	4.9%
2016	423,191	14,636,907	34,587	36.2	37,075	5.8%
2015	419,539	14,100,286	33,609	36.2	37,147	5.7%
2014	405,703	13,154,920	32,425	36.4	37,040	9.0%
2013	399,699	12,402,660	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%

Source: City of Oakland 2018 Comprehensive Annual Financial Report.

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

Principal Employers in Oakland
Current Year and Nine Years Ago

Employer	2018			2009		
	Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% of Total Employment
Kaiser Permanente/Kaiser Foundation	11,734	1	5.72%	6,606	2	3.76%
Southwest Airlines	2,634	2	1.28%	2,313	7	1.32%
UCSF Benioff Children's Hospital Oakland	2,400	3	1.17%	1,970	10	1.12%
Alta Bates Summit Medical Center - Summit Campus	2,299	4	1.12%	N/A		
United Parcel Service	2,259	5	1.10%	N/A		
Securities Security Services	1,564	6	0.76%	N/A		
Allied Universal	1,500	7	0.73%	N/A		
Federal Express Corporation	1,344	8	0.65%	2,241	8	1.28%
Pandora Media Inc.	1,000	9	0.49%	N/A		
Menos Home Care	973	10	0.47%	N/A		
County of Alameda	N/A			7,734	1	4.40%
Oakland Unified School District	N/A			5,689	3	3.24%
City of Oakland	N/A			4,630	4	2.64%
United States Postal Service	N/A			3,961	5	2.26%
Internal Revenue Service	N/A			2,500	6	1.42%
Peralta Community College District	N/A			2,020	9	1.15%
	27,707			39,664		

Source: City of Oakland 2018 Comprehensive Annual Financial Report

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

	<u>2009</u>	<u>2010</u> ⁽²⁾	<u>2011</u>	<u>2012</u> ⁽¹⁾	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Category:										
Land	\$ 34,750	\$ 35,254	\$ 45,143	\$ 60,242	\$ 65,679	\$ 67,069	\$ 67,319	\$ 67,863	\$ 67,748	\$ 77,757
Construction in progress	-	7,752	14,418	-	4,138	9,091	9,127	3,112	3,221	2,461
Buildings and improvements	238,650	151,406	154,886	256,369	256,964	258,761	269,564	284,319	289,128	296,502
Equipment and vehicles	7,565	4,387	4,820	5,244	5,473	5,700	7,478	9,769	10,240	10,807
Total capital assets, gross	280,965	198,799	219,267	321,855	332,254	340,621	353,488	365,063	370,337	387,527
Less accumulated depreciation	(177,834)	(129,606)	(135,623)	(212,725)	(221,664)	(229,884)	(238,105)	(246,996)	(255,028)	(264,270)
Total capital assets, net	103,131	69,193	83,644	109,130	110,590	110,737	115,383	118,067	115,309	123,257
Related debt	(35,567)	14,381	25,457	1,460	147	-	-	-	-	-
Net investment in capital assets	<u>\$ 67,564</u>	<u>\$ 83,574</u>	<u>\$ 109,101</u>	<u>\$ 110,590</u>	<u>\$ 110,737</u>	<u>\$ 115,383</u>	<u>\$ 115,383</u>	<u>\$ 118,067</u>	<u>\$ 115,309</u>	<u>123,257</u>

Source: Department of Finance

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

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

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

Department	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Executive Office	6	5	6	7	7	9	10	9	8	8
Office of Program Administration	5	5	5	2	3	3	2	1	-	-
Family and Community Partnerships	-	-	11	12	14	15	17	14	18	21
Finance	16	17	18	20	20	21	20	20	20	20
Information Technology	9	9	10	11	11	11	11	11	11	10
Contract Compliance & General Services	10	9	9	10	8	9	8	8	9	8
Human Resources	7	7	7	8	8	8	8	8	8	8
California Affordable Housing Initiatives	1	1	1	1	1	1	1	1	1	1
Office of Real Estate Development	15	15	15	8	8	8	8	7	6	6
Leased Housing	66	82	84	87	90	90	87	90	90	92
Office of Property Operations	150	149	151	158	157	152	154	157	155	152
Police	31	38	43	45	45	45	45	45	45	45
TOTAL	316	337	360	369	372	372	371	371	371	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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PUBLIC HOUSING										
Large Family Sites										
Campbell Village	154	154	154	154	154	154	154	154	154	154
Lockwood Gardens	372	372	372	371	371	372	372	372	372	372
Peralta Villa	390	390	390	390	390	390	390	390	390	390
	<u>916</u>	<u>916</u>	<u>916</u>	<u>915</u>	<u>915</u>	<u>916</u>	<u>916</u>	<u>916</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										
	1,615	-	-	-	-	-	-	-	-	-
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>3,221</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>	<u>1,606</u>	<u>1,606</u>	<u>1,606</u>
HOUSING CHOICE VOUCHER PROGRAM										
Moving to Work (MTW)										
General MTW Housing Choice Vouchers (1)	11,232	11,228	12,518	12,433	12,687	12,805	12,814	12,858	12,866	12,866
Non-MTW										
Section 8 Mod Rehab	510	502	502	329	320	259	251	251	243	251
Section 8 Mainstream	166	175	175	175	175	175	175	175	175	175
Veterans Affairs Supportive Housing	-	105	105	205	265	265	326	326	326	396
Family Unification Program	50	50	50	50	50	50	50	50	50	50
Non-Elderly Disabled Vouchers	-	-	-	85	-	-	-	50	65	65
Tenant Protection Vouchers	-	1,258	-	169	118	9	-	-	-	-
	<u>726</u>	<u>2,090</u>	<u>832</u>	<u>1,013</u>	<u>928</u>	<u>758</u>	<u>802</u>	<u>852</u>	<u>859</u>	<u>937</u>
TOTAL HOUSING CHOICE VOUCHERS	<u>11,958</u>	<u>13,318</u>	<u>13,350</u>	<u>13,446</u>	<u>13,615</u>	<u>13,563</u>	<u>13,616</u>	<u>13,710</u>	<u>13,725</u>	<u>13,803</u>
SHELTER PLUS CARE PROGRAM	<u>242</u>	<u>242</u>	<u>242</u>	<u>242</u>	<u>237</u>	<u>296</u>	<u>333</u>	<u>330</u>	<u>331</u>	<u>331</u>
TOTAL INVENTORY	<u>15,421</u>	<u>15,166</u>	<u>15,198</u>	<u>15,293</u>	<u>15,457</u>	<u>15,465</u>	<u>15,555</u>	<u>15,646</u>	<u>15,662</u>	<u>15,740</u>

Source: MTW Annual Reports, 2009-2018

Note: (1) Represents authorized vouchers, not vouchers in use.

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

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

Program	Number of Households									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Housing	4,499	3,672	2,791	1,609	3,236	4,288	11,612	12,441	3,203	3,397
Section 8 Vouchers										
General, Mainstream, and Mod Rehab	6,499	5,500	10,007	10,230	10,489	9,334	7,557	7,048	3,200	3,500
OAHPI Scattered Sites	(1)	2,099	6,235	5,647	6,253	3,071	2,997	2,031	4,050	3,200
Other Project Based Voucher Sites*	(2)	5,596	6,665	3,292	10,561	15,428	17,291	17,033	28,848	36,554
Shelter Plus Care	(2)	43	37	37	56	56	59	59	(2)	(2)
Subtotal - Section 8 Vouchers	6,499	13,238	22,944	19,206	27,359	27,889	27,904	26,171	36,098	43,254
HOPE VI Sites	3,633	2,431	627	615	1,550	1,819	2,101	1,718	921	905
Total	14,631	19,341	26,362	21,430	32,145	33,996	41,617	40,330	40,222	47,556

Source: MTW Annual Reports, 2009-2018

Notes:

(1) Did not exist at that time

(2) Not available

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

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

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

Development	Number of Units									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Large Public Housing										
Lockwood Gardens	1,099	1,346	1,328	1,657	1,931	1,952	1,910	1,616	1,814	2,321
Peralta Village	1,154	2,025	1,922	2,353	2,444	2,721	1,195	1,497	2,978	2,988
Palo Vista Gardens*	169	304	163	132	130	*	*	*	*	*
Subtotal	2,422	3,675	3,413	4,142	4,505	4,673	3,105	3,113	4,792	5,309
Scattered Sites										
Deep East	1,183	1,503	1,810	1,578	1,167	1,670	1,666	1,278	1,473	1,947
East Oakland	985	1,511	1,483	1,348	1,282	1,458	1,697	1,344	1,416	1,533
Fruitvale	800	1,251	944	1,499	1,408	1,834	2,444	2,109	1,359	1,316
San Antonio	789	1,439	1,365	1,862	1,510	1,636	1,449	1,552	1,187	1,315
West Oakland	846	1,235	1,307	1,340	1,421	1,234	1,251	1,402	1,441	1,399
North Oakland	826	1,615	2,118	1,665	1,490	1,656	1,285	1,109	1,481	1,401
Subtotal	5,429	8,554	9,027	9,292	8,278	9,488	9,792	8,794	8,357	8,911
Total	7,851	12,229	12,440	13,434	12,783	14,161	12,897	11,907	13,149	14,220

Sources: MTW Annual Report and Authority Records

* 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.

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

	Calendar Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
OHA Police Department Calls for Service (1)										
Number of Incidents	10,193	14,095	17,482	15,979	16,870	20,725	21,330	18,310	19,532	13,421
OHA Police Department Reported UCR Part 1 Crimes (2)										
Number of Offenses	926	955	931	818	834	891	620	636	533	521
OHA Police Department Parking Enforcement Revenue										
Number of Citations	5,060	4,630	4,416	3,445	2,853	4,640	4,342	6,479	4,329	4,002
Revenue	\$ 54,756	\$ 60,246	\$ 59,088	\$ 62,944	\$ 45,115	\$ 47,086	\$ 234,382	\$ 68,359	\$ 78,274	
OHA Police Department Fraud Recovery Revenue										
Repayment Agreements	\$ 389,491	\$ 239,327	\$ 142,716	\$ 517,436	\$ 802,127	\$ 399,500	\$ 82,474	\$ 65,926	\$ 124,285	\$ 159,485
Recovered Funds	\$ 291,143	\$ 288,069	\$ 349,644	\$ 353,672	\$ 317,489	\$ 300,596	\$ 234,382	\$ 213,268	\$ 139,489	\$ 177,246

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

Notes:

- (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.

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

Property Characteristics and Dwelling Unit Composition (Unaudited)
June 30, 2018

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	372
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		1,299

Source: Table 1, MTW Annual Report, 2018

OAHPI Project Based Voucher Sites

Name of Development	Location	# of Units
Deep East Scattered Sites	Various	278
East Oakland Scattered Sites	Various	278
Fruitvale Scattered Sites	Various	270
North Oakland Scattered Sites	Various	244
San Antonio Scattered Sites	Various	230
West Oakland Scattered Sites	Various	239
Total OAHPI Project Based Voucher Units		1,539

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.	6946 Foothill Blvd	21	11	33	65
Linden Court	1060 W. Grand Ave	38	-	41	79
Chestnut Court	1060 West Grand Ave	45	-	27	72
Mandela Gateway	1350-1400 7th St	46	30	92	168
Lion Creek Crossings	6888 Lion Way	157	44	366	567
Tassafaronga Village	945 84th Ave	-	99	58	157
Harrison Street Senior	1633 Harrison St	-	11	62	73
Lakeside Senior	1507 2nd Ave	-	91	1	92
The Savoy Apts.	1424 Jefferson St	-	101	-	101
Cathedral Gardens	616 21nd St	-	43	57	100
Keller Housing Apts.	5301 Telegraph Ave	-	-	201	201
AveVista	460 Grand Ave	-	34	34	68
Prosperity Place	1110 Jackson St	-	35	36	71
ACTS/CYRENE		-	14	45	59
Total Mixed Finance Developments		307	513	1,053	1,873

Source: Appendix C, MTW Annual Report, 2018

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FEDERAL COMPLIANCE SECTION



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**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 the 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated January 31, 2019. 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, Lion Creek Senior Housing Partners, L.P., and AveVista Associates, L.P., discretely presented component units, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these discretely presented component units.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 results 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.



Walnut Creek, California
January 31, 2019



Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2018. The Authority's major federal program is 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 \$604,218,589 in federal awards, which is not included in the Authority's schedule of expenditures of federal awards (SEFA) for the year ended June 30, 2018. Our audit, described below, did not include the operations of the CAHI because we audited and reported on CAHI in accordance with the Uniform Guidance as a separate engagement.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the 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 the major federal program for the year ended June 30, 2018.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California

January 31, 2019

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development:			
Direct:			
Section 8 Project-Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation	14.182	\$ 1,814,438	\$ -
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	451,351	-
Subtotal Section 8 Project Based Cluster		<u>2,265,789</u>	<u>-</u>
Family Self-Sufficiency Program	14.896	606,729	-
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	4,267,225	-
Mainstream Vouchers	14.879	1,879,235	-
Subtotal Housing Voucher Cluster		<u>6,146,460</u>	<u>-</u>
Section 8 Moving To Work Demonstration Program	14.881	303,919,517	-
Total Expenditures of Federal Awards		<u>\$ 312,938,495</u>	<u>\$ -</u>

See accompanying notes to the schedule of expenditures of federal awards.

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

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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 4). The Authority’s reporting entity is defined in Note 1 of the Authority’s basic financial statements. Federal awards received directly from federal agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 2 CFR 200, Subpart E (Cost Principles), 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. The Authority did not elect to use the 10% de minimus cost rate as covered in §200.414 Indirect (F&A) costs.

NOTE 3 - 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 4 – 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 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	14.195	\$ 604,218,589

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major program:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for the major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major program:

CFDA Number	Name of Federal Program
14.881	Section 8 Moving To Work Demonstration Program

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.

Section III - Federal Award Findings and Questioned Costs

None reported.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Reference Number:	2017-001
Federal Program Title:	Section 8 Moving to Work Demonstration Program
Federal Catalog Number:	14.881
Federal Agency:	U.S. Department of Housing and Urban Development
Federal Award Number and Year:	Not Applicable
Category of Finding:	Eligibility; Special Tests and Provisions

Finding:

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 tenant cases from each program representing a population of 12,174 HCV tenant cases and 1,587 LRPB cases for testing.

For the HCV Program, out of a statistically valid sample of 40 tenant cases selected for testing, we noted the following:

- In one case, the HQS inspection due in FY2017 was not performed.
- In one case, tenant income used in the rent calculation was not properly calculated based on the third party income verification documentation, which resulted in overstatement of housing assistance payment paid.

For LRPB Program, out of a statistically valid sample of 40 tenant cases selected for testing, we noted that annual reexamination was not performed and HUD 50058 form was not completed for three cases.

For issues relating to incorrect documentation and/or calculation, the Authority has established quality control reviews on the completed eligibility determination for determination of adjusted income, timeliness of annual eligibility determination and tenant rent calculation on a monthly basis. In fiscal year 2017, the timeliness of its quality control reviews was compromised because of understaffing in the Property Management department. For issues relating to timeliness, conversion and business system programming shortfalls resulted in system reports and schedules not including some inspections or re-certifications in the proper period.

Status of Corrective Action Plan:

Corrected – During the fiscal year 2018 audit of the Section 8 Moving to Work Demonstration Program and testing of the eligibility requirements there were no instances of noncompliance noted. It appears the Authority's corrective action of contracting out certain activities related to performing HQS inspections and quality control reviews of eligibility determinations has strengthened the Authority's internal controls.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Reference Number:	2017-002
Federal Program Title:	Housing Voucher Cluster
Federal Catalog Number:	14.871 and 14.879
Federal Agency:	U.S. Department of Housing and Urban Development
Federal Grant Number and Year:	Not Applicable
Category of Finding:	Eligibility

Finding:

During our audit of the eligibility requirements of the Housing Voucher Cluster, we selected tenant cases representing a population of 5,383 tenant cases. Out of a total a statistically valid sample of 25 tenant cases selected for testing, for one case the initial eligibility documents, such as social security card, criminal background history check, and declaration of 214, were missing from the file.

In 2015, the Authority made significant improvements and changes in procedure in handling and document management of recertification packets through its upgrade to a new business system and change in the process of electronically storing its documentation. The Authority did not update its quality control review process to incorporate these changes, resulting in the ability of some documents to not be managed properly and not be noted during regular business routines.

Status of Corrective Action:

Corrected - During fiscal year 2018 the Housing Voucher Cluster was not tested as a major program. However, based upon the Authority's corrective action of contracting out certain activities related to performing HQS inspections and quality control reviews of eligibility determinations, as well as an increased sampling of completed staff work used in the monthly quality control audits, the Authority appears to have strengthened the overall internal control over compliance with the eligibility requirements.

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Oakland Housing
Authority