

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Housing Authority of the City of Oakland, California

Fiscal Year Ended June 30, 2013



Oakland Housing
Authority



As the Oakland Housing Authority staff celebrates our 75 year Anniversary, we remain steadfast in our efforts to provide not just housing choice, but meaningful opportunities for our families.

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

Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

Prepared by:
Finance Department

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
For the Year Ended June 30, 2013

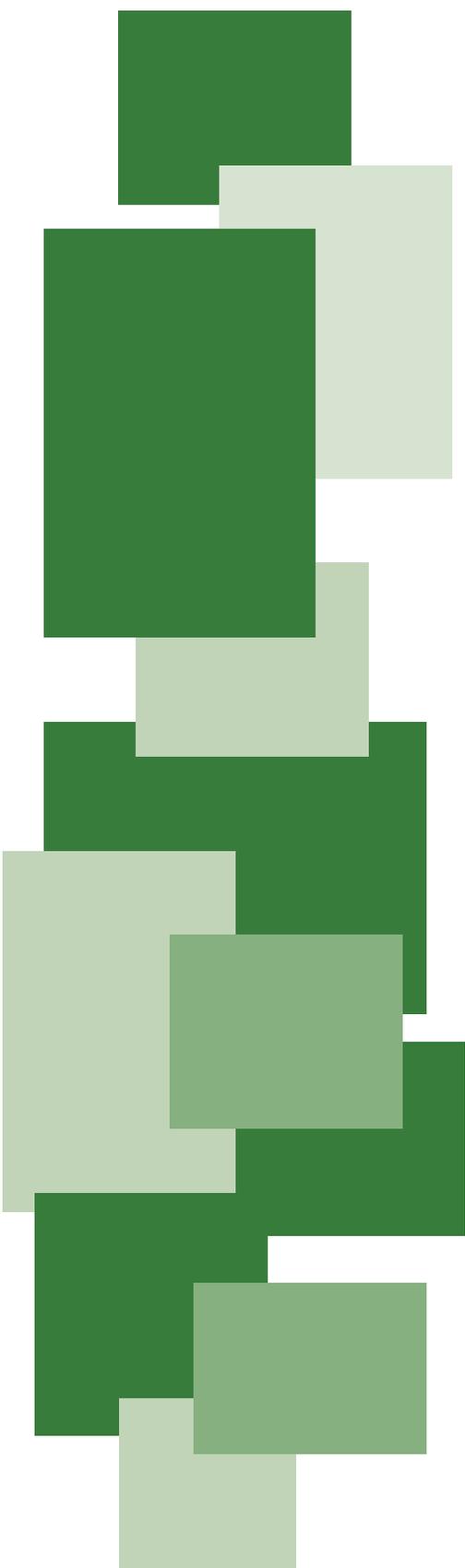
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Introductory Section

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



Oakland Housing
Authority

December 23, 2013

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 (Authority) for the year ended June 30, 2013. The U.S. Department of Housing and Urban Development (HUD) requires that all public housing authorities publish within nine months after the fiscal year-end, financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards (GAAS). The Authority's financial statements presented here have been audited by Macias Gini & O'Connell LLP (MGO), independent certified public accountants. MGO has issued an unmodified opinion on the Authority's basic financial statements for the year ended June 30, 2013. The purpose of the independent audit is to provide reasonable assurance the audited basic financial statements taken as a whole are free of material misstatements. The data presented in this report is the responsibility of the management of the Authority. To the best of our knowledge and belief, the data as presented is accurate in all material aspects, 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 understating of the Authority's financial affairs. GAAP requires that management provide a narrative introduction, overview and analysis to complement the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The Authority's MD&A can be found immediately following the report of the independent auditors. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

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

Government Overview

The Authority was established in 1938 to provide housing for low-income residents of the City of Oakland, California (City). The Authority was founded by City of Oakland ordinance, under the Health and Safety Code of the State of California and is governed by a seven-member Board of Commissioners appointed by the Mayor of the City, with the approval of the City Council. This report includes all programs of the Authority, as well as all of its component units. Component units are legally separate entities for which a government is financially accountable or for which it is so intertwined with the primary government that they are essentially the same as the primarily 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 administrating Public Housing Programs under the United States Housing Act of 1937 (as amended). The Authority's mission is *To assure the availability of quality housing for low-income persons and to promote the civic involvement and economic self-sufficiency of residents and to further the expansion of affordable housing within Oakland.* The Authority accomplishes its mission by administering a number of programs, including the Low Rent Housing Program and the Section 8 Housing Choice Voucher (HCV) Program. In 2004, the Authority was selected to participate in HUD's Moving to Work (MTW) Demonstration Program. The program allows the Authority an exemption from a multitude of HUD regulations and reporting requirements; provides significant flexibility to combine its HUD funding for allocation among the Authority's administrative, capital, development and supportive service activities; and presents a unique opportunity for the Authority to explore and test new and innovative methods of delivering housing. The Authority has established various instrumentalities and affiliates to partner and develop alternative housing possibilities for over 15,000 of Oakland's lowest-income families, elderly and persons with disabilities. As the City's largest provider of affordable housing, the Authority recognizes that it takes 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 2013, HUD provided over 94% of the Authority's total revenues. These revenues are provided through a variety of contracts and grants however, all are paid in accordance with HUD's funding levels. In fiscal 2013, the federal government, including the operations of HUD, was operating under a Continuing Resolution that expired on March 27, 2013. As a result of the Budget Control Act of 2011 and failure of Congress to pass an Appropriations Act or a deficit reduction package, HUD (and therefore the Authority) was subject to sequestration cuts, a series of across-the-board cuts to domestic and defense programs. The impact of sequestration on the Authority was an immediate cut to HCV program funding to approximately 94% of the fiscal 2012 funding level. In addition, a more significant cut of 69% was made to the Authority's Administrative Fee Funding. The effect of these cuts on the Authority is a significant reduction in operating subsidies as well as administrative fees. In anticipation of sequestration, the Authority had in practice a plan in reducing its costs by eliminating non-essential expenditures and implementing a variety of purchasing and hiring freezes to lessen the impact of the cuts. The fiscal 2014 budget included the impact of the sequestration cuts that the Authority is working diligently to avoid passing the impact of these cuts onto its low income resident population.

Major Initiatives

New Business System - The Authority will begin the multi-year process of upgrading to a new business system that can better accommodate the types of modifications needed to facilitate the flexibility provided under the MTW program.

Phase V of the Lions Creek Crossing project (LCC Ph. 5) is a 128-unit senior apartment building. Construction commenced on June 7, 2013 and is scheduled for completion and occupancy by August 2014, and the permanent loan conversion is planned by Spring of 2015. Union Bank is the lender and Wells Fargo Bank is the investor. HKIT is the architect and Nibbi Brothers is the general contractor. A Project Labor Agreement between the Carpenters and Laborers Unions, Nibbi Brothers, and the partners was executed in May 2013. The Authority is providing the land, 127 Project Based Vouchers (PBV) and predevelopment, construction and permanent gap financing to construct LCC Ph. 5 with 4% tax credits and \$18.5 million in bond financing. The project was awarded \$1.27 million in Affordable Housing Program (AHP) funds, which is more than the \$1 million originally planned. As of October 31, 2013, construction of LCC Ph. 5 is 24.7% complete. There were 15 new hires, 5 of which were Section 3 hires including 2 electricians and 3 laborers.

Cathedral Gardens project - The Authority is partnering with EAH, Inc. on Cathedral Gardens, a 100% affordable family rental housing development with a total of 100 family units. Chris Lamien is the architect and J.H. Fitzmaurice is the general contractor. The development consists of two new three- and four-story wood-framed elevator-served buildings and the existing three-story rectory building that was originally part of the Saint Frances de Sales Cathedral complex. The rectory is being preserved and rehabilitated into seven units. The Authority provided a predevelopment loan, owns the land on which the development is being constructed, and has provided up to 49 PBV. To date, there have been 101 new hires, of which 65 (64%) were Section 3 qualified new hires, including 12 hires that were the Authority's residents.

Lakeside project - Lakeside is a 92-unit rental development for extremely low-income and formerly homeless seniors located on a 0.61 acre infill site on 2nd Avenue in the Eastlake District, one block from Lake Merritt. The Authority's development partner is Satellite Housing, Inc. with participation by an Authority affiliate, the Oakland Housing Initiatives, Inc. (OHI). The architect is David Baker and Partners and the general contractor is James E. Roberts-Obayashi Corp. (JERO). Satellite Housing, Inc. will provide resident services and property management. The Authority contributed the land and PBVs and provided predevelopment, construction and permanent financing.

AvéVista project - The Authority is partnering with BRIDGE Housing Corporation to develop a mixed-use development on this vacant 0.68 acre infill site located directly across Grand Avenue from Lake Merritt. The development plan for AvéVista is to construct a new mixed-use building with 68-units of affordable family rental housing and 3,400 square feet of ground-floor commercial space. The Authority owns the land, allocated 34 PBVs and committed to contributed predevelopment, construction and gap financing to the development.

Financial Information

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

Single Audit

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

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

Debt Administration

We are pleased to announce that at June 30, 2013, the Authority had no debt.

Awards

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

The Authority is pleased to announce this is its first CAFR and that this CAFR will be submitted to 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 the preparation of this report.

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

Respectfully submitted,



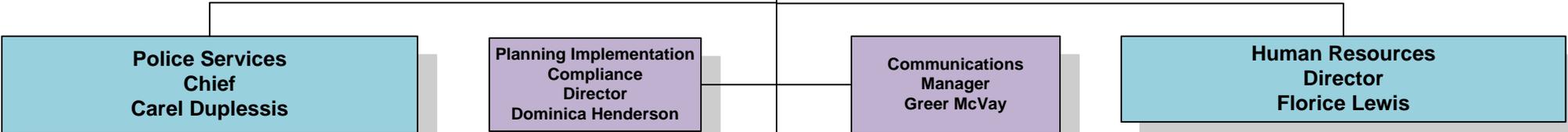
Eric Johnson
Executive Director



Tracy L. Stabler
Chief Financial Officer

Board of Commissioners

**Office of the Executive Director
Eric Johnson**



**Office of Finance & Program Administration
Deputy Executive Director
Janet Rice**

**Office of Real Estate Development
Deputy Executive Director
Phil Neville**

**Office of Property Operations
Deputy Executive Director
Patricia Wells**

**California Affordable Housing Initiatives
Director
LeeAnn Farner**

**Leased Housing
Director
Michelle Hasan**

**Chief Financial Officer
Tracy Stabler**

**Information Technology
Director
Craig McBurney**

**Family & Community Partnerships
Director
Lenita Ellis**

**Asset Management
Director
Anna Kaydanovskaya**

**Property Management
Director
Mark Schiferl**

**Capital Improvements
Director
William Bailey**

**Contract Compliance & General Services
Manager
Daniel Mermelstein**



BOARD OF COMMISSIONERS

Gregory D. Hartwig, Chair

Marlene Hurd, Vice-Chair

Janny Castillo

Moses L. Mayne Jr.

Barbara Montgomery

Adhi Nagraj

Tanya Pitts



**Oakland Housing
Authority**



EXECUTIVE TEAM

Eric Johnson, Executive Director

Patricia Wells, Deputy Executive Director of Property Operations

Philip Neville, Deputy Executive Director of Real Estate Development

Janet Rice, Deputy Executive Director of Finance & Program Administration

DIRECTORS

William Bailey, Capital Improvements

Chief Carel Duplessis, Police Department

Lenita Ellis, Family and Community Partnerships

LeeAnn Farner, California Affordable Housing Initiatives, Inc.

Michelle Hasan, Leased Housing

Anna Kaydanovskaya, Asset Management

Florice Lewis, Human Resources

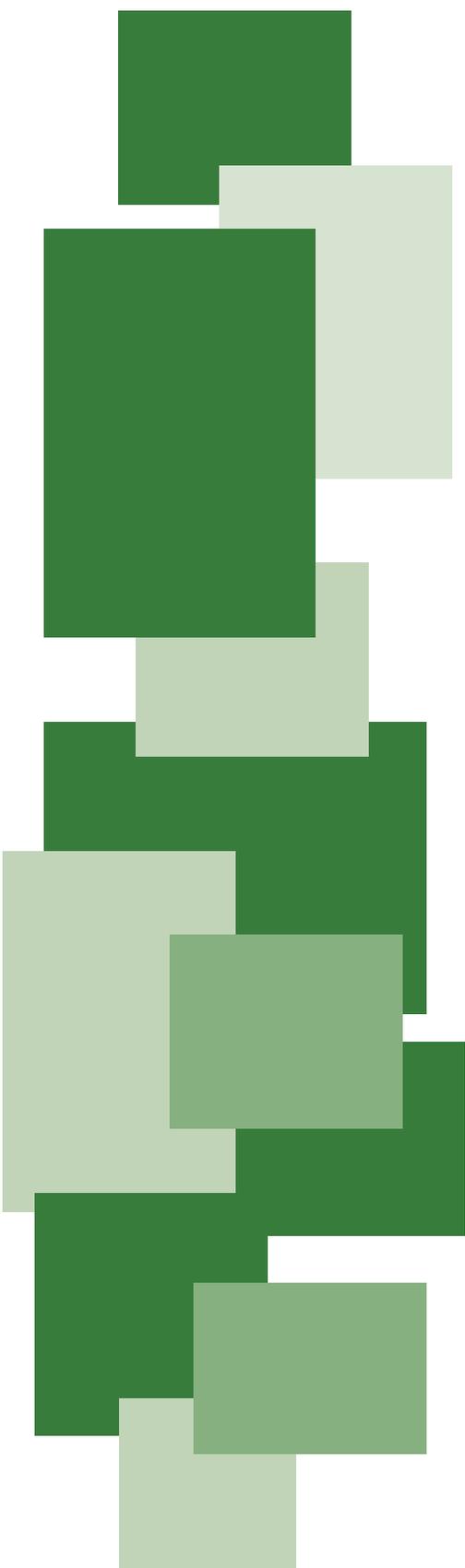
Craig McBurney, Information Technology

Mark Schiferl, Property Management

Tracy Stabler, Finance



**Oakland Housing
Authority**



Financial Section

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

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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the Authority. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Foothill Family Apartments, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Authority as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress - pension benefits – miscellaneous plan and the schedule of funding progress – postemployment healthcare benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining financial schedules included in other supplementary information, statistical section, schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the federal compliance section 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 by us 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 taken 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini & Connell LLP

Oakland, California
December 23, 2013

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**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2013

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 year ended June 30, 2013. As such, it should be read in conjunction with the Authority's financial statements and related notes, which follow this section.

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

Financial Highlights

- Total net position increased from \$290.7 million to \$319.1 million as of June 30, 2013, a net increase of \$28.4 million. The net increase of \$28.4 million is due to revenues of \$663.6 million exceeding expenses of \$635.2 million.
- Total assets increased by \$29.7 million. The biggest changes contributing to this increase include an increase in other current receivables of \$5.4 million, an increase in long-term notes interest receivable of \$5.6 million and the addition of a \$9.7 million net pension asset (discussed later in this analysis).
- Capital assets increased by \$1.5 million, representing additions of \$11.2 million netted with a \$9.7 million charge for depreciation. Of the total amount of additions, \$9.7 million was used to acquire real property for current and future development.
- Total liabilities decreased by \$7.6 million primarily due to recognition of \$6.5 million of unearned revenues and timing difference in accounts payable and other year-end accruals
- Operating revenues increased by \$15.0 million from \$635.4 million to \$650.4 million. This increase is comprised of an increase in housing assistance payment revenues of \$8.1 million, an increase in rental income of \$2.8 million and an increase in other operating revenues of \$4.1 million. Housing assistance payment revenues increased due to an increase in the number and amount of housing assistance payments, particularly those payments administered on behalf of U.S. Department of Housing and Urban Development (HUD) through the California Affordability 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 related notes, 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 and liabilities, with the difference reported as net position. Amounts are reported in order of liquidity and are shown on the statement as current (to be received or used within one year) or noncurrent.

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

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

Notes to Financial Statements provide additional disclosures and are considered an integral part of the financial statements. These disclosures supplement the statements and 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

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

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2013

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 of Funding Progress for the Authority's pension and other postemployment benefits as well as Combining Schedules for its Federal, Local and General Programs and Federal Programs.

Financial Analysis of the Authority

Net Position - A summary of the statement of net position as of June 30, 2013 and 2012 is shown in the following table (dollars in millions).

	June 30,		Increase/(Decrease)	
	2013	2012	Amount	%
Assets:				
Current and other assets	\$ 220.9	\$ 192.7	\$ 28.2	15
Capital assets	110.6	109.1	1.5	1
Total assets	<u>331.5</u>	<u>301.8</u>	<u>29.7</u>	10
Liabilities:				
Current liabilities	11.0	19.4	(8.4)	(43)
Noncurrent liabilities	1.5	0.7	0.8	114
Total liabilities	<u>12.5</u>	<u>20.1</u>	<u>(7.6)</u>	(38)
Net position:				
Net investment in capital assets	110.6	109.1	1.5	1
Restricted	11.6	1.7	9.9	582
Unrestricted	196.9	179.9	17.0	9
Total net position	<u>\$ 319.1</u>	<u>\$ 290.7</u>	<u>\$ 28.4</u>	10

The Authority's current and other assets increased 15% or \$28.2 million from the prior year. Significant balances with fluctuations compared to the prior year include:

- Other Receivables – Receivables from contracts such as ground leases and developer fees were \$5.3 million at June 30, 2013.
- Notes Receivable – Lion Creek Senior Housing Partners, L.P., Lakeside Senior Apartments, L.P. and Avevista Associates L.P. received approximately \$5.2 million in loans from the Authority during the current fiscal year.
- Net Pension Asset – The Authority paid \$9.7 million to CalPERS to reduce its pension plans' actuarially accrued unfunded liabilities in fiscal year 2013. Current reporting standards require this amount be recognized in the statement of net position as an asset; however, it will ultimately be applied to the Authority's net pension liabilities when GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, becomes effective in fiscal year 2015.

The Authority's total liabilities decreased by \$7.6 million primarily due to recognition of unearned revenues for housing assistance payments related to the 2010 public housing site disposition to the Oakland Affordable Housing Preservation Initiatives (OAHPI), a blended component unit of the Authority.

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

- Net Investment in Capital Assets increased by \$1.5 million representing a net of additions offset by depreciation expense as discussed above.

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

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2013

- Restricted Net Position increased by \$9.9 million and is mainly related to the Net Pension Asset discussed above.
- Unrestricted Net Position increased by \$17.0 million due to revenues exceeding expenses after recognizing the changes in net position classifications described above.

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 years ended June 30, 2013 and 2012 is shown in the following table (dollars in millions).

	For the year ended June 30,		Increase/(Decrease)	
	2013	2012	Amount	%
Revenues:				
Operating revenues:				
Rental income	\$ 20.2	\$ 17.4	\$ 2.8	16
Housing assistance payment revenues	613.1	605.0	8.1	1
Other	17.1	13.0	4.1	32
Nonoperating revenues:				
Operating grants	2.8	2.7	0.1	4
Investment income	0.4	0.5	(0.1)	(20)
Others, net	2.8	4.7	(1.9)	100
Capital contributions	7.2	5.3	1.9	36
Total revenues	<u>663.6</u>	<u>648.6</u>	<u>15.0</u>	<u>2</u>
Expenses:				
Operating expenses:				
Housing assistance payments	544.1	528.7	15.4	3
Depreciation and amortization	9.7	12.2	(2.5)	(20)
Other operating expenses	81.4	92.7	(11.3)	(12)
Total expenses	<u>635.2</u>	<u>633.6</u>	<u>1.6</u>	<u>0</u>
Special item	-	20.0	(20.0)	100
Change in net position	28.4	35.0	(6.6)	(19)
Net position, beginning of year	<u>290.7</u>	<u>255.7</u>	<u>35.0</u>	<u>14</u>
Net position, at end of year	<u>\$ 319.1</u>	<u>\$ 290.7</u>	<u>\$ 28.4</u>	<u>10</u>

Revenues: Revenue increased by \$15.0 million with the following explanations:

- The increase in rental income is due to higher market rents coupled with lower vacancy rates related to the OAHPI scattered site units during the year ended June 30, 2013.
- Housing assistance payment revenues were \$8.1 million higher mostly in the HUD contract administered by CAHI. This increase was paid out as evidenced by corresponding increases in housing assistance payment expense noted below.

Expenses: Expenses increased by \$1.6 million with the following explanations:

- Housing assistance payments increased by \$15.4 million. This is due to increased payments to CAHI as well as increased volume in OAHPI payments as vacancies were reduced.
- Other operating expenses decreased by \$11.3 million due to efforts by the Authority to reduce non-essential expenses in anticipation of Federal sequestration and its impact on the Authority's funding levels.
- Depreciation and amortization expenses decreased \$2.5 million as the buildings and improvements of the Authority age and become fully depreciated.

Capital Asset Activity

During the year ended June 30, 2013, the Authority expended funds on land purchases and buildings and improvements in the amount of \$10.9 million. The Authority also purchased other equipment and vehicles in the amount of \$0.3 million. Of that amount, \$4.1 million was used to address deferred maintenance in the OAHPI scattered site buildings. The Authority has committed to providing funding to

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

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2013

bring the former public housing sites up to full occupancy through renovation and updates over a five-year period. The renovation project is included in the fiscal 2014 and fiscal 2015 budget process.

The following summarizes the Authority's capital assets, net of accumulated depreciation and the changes for year ended June 30, 2013:

	June 30,		Increase/(Decrease)	
	2013	2012	Amount	%
Land	\$ 65.7	\$ 60.2	\$ 5.5	9
Construction in progress	4.1	-	4.1	n/a
Buildings and improvements	257.0	256.4	0.6	0
Equipment and vehicles	5.5	5.2	0.3	6
	332.3	321.8	10.5	3
Accumulated depreciation	(221.7)	(212.7)	(9.0)	4
Total capital assets, net	\$ 110.6	\$ 109.1	\$ (9.0)	(8)

Additional information on the Authority's capital assets can be found in Note 6 to the basic financial statements.

Long-Term Debt Activity

During the year ended June 30, 2013, the Authority paid off its remaining long-term debt.

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 94% of its operating revenue from financial assistance from HUD, the Authority and its financial operations are significantly affected by the Federal government's annual appropriation to HUD. The effects of sequestration and budget negotiations have a direct impact on the size of HUD's grant to the Authority. The Authority has been proactive in assessing its financial condition and incorporating its estimate of these possible reductions into its budget for the upcoming fiscal year. It does not currently anticipate significant reductions in service levels or ongoing operations; however, any deviation from current estimates of funding to be received would have to be re-examined.
- Recently passed Federal budget plans are expected to roll back much of the automatic spending cuts brought on through sequestration; however, until the entire spending bill is complete, it is unknown what the impact will be on individual agencies or departments. The budget deal provides for \$44.8 billion of the \$469 billion non-defense cuts from sequestration to be restored, so a return to pre-sequestration funding levels is not anticipated.
- Local inflationary, economic and employment trends that can affect resident income and therefore impact the amount of rental income. While the mean household income of Oakland residents is higher than the national average, it is still significantly lower than Alameda County and the Bay Area overall. Approximately 11.5% of families and 15.3% of the general population of Oakland is below the poverty line. Current forecasts estimate mean household income and job growth to continue to increase at rates close to what has occurred in the past year. This slow increase is not anticipated to greatly reduce the need for the affordable housing units managed by the Authority.
- Local and national property rental markets that determine Housing Assistance Payments. In Oakland, apartment vacancy rates are estimated to be approximately 5%. Over 47% of households in Oakland pay more than 35% of their household income to rent. Lack of available units coupled with high rents and low household income have resulted in a higher need for affordable housing in the City and from the Authority.

Contact

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Housing Authority of the City of Oakland, Chief Financial Officer, 1619 Harrison Street, Oakland, CA 94612.

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

Statement of Net Position

June 30, 2013

(With Discretely Presented Component Units as of December 31, 2012)

	Primary Government - Business-Type Activities	Discretely Presented Component Units
Assets:		
Current assets:		
Unrestricted cash, cash equivalents and investments	\$ 94,745,829	\$ 2,179,662
Accounts receivable, net:		
U.S. Department of Housing and Urban Development	15,137,449	-
Tenants	5,223,451	251,803
Interest	53,981	-
Others	6,913,954	322,298
Prepaid expenses	1,178,162	223,429
Restricted cash, cash equivalents and investments	2,883,327	7,073,028
Other assets	-	257,189
Total current assets	126,136,153	10,307,409
Noncurrent assets:		
Noncurrent interest receivable	3,049,268	-
Notes receivable from component units	63,336,357	-
Notes receivable from others	11,370,236	-
Deferred costs, net	-	6,705,182
Net pension asset	9,713,962	-
Other noncurrent assets	7,325,351	11,399
Capital assets:		
Nondepreciable	69,817,104	3,853,794
Depreciable, net	40,772,699	250,547,031
Total capital assets	110,589,803	254,400,825
Total noncurrent assets	205,384,977	261,117,406
Total assets	331,521,130	271,424,815
Liabilities:		
Current liabilities:		
Bank overdraft	1,551	-
Accounts payable	5,777,899	614,732
Accrued payroll	1,892,828	-
Accrued interest payable	-	766,422
Due to the U.S. Department of Housing and Urban Development	170,784	-
Unearned revenues	1,268,612	59,502
Other accrued liabilities	987,843	4,559,408
Tenant security deposits	697,282	526,791
Current portion of compensated absences	206,609	-
Current portion of long-term debt due to primary government	-	10,983
Current portion of long-term debt to others	-	980,876
Total current liabilities	11,003,408	7,518,714
Noncurrent liabilities:		
Compensated absences, net of current portion	1,170,785	-
Long-term interest payable to others	-	4,794,896
Interest payable due to primary government	-	2,765,122
Long-term debt due to primary government, net of current portion	-	60,682,676
Long-term debt to others, net of current portion	-	106,531,376
Family Self Sufficiency deposits	287,285	-
Total noncurrent liabilities	1,458,070	174,774,070
Total liabilities	12,461,478	182,292,784
Net position:		
Net investment in capital assets	110,589,803	86,194,914
Restricted for:		
Housing programs	1,898,760	6,546,237
Pension assets held in trust with CalPERS	9,713,962	-
Unrestricted	196,857,127	(3,609,120)
Total net position	\$ 319,059,652	\$ 89,132,031

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2013

(With Discretely Presented Component Units for the Year Ended December 31, 2012)

	<u>Primary Government - Business-Type Activities</u>	<u>Discretely Presented Component Units</u>
Operating revenues:		
Rental income	\$ 20,163,409	\$ 10,514,013
Housing assistance payment revenues and fees	613,080,655	-
Miscellaneous and other revenues	17,119,615	1,042,844
Total operating revenues	<u>650,363,679</u>	<u>11,556,857</u>
Operating expenses:		
Housing assistance payments	544,072,514	-
Administrative	41,515,642	3,176,972
Tenant services	779,948	34,280
Utilities	2,825,660	1,404,665
Maintenance and operations	24,748,063	2,646,022
General expenses	11,506,416	790,249
Depreciation and amortization	9,690,577	10,923,593
Total operating expenses	<u>635,138,820</u>	<u>18,975,781</u>
Operating income (loss)	<u>15,224,859</u>	<u>(7,418,924)</u>
Nonoperating revenues (expenses):		
Operating grants	2,801,164	-
Investment income	445,568	14,401
Interest expense	-	(4,062,341)
Other nonoperating revenues	2,854,038	-
Other nonoperating expenses	(92,788)	(449,306)
Total nonoperating revenues (expenses)	<u>6,007,982</u>	<u>(4,497,246)</u>
Income (loss) before capital contributions	21,232,841	(11,916,170)
Capital contributions	<u>7,153,504</u>	<u>11,087,489</u>
Change in net position	28,386,345	(828,681)
Net position, beginning of year	<u>290,673,307</u>	<u>89,960,712</u>
Net position, end of year	<u>\$ 319,059,652</u>	<u>\$ 89,132,031</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows
For the Year Ended June 30, 2013

	<u>Primary Government - Business-Type Activities</u>
Cash flows from operating activities:	
Receipts from tenants	\$ 19,215,387
Receipts from customers and others	12,101,409
Receipts from housing assistance programs	608,742,440
Payments to suppliers for goods and services	(56,558,579)
Housing assistance payments on behalf of tenants	(543,965,232)
Payments to employees for services	(35,108,835)
Net cash provided by operating activities	<u>4,426,590</u>
Cash flows from noncapital financing activities:	
Bank overdraft payments	(273,249)
Operating grants received	2,801,164
Net disbursement of loans to related parties and component units	(5,188,462)
Net cash used in noncapital financing activities	<u>(2,660,547)</u>
Cash flows from capital and related financing activities:	
Capital contributions	7,153,504
Acquisition of capital assets	(7,997,078)
Repayments of long-term debt	(29,131)
Net cash used in capital and related financing activities	<u>(872,705)</u>
Cash flows from investing activities:	
Interest received	56,926
Proceeds from maturity of investments	750,000
Net cash provided by investing activities	<u>806,926</u>
Net change in cash and cash equivalents	1,700,264
Cash and cash equivalents, beginning of year	94,828,892
Cash and cash equivalents, end of year	<u><u>\$ 96,529,156</u></u>

See accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2013

	<u>Primary Government - Business-Type Activities</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 15,224,859
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	9,690,577
Other revenues	595
Other expenses	(92,788)
Decrease (increase) in:	
Receivables	(3,673,157)
Prepaid expenses	(49,962)
Other assets	596,184
Net pension asset	(9,713,962)
Other noncurrent assets	(184,147)
Increase (decrease) in:	
Accounts payable	1,048,900
Accrued payroll	376,827
Due to the U.S. Department of Housing and Urban Development	107,282
Tenant security deposits	(9,079)
Unearned revenues	(6,438,655)
Compensated absences	119,370
Other liabilities	(2,576,254)
Net cash provided by operating activities	<u>\$ 4,426,590</u>
Cash and cash equivalents:	
Unrestricted cash, cash equivalents and investments	\$ 94,745,829
Restricted cash, cash equivalents and investments	2,883,327
Less investments not meeting the definition of cash and cash equivalents	<u>(1,100,000)</u>
Total cash and cash equivalents	<u>\$ 96,529,156</u>
Noncash capital and related financing activities:	
Application of deposits held in escrow for capital asset purchased	\$ 300,000

See accompanying notes to financial statements.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

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 1,605 units owned as of June 30, 2013 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 New Construction and 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 *New Construction and 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 320 privately owned family housing units. The purpose of the program is to rehabilitate substandard rental housing units and to provide decent and affordable housing to low-income families whereby rental assistance is provided by HUD. The associated developments are maintained and managed by private landlords. Funding of the program is provided by federal housing assistance contributions.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

- The *Housing Choice Voucher* program provides rental housing assistance subsidies in support of 12,417 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 127 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.
- **Public Housing Capital Program and Public Housing Capital Recovery Act Program** - account for the capital funds from the Public and Indian Housing Office of Capital Improvements. These programs provide funds annually to public housing agencies for the development, financing and modernization of public housing developments and for management improvements.
 - **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 Resident Opportunity and Supportive Services, Shelter Plus Care, Home Investment Partnership and Disaster Housing Assistance.
 - **Local Programs** – consists of twenty-three other low-income housing programs funded from local and other non-federal sources.

(b) Reporting Entity

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

The governmental reporting entity consists of the Authority (Primary Government) and its component units. Component units are legally separate organizations for which the Board of Commissioners is financially accountable or other organizations whose nature and significant relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the Authority's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the Authority.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

The basic financial statements include both blended and discretely presented component units. The blended component units are legally separate entities, and are considered, in substance, part of the Authority's operations, and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

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.

The Authority has formed the following component units to further facilitate its goals:

Blended Component Units

- **California Affordable Housing Initiatives, Inc.** – The California Affordable Housing Initiatives (CAHI) was created as a not-for-profit organization of the Authority and incorporated in 2001. CAHI is under contract with HUD to administer the Project-Based Voucher Program for Northern California. CAHI and the Authority have a financial and operational relationship which requires that the CAHI's financial statements be blended into the Authority's financial statements and included as part of Federal Programs. In addition, CAHI's policies are determined by three members of its directors – the Authority's Executive Director and the Chair and Vice Chair of the Authority's Board of Commissioners. CAHI has no employees and all staff work is done by the Authority staff or by consultants to the CAHI.

- **Oakland Affordable Housing Preservation Initiatives** – The Oakland Affordable Housing Preservation Initiatives (OAHPI), a nonprofit corporation affiliated with the Authority, was established in February 2009 for the purpose 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. From inception through June 30, 2011, the Authority did not have ex officio representation on OAHPI's eleven-member Board of Directors nor was the Authority financially accountable for OAHPI. In June 2011, the Board of Directors of OAHPI approved the First Amendment to the Articles of Incorporation and Amended and Restated Bylaws. These amendments became effective July 1, 2011, and included a change in the composition of its Board of Directors. In the Amended and Restated Bylaws, the eleven-member Board of Directors was replaced with a three-member Board of Directors, with two of the Authority Board of Commissioners serving on the OAHPI Board of Directors. The third member of the Board of Directors is the Authority's Executive Director. OAHPI and the Authority have a financial and operational relationship which requires that the OAHPI's financial statements be blended into the Authority's financial statements. As a result, effective July 1, 2011, OAHPI is considered to be a blended component unit of the Authority and included as part of the Local Programs.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

Discrete Component Units

The following discrete component units' fiscal year ended on December 31, 2012 and its financial activities are reported as of that date.

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

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

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

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

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

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

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

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

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

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

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

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

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

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

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

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

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

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

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

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

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1 – THE FINANCIAL REPORTING ENTITY (Continued)

In addition to the above entities, the Authority is currently working with Cathedral Gardens Oakland, L.P., Lakeside Senior Apartments, L.P. and Lion Creek Senior Housing Partners, L.P. to form partnerships that will develop and construct additional senior and/or affordable housing sites. None of the entities have had substantial financial activity through December 31, 2012, but it is anticipated that they will in future years, at which time they 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 and liabilities associated with the operation of the Authority are included in the statement of net position.

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

(b) *Cash and Cash Equivalents*

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

(c) *Investments*

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

(d) *Allowance for Bad Debts*

Management reviews the collectibility of receivables on a periodic basis. The Authority established an allowance of \$1,163,522 for accounts receivable as of June 30, 2013.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Authority records land, structures and equipment on a historical cost basis, which include land acquisition costs and site improvements, dwelling and non-dwelling structures and nonexpendable equipment. Donated capital assets are valued at their estimated fair value on the date of the receipt. Costs of repairs and maintenance are expensed as incurred. Depreciation has been provided over estimated useful lives of the assets using the straight-line method.

The estimated useful lives are as follows:

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

(f) Deferred Costs

Deferred costs are 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.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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.

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

(i) 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 accounting principles generally accepted in the United States of America (GAAP). Actual results may differ from those estimates.

(j) Effects of New Pronouncements

In 2013, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The adoption of these statements did not have a material impact on the Authority’s financial statements.

The Authority is currently analyzing its accounting practices to determine the potential impact on the financial statements of certain new accounting standards pronouncements issued by the GASB, including: GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued in March 2012; GASB Statement No. 66, *Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62*, issued in March 2012; GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, issued in June 2012; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013; GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, issued in November 2013.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

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, 2013, the Authority's security deposits in the amount of \$372,697 and \$324,585 were included in the Low Rent Housing Program and Local Programs, respectively.

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

The FSS Escrow Account is an interest bearing account reported as part of restricted cash and investments and established by the Authority for each qualified Section 8 participant enrolled in the Section 8 Housing Choice FSS Program. The participants earn monthly escrow credits during their five-year Contract of Participation and the escrow credit is reported as a liability and is based on increases in earned income of the family. The Authority may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the Authority terminates the contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow account is forfeited. At June 30, 2013, FSS funds of \$287,285 held in the Section 8 Housing Choice Voucher Program are included in the accompanying financial statements.

(c) *Affordability Reserves*

The Regulatory and Operating Agreements related to the Authority's involvement with CLA, MGA, LWHP, CHP and FFA require the Authority to establish Affordability Reserve Accounts (Reserves) at Wells Fargo Bank upon certain triggering events specified in each agreement for the benefit of each Limited Partnership operating the properties. Disbursements from Reserves are restricted to paying for operating subsidies related to the Authority's Assisted Housing Units in months where the Authority is unable to meet its obligation to pay the operating subsidies. As required, the Authority's Low Rent Housing program has established Reserves in the amount of \$1,799,010 as of June 30, 2013.

(d) *Section 8 Housing Assistance Payments made by CAHI*

Under HUD's Project-Based Section 8 Program contract administration requirements, CAHI has established a bank account with Union Bank of California (UBOC) that is restricted to receiving and disbursing Housing Assistance Payments (HAP) each month. The amount of HAP approved and received from HUD in this account is immediately disbursed to Section 8 property owners under an arrangement with UBOC, and would normally have no carrying balance. Any income earned in the account is required to be reported and returned to HUD periodically as program income. At June 30, 2013, restricted funds of \$22,797 held in the CAHI Program are included in the accompanying financial statements.

(e) *Other Restricted Accounts*

At June 30, 2013, the Authority's Police Department maintains a restricted asset forfeiture account in the amount of \$62,850 and the Authority has other miscellaneous restricted reserves in the amount of \$14,103.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

(a) Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are presented on the accompanying statement of net position as of June 30, 2013 (primary government) and December 31, 2012 (discrete component units) is as follows:

	Primary Government	Component Units	Total
Unrestricted cash, cash equivalents and investments	\$ 94,745,829	\$ 2,179,662	\$ 96,925,491
Restricted cash, cash equivalents and investments	2,883,327	7,073,028	9,956,355
Bank overdraft	(1,551)	-	(1,551)
Total cash, cash equivalents and investments	<u>\$ 97,627,605</u>	<u>\$ 9,252,690</u>	<u>\$ 106,880,295</u>

Cash, cash equivalents and investments as of June 30, 2013 (primary government) and December 31, 2012 (discrete component units) consist of the following:

	Primary Government	Component Units	Total
Cash on hand	\$ 3,125	\$ -	\$ 3,125
Deposits with financial institutions	89,242,571	9,252,690	98,495,261
Investments	8,381,909	-	8,381,909
Total cash, cash equivalents and investments	<u>\$ 97,627,605</u>	<u>\$ 9,252,690</u>	<u>\$ 106,880,295</u>

(b) Custodial Credit Risk – Deposits

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

(c) Investments Authorized by the Authority

The table below identifies the investment types that are authorized for the Authority by HUD, the California Government Code (or the Authority's investment policy, where more restrictive) as of June 30, 2013:

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

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

Notes to Financial Statements
For the Year Ended June 30, 2013

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

(d) Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

A summary of the Authority's investments at June 30, 2013 is shown below.

	Moody's Credit Rating	Fair Value	Investment Maturities (in years)		
			Less than 1	1 - 3	3 - 5
Primary Government:					
Unrestricted investments:					
Federal Home Loan Bank *	Aaa	\$ 500,000	\$ -	\$ 500,000	\$ -
Federal Home Loan Mortgage Corporation	Aaa	300,000	-	300,000	-
Federal National Mortgage Association	Aaa	300,000	-	-	300,000
Highmark 100% U.S Treasury Money Market Fund	Aaa	7,281,909	7,281,909	-	-
Total investments		<u>\$ 8,381,909</u>	<u>\$ 7,281,909</u>	<u>\$ 800,000</u>	<u>\$ 300,000</u>

* These investments represent more than 5% of the Authority's investments.

(e) Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Authority investments are noted above.

(f) Custodial Credit Risk – Investments

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

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5 – NONCURRENT NOTES AND INTEREST RECEIVABLE

The Authority’s noncurrent notes and interest receivable at June 30, 2013 represents the following:

	<u>From Component Units</u>	<u>From Others</u>	<u>Total</u>
Notes receivable:			
Low Rent Housing program	\$ 28,762,342	\$ -	\$ 28,762,342
HOPE VI program	31,294,028	-	31,294,028
Local programs	3,279,987	11,370,236	14,650,223
Total notes receivable	<u>\$ 63,336,357</u>	<u>\$ 11,370,236</u>	<u>\$ 74,706,593</u>
Interest receivable:			
Low Rent Housing program	\$ 2,009,576	\$ -	\$ 2,009,576
HOPE VI program	987,000	-	987,000
Local programs	-	26,346	26,346
Total interest receivable	<u>\$ 2,996,576</u>	<u>\$ 26,346</u>	<u>\$ 3,022,922</u>

Notes payable to primary government from component units is \$60,693,659. 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, 2013 for the Authority, and December 31, 2012 for component units).

(a) Low Rent Housing Notes Receivable

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

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

On February 1, 2002, the Authority entered into a HOPE VI Construction/Permanent Loan Agreement with CLA whereby the Authority agreed to loan \$9,966,461 to CLA to finance the development of Chestnut Linden. The obligation to repay the loan is covered by 2 promissory notes – a \$4,789,596 note related to Chestnut, and a \$5,176,865 note related to Linden. The notes bear no interest, unless CLA is in default as defined in the loan agreement, and have terms which expire 55 years after the date of the issuance of a Certificate of Occupancy for all units in Chestnut Linden by the City of Oakland. The outstanding balances on the notes, together with any accrued interest as a result of default, are due and payable at the earliest of (i) the date of any transfer of Chestnut Linden not authorized by the Authority; (ii) the date of any default; and (iii) the expiration of the 55-year period. Both notes are secured by HOPE VI Loan Leasehold Deeds of Trust, Assignment of Rents and Security Agreements recorded on February 13, 2002 wherein CLA is the trustee and the Authority is the beneficiary covering the property. The amount outstanding on this loan was \$9,368,861 as of June 30, 2013.

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CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5 – 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 \$1,648,596, respectively, as of June 30, 2013.

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 has a 55-year term from the date of completion of TA Phase I. The amount outstanding on this loan was \$2,000,000 as of June 30, 2013. 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 has a 55-year term from the date of completion of TA Phase I. The amount of principal and interest outstanding on this loan was \$12,313,793 and \$303,548, respectively, as of June 30, 2013. Both notes expire 55 years from the issuance of a Certificate of Occupancy for all units in the development.

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 obligation to repay this loan is deferred and has a 55-year term from the date of completion of TA Phase II. The principal and interest amount outstanding on the interest-bearing loan was \$500,000 \$57,432, respectively, as of June 30, 2013. The principal outstanding for the non-interest bearing loan was \$1,319,688 as of June 30, 2013.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5 – NOTES RECEIVABLE (Continued)

(b) HOPE VI Notes Receivable

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

Foothill Family Apartments - On July 1, 2005, the Authority entered into a HOPE VI Permanent Loan Agreement with FFA. FFA developed and constructed a 65 unit, low income tax credit apartment complex on the real property located at 6886 and 6982 Foothill Boulevard, 2811 and 2812 69th Avenue, and 7011 and 7015 MacArthur Boulevard in the City of Oakland. The Authority agreed to loan \$2,400,000 to FFA to assist in repayment of construction financing for the development, and to assist in the operation of the development. FFA's obligation to repay the loan is covered by a promissory note. The note bears interest based on the applicable Federal Rate as it related to long-term loans, with annual compounding and calculated in accordance with Internal Revenue Service Code Section 1274d as of the date of closing. This loan has a term that expires on the date 55 years from when the Deed of Trust is recorded against the property. Repayments commence on April 1, 2006, and on April 1 of each year thereafter for the term of the loan, from 90% of available residual receipts as described in the loan agreement. The principal and interest outstanding on this loan was \$2,400,000 and \$987,000, respectively, as of June 30, 2013.

Coliseum Gardens (also known as Lions Creek Crossings) - 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 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 \$5,500,000 as of June 30, 2013.

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 local 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, 2013.

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

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CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5 – NOTES RECEIVABLE (Continued)

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 \$3,346,920 as of June 30, 2013.

On November 1, 2010, the Authority entered into a Local Funds Construction/Permanent Loan Agreement with Village-Side Housing Partners, L.P. (VSHP) whereby the Authority agreed to loan an amount not to exceed \$6,641,066 for construction/permanent financing towards the development of the project. On April 15, 2012, the Authority agreed to increase this loan to \$7,222,630 of which the additional amount of \$581,564 will be expended for additional eligible costs and funded by Moving To Work funds. On November 1, 2010, the Authority also entered into a HOPE VI Construction/Permanent Loan Agreement with VSHP whereby the Authority agreed to loan an amount not to exceed \$2,051,641, which represented the remaining Coliseum Gardens HOPE VI grant funds as construction/permanent financing towards the development of LCC Phase IV project. The obligation to repay this loan is deferred, bears no interest, has a 55-year term from the date of completion of the Phase IV project and is payable from surplus cash as defined in the loan agreement. The amount outstanding on these loans was \$9,274,271 as of June 30, 2013.

On November 1, 2010 the Authority also entered into Security Agreement with Bank of America and VSHP agreeing to fund a deposit account with Union Bank in amount of \$7,527,592 to secure a Back-Stop Loan Commitment for funding committed by the Department of Housing and Community Development of the State of California to make a Transit-Oriented Development Loan in the amount of \$7,527,592. In June 2013, Bank of America released the security pledge requirement and allowed the full amount be withdrawn from the Union Bank account and returned to the Authority.

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 lessor 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, 2013 was \$3,342,458.

(c) Local Programs Notes Receivable

Terms and descriptions of the Local 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.

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Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5 – NOTES RECEIVABLE (Continued)

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 Local 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 \$1,437,649 as of June 30, 2013.

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 reconveyance of the Deed of Trust and the Authority's Affordability Covenants with respect to each unit conveyed to an eligible purchaser.

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, 2013.

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 \$194,867 as of June 30, 2013.

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.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5 – NOTES RECEIVABLE (Continued)

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, 2013.

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 \$1,647,471 as of June 30, 2013.

BRIDGE Norcal LLC (460 Grand Avenue) - 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. The obligation bears no interest except upon default by BRIDGE, in which interest will be accrued at the lessor of 10% or the maximum rate permitted by law. The note is payable at the earlier of: i) December 31, 2013; or ii) the date of Construction Closing. The amount outstanding on this loan was \$415,131 as of June 30, 2013. On October 28, 2013, the Board authorized the Executive Director to obligate the loan up to \$8,326,104 and convert the predevelopment loan to a construction loan.

EAH, Inc. - On February 9, 2009, the Authority entered into a Predevelopment Loan Agreement with EAH, Inc. whereby the Authority agreed to loan an amount not to exceed \$618,160 to assist the funding of the predevelopment activities for the Cathedral Gardens project. The obligation bears no interest except upon default by EAH, Inc., in which the principal shall be immediately due and payable and bears interest at the lessor of 10% or the maximum rate permitted by law. In July 2012, EAH, Inc. repaid the loan.

East Bay Asian Local Development Corporation (Jackson Street) - On December 28, 2010, the Authority entered into a Predevelopment Loan Agreement with East Bay Asian Local Development Corporation (EBALDC) whereby the Authority agreed to loan an amount not to exceed \$1,650,000 to finance predevelopment costs in connection with the Jackson Street Development. The obligation bears no interest except upon default by EBALDC, in which interest will be accrued at the lessor of 10% or the maximum rate permitted by law. The note is payable at the earlier of: i) December 1, 2014; or ii) the date of Construction Closing as defined in the Predevelopment Loan Agreement. The amount outstanding on this loan was \$88,845 as of June 30, 2013.

Harrison Street Senior Housing Apartments

Oakland Housing Initiatives and Christian Church Homes of Northern California - On February 25, 2008, the Authority entered into a Predevelopment Loan Agreement with Oakland Housing Initiatives (OHI) and Christian Church Homes of Northern California (CCHNC) whereby the Authority agreed to loan an amount not to exceed \$1,750,000 to OHI and CCHNC to finance the predevelopment activities associated with the construction of the Harrison Street Senior Apartments project (Harrison Project), a 73 unit senior multi-family rental housing project. OHI shall be responsible to repay 75% of the loan, which will equal \$1,312,500 and CCHNC will be responsible to repay 25% of the loan, which will equal \$437,500.

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Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5 – NOTES RECEIVABLE (Continued)

The OHI component will be interest free and the CCHNC component will bear interest at a rate of five percent. The loan will have a term, which commences on the date of the agreement and expires on the earlier of the HUD Section 202 closing or December 31, 2010. The loan expired and was partially repaid in the amount of \$1,215,357 in September 2011. During the year ended June 30, 2013, the remaining balance of the loan was converted to a permanent loan and transferred to Harrison Street Senior Housing Associates, L.P.

Harrison Street Senior Housing Associates, L.P. – The Harrison Street Senior Housing Associates, L.P. (HSSH), the single-asset, limited partnership was created in accordance with HUD’s requirements for Section 202 projects. On December 1, 2010, the Authority entered into a Construction Loan Agreement with HSSH whereby the Authority agreed to loan an amount not to exceed \$500,000 for financing towards the development of the Harrison Project upon the repayment of the predevelopment loan by HSSH. The obligation to repay this loan is deferred, bears no interest, and has a 55-year term from the date of completion of the Harrison Project. The amount outstanding on this loan was \$500,000 as of June 30, 2013.

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, 2013.

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 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 KHA’s Leasehold Estate. The amount outstanding on this loan was \$5,198,130 as of June 30, 2013.

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 on 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. The amount outstanding was \$1,993,130 as of June 30, 2013 and the amount of interest outstanding was \$26,346 as of June 30, 2013.

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Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 5 – NOTES RECEIVABLE (Continued)

(d) Intra-program Loan

On August 17, 2010, CAHI's board approved a resolution to provide funds to the Authority, a related party, for a 24-month backstop loan to the Lion Creek Crossings, Phase IV HOPE VI Partnership. The note, in the amount of \$7,527,592, was provided to the Authority on November 9, 2010. The Authority also agreed to repay CAHI for interest earned based on the current bank rate from the loan proceeds held by the Authority on a quarterly basis in the total amount of \$1,046 in current year. In June 2013, the Authority repaid the loan.

(e) Intra-program borrowing between General Programs and Local Programs

As discussed in Note 1, OAHPI is managing and controlling 329 buildings acquired from the Authority in April 2010. The Authority provided initial working capital of \$25,580,962 at the beginning of the transition to stabilize OAHPI's operations. Due to the size and cost of OAHPI's renovation plans, repayment of the initial working capital will be scheduled after all deferred maintenance is addressed, financial stability is achieved and adequate capital and replacement reserves in place. The Authority is also assisting OAHPI in addressing deferred maintenance on its buildings so that it can renovate the properties to expedite full occupancy and positive cash flows. The renovations started in 2010 and are estimated to take up to five years. The Authority will recover both the working capital advance as well as the costs of the renovations once OAHPI has a positive cash flow. The Authority expects that it will take several years for OAHPI to repay the advance in full. As such, the funds advanced to OAHPI are reported at the program level as a long-term intra-program borrowing between General Programs and OAHPI in the amount of \$62,020,807 at June 30, 2013 nets to zero and is eliminated for financial statement presentation of the Authority as a whole.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Reductions/ Transfers	Balance June 30, 2013
<i>Capital assets, not being depreciated:</i>				
Land	\$ 60,242,043	\$ 5,437,151	\$ -	\$ 65,679,194
Construction in progress	-	4,137,910	-	4,137,910
Total capital assets, not being depreciated	<u>60,242,043</u>	<u>9,575,061</u>	<u>-</u>	<u>69,817,104</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	256,368,923	1,247,008	(652,013)	256,963,918
Equipment and vehicles	5,244,193	343,722	(114,444)	5,473,471
Total capital assets, being depreciated	<u>261,613,116</u>	<u>1,590,730</u>	<u>(766,457)</u>	<u>262,437,389</u>
<i>Less accumulated depreciation</i>				
Building and improvements	(209,135,574)	(9,164,699)	652,013	(217,648,260)
Equipment and vehicles	(3,589,726)	(525,878)	99,174	(4,016,430)
Less accumulated depreciation	<u>(212,725,300)</u>	<u>(9,690,577)</u>	<u>751,187</u>	<u>(221,664,690)</u>
Total capital assets, being depreciated, net	<u>48,887,816</u>	<u>(8,099,847)</u>	<u>(15,270)</u>	<u>40,772,699</u>
Total capital assets, net	<u>\$ 109,129,859</u>	<u>\$ 1,475,214</u>	<u>\$ (15,270)</u>	<u>\$ 110,589,803</u>

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 7 – LONG-TERM OBLIGATIONS

Changes to the business-type activities long-term obligations for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Low Rent Housing Program					
Energy loan payable	\$ 29,131	\$ -	\$ (29,131)	\$ -	\$ -
Compensated absences	1,258,024	603,921	(484,551)	1,377,394	206,609
Total Business-type Activities	<u>\$ 1,287,155</u>	<u>\$ 603,921</u>	<u>\$ (513,682)</u>	<u>\$ 1,377,394</u>	<u>\$ 206,609</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:

Coverage	Deductible	HARRG/ BAHARMA	Excess Coverage
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

Changes in the Authority's claims liability during the years ended June 30, 2013 and 2012 were as follows:

	Claims Liability July 1	Current Year Claims and Changes in Estimates	Current Year Claims Payments	Claims Liability June 30
2012	\$ 102,811	\$ 266,252	\$ 245,721	\$ 123,342
2013	123,342	392,857	253,599	262,600

The claims liability is reported as a component of the other accrued liabilities in the statement of net position.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 8 – RISK MANAGEMENT (Continued)

(a) General Liability

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

(b) Workers' Compensation and Employer's Liability

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

Claims are paid from contributions received from the Authority and SFHA. BAHARMA is considered to be a claims-servicing entity and each member's net position is reported as due to members in the BAHARMA's statement of net position. At June 30, 2013, the Authority's share of the BAHARMA net position is approximately \$7.3 million and is reported as a component of the other noncurrent assets in the Authority's statement of net position.

Condensed audited financial information for BAHARMA is presented below as of and for the year ended September 30, 2013 (most recently available):

Statement of Net Position September 30, 2013		Statement of Revenues, Expenses and Changes in Net Position For the Year Ended September 30, 2013	
Assets:		Operating revenues:	
Cash and equivalents	\$ 4,896,862	Claims servicing revenues	\$ 620,781
Prepaid and other	873,900		
Investments	<u>24,439,653</u>	Total operating revenues	<u>620,781</u>
Total assets	<u>30,210,415</u>	Operating expenses:	
Liabilities:		Claims administration	246,630
Claims liability	18,138,621	General and administration	<u>374,151</u>
Due to members	11,899,661	Total operating expenses	<u>620,781</u>
Other	<u>172,133</u>	Change in net position	-
Total liabilities	<u>30,210,415</u>	Net position, beginning of year	<u>-</u>
Net position	<u>\$ -</u>	Net position, end of year	<u>\$ -</u>

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

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Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 9 – PENSION PLANS

The Authority has two pension plans: the ICMA plan and the California Public Employees' Retirement System (CalPERS) pension plan.

(a) ICMA Retirement Corporation Pension Plan

The ICMA Retirement Corporation Pension Plan is a defined contribution plan for employees hired before July 1, 1980. On July 1, 1980, the Authority's employees were given the opportunity to transfer to CalPERS and certain employees hired prior to July 1, 1980 chose to continue with the ICMA plan. As of June 30, 2013, there were three employees in this plan. For the year ended June 30, 2013, the Authority contributed 10% of annual covered salary related to these employees to the plan. The Authority's total contribution for the year ended June 30, 2013 was \$10,427 and total employee contribution was \$2,915. There were no employee contributions to the plan. The plan had ending cash value of \$1,709,051 at June 30, 2013.

(b) California Public Employees' Retirement System

The CalPERS Pension Plan is 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.

Plan Description – All eligible Authority employees, as defined above, participate in CalPERS. At June 30, 2013, the Authority participated in two plans with CalPERS. The Local Safety plan, a cost sharing multiple-employer defined benefit plan, covers the employees from the police department and the Miscellaneous plan, an agent multiple-employer plan, covers all remaining eligible employees.

CalPERS provides retirement, disability, and death benefits based on the employees' years of service, age and final compensation. A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service. These provisions and all other requirements are established by State statute and Authority resolutions. Copies of CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy - The contribution requirements of plan members and the Authority are established and may be amended by CalPERS. For classic employees (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the CalPERS system), the Miscellaneous and Safety employees' contribution rates were 7% and 9%, respectively. For new members (employees hired after January 1, 2013 and are new entrants to the CalPERS system), Miscellaneous and Safety employees contribution rates were 6.5% and 10.75%, which will be 50% of the total normal cost rate for the new benefit formula. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the 2% at age 55 retirement plan benefits for its classic miscellaneous members, 2.5% at age 55 retirement plan benefits for its classic safety members, 2% at age 62 retirement plan benefits for its new miscellaneous members, and 2.7% at age 57 retirement plan benefits for its new safety members under the California Employees' Pension Reform Act (PEPRA) provisions.

Effective July 1, 1994, the Authority elected to pay 100% of the employees' contributions to CalPERS or 7% of their annual covered salary for Miscellaneous plan members hired prior to July 1, 2012 and members hired after July 1, 2012 agreed to pay 5% of the employees' 7% contribution. In addition, the Authority contributes on behalf of Safety plan members the full contribution amount of 9% effective the pay period beginning October 26, 2009 for Safety plan members hired prior to July 1, 2012 and members hired after July 1, 2012 agreed to pay 4% of the employees' 9% contribution. The Authority is also required to contribute the remaining amounts necessary to fund CalPERS. Employer contributions are determined by a rate that is subject to annual review and adjustment by CalPERS actuaries and adopted by the CalPERS Board of Administration.

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Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 9 – PENSION PLANS (Continued)

In August 2012, the Authority made a lump-sum payment totaling \$9,713,962 to reduce its fiscal year 2012-13 employer contribution rates. Of this total, \$8,411,274 reduced the Miscellaneous Plan unfunded actuarial liability and \$1,302,688 reduced the Safety Police Plan unfunded side fund actuarial liability. As a result, the employer’s contribution rates decreased during the year ended June 30, 2013 as follows:

	Miscellaneous Plan	Safety Plan
7/1/2011 to 8/26/2012	11.872%	26.803%
8/27/2012 to 6/30/2013	8.581%	20.999%

Annual Pension Cost – The Authority’s annual pension cost for the Miscellaneous Plan was determined as part of the June 30, 2010 actuarial valuation using the following actuarial assumptions:

Valuation date:	June 30, 2010
Actuarial cost method:	Entry age normal cost method
Amortization method:	Level percent of payroll
Average remaining period:	24 years as of the valuation date
Asset valuation method:	15 year smoothed market
Actuarial assumptions:	
Discount rate	7.75% (net of administrative expenses)
Projected salary increases	3.55% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

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

	Miscellaneous Plan	Safety Plan	Total
Annual required contributions	\$ 1,829,926	\$ 669,889	\$ 2,499,815
Interest on net pension asset	-	-	-
Adjustment to the annual required contribution	-	-	-
Annual pension cost (expense)	1,829,926	669,889	2,499,815
Contributions made	(10,241,200)	(1,972,577)	(12,213,777)
Change in net pension asset	(8,411,274)	(1,302,688)	(9,713,962)
Net pension asset, beginning of year	-	-	-
Net pension asset, end of year	\$ (8,411,274)	\$ (1,302,688)	\$ (9,713,962)

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CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 9 – PENSION PLANS (Continued)

Three-year trend information for the Authority is as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Asset
Miscellaneous Plan			
6/30/2013	\$ 1,829,926	560%	\$ 8,411,274
6/30/2012	2,052,336	100%	-
6/30/2011	1,756,208	100%	-
Safety Plan			
6/30/2013	\$ 669,889	294%	\$ 1,302,688
6/30/2012	689,007	100%	-
6/30/2011	534,476	100%	-

Funded Status and Funding Progress – Miscellaneous Plan - The actuarial assumptions included in the most recent actuarial valuation (June 30, 2012) are as follows:

Valuation date:	June 30, 2012
Actuarial cost method:	Entry age normal cost method
Amortization method:	Level percent of payroll
Average remaining period:	4 years as of the valuation date
Asset valuation method:	15 year smoothed market
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

The summary of funding progress – Miscellaneous Plan – is as follows:

Actuarial valuation date	June 30, 2012
Actuarial asset value	\$ 73,142,829
Actuarial accrued liability - entry age	<u>81,754,595</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,611,766</u>
Funded ratio	89.5%
Covered payroll	<u>\$ 17,746,618</u>
UAAL as percentage of covered payroll	48.5%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**HOUSING AUTHORITY OF THE
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Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

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

During the year ended June 30, 2011, the Authority entered into an agreement with CalPERS whereby the Authority participates in the California Employers’ Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. The financial statements for CERBT may be obtained by writing the California Public Employees’ Retirement System, Constituent Relations Office, CERBT (OPEB), P.O. Box 242709, Sacramento, California 94229-2709 or by calling 888-225-7377.

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

Annual OPEB Cost - The Authority’s annual other postemployment benefits (OPEB) cost consists of (a) the Annual Required Contributions (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (b) one year’s interest on the beginning balance of the net OPEB obligation, and (c) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over 26 years. The Authority’s OPEB valuation was performed as of July 1, 2011.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 4,369,236	100%	\$ -
6/30/2012	4,178,035	100%	-
6/30/2011	4,521,255	304%	-

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Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress - The table below indicates the funded status of the OPEB plan as of July 1, 2011.

Actuarial accrued liability (AAL)	\$ 49,604,357
Actuarial value of plan assets	<u>12,750,475</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 36,853,882</u></u>
Funded ratio (actuarial value of plan assets)/AAL	25.7%
Approximate annual covered payroll (active plan members)	\$ 17,400,000
UAAL as a percentage of annual covered payroll	211.8%

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

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

In the July 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. Under the entry age normal cost method the actuarial present value of projected benefits is allocated on a level basis over the earnings or service of individuals between entry age and the assumed exit age. The actuarial assumptions included (a) 4.50% investment rate of return, which approximates the amount the Authority expects to earn on its internal investments, (b) payroll increases of 3.25%, and (c) an annual pre-medicare healthcare cost trend rate of 7.3% initially, reduced by level decrements to an ultimate rate of 5.5% for the year beginning January 1, 2019 and thereafter. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period over 26 years.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 11 – 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, 2013, approximately 94% of operating revenues and 55% 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 12). As of June 30, 2013, no additional liability existed relating to excess operating deficits for any of the partnerships.

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 December 2010, the Authority participated in the issuance of \$11,114,905 of Multi-family Housing Revenue Bonds Series 2010. These bonds were issued to provide financing for the construction and development by Harrison Street Senior Housing Associates, L.P. for the Harrison Project. At June 30, 2013, the principal amount payable for these bonds was \$8,395,012.

In October 2011, the Authority participated in the issuance of \$15,883,000 of Multi-family Mortgage Revenue Bonds. These bonds were issued to provide financing for the acquisition, rehabilitation and construction by Keller Housing Associates LP for the Keller Plaza Project. At June 30, 2013, the principal amount payable for these bonds was \$10,037,494.

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

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 12).

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 12 – RELATED PARTY TRANSACTIONS

(a) *Chestnut Linden Associates*

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

(b) *Mandela Gateway Associates*

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

(c) *Oakland Coliseum Housing Partners*

Ground Lease - OCHP's lease of the land from the Authority on which Lion Creek Crossings – Phase I is built resulted in lease payments to be paid to the Authority in installments. Total payments of \$635,000 by OCHP are due to the Authority upon certain conditions specified in the ground lease agreement, and the term of the lease is for 75 years from the recording of the OCHP and the California Tax Credit Allocation Committee's tax credit restrictive covenant agreement. Pursuant to the agreement, the Authority did not receive lease income for the year ended June 30, 2013.

(d) *Lion Way Housing Partners*

Ground Lease - LWHP's lease of the land from the Authority on which Lion Creek Crossings – Phase II is built resulted in lease payments to be paid to the Authority in installments. Total payments of \$1,080,000 by LWHP are due to the Authority upon certain conditions specified in the ground lease agreement, and the term of the lease is for 89 years from the recording of LWHP and the California Tax Credit Allocation Committee's tax credit restrictive covenant agreement with the County of Alameda. Pursuant to the agreement, the Authority did not receive lease income for the year ended June 30, 2013.

(e) *Creekside Housing Partners*

Ground Lease - CHP's lease of the land from the Authority on which Lion Creek Crossings – Phase III is built resulted in lease payments to be paid to the Authority in installments. Total payments of \$1,145,200 by CHP are due to the Authority upon certain condition specified in the ground lease agreement, and the term of the lease is for 89 years from the recording CHP and the California Tax Credit Allocation Committee's tax credit restrictive covenant agreement with the County of Alameda. Pursuant to the agreement, the Authority did not receive lease income for the year ended June 30, 2013.

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

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 12 – RELATED PARTY TRANSACTIONS

(f) Foothill Family Apartments

Ground Lease - FFA's lease of the land from the Authority on which the Foothill Family Apartments is built resulted in annual rent payments to be paid to the Authority of \$7,972 commencing on April 1, 2006. The annual lease payments are to be made from, and to the extent of, 90 percent of residual receipts, which amount shall not accrue. For the year ended June 30, 2013, the Authority did not receive lease income.

(g) Tassafaronga Partners

Operating Deficit Guarantee - The Authority has agreed to guarantee obligations of Tassafaronga Housing Corporation (THC), an affiliated entity, who is the general partner in Tassafaronga Partners, L.P. (TP), an affordable housing limited partnership. These obligations may include operating deficits, development and low income housing tax credit guarantees. Under TP's amended and restated limited partnership agreement dated October 23, 2008, THC is obligated to provide any funds needed by TP, after all funds in the Operating Reserve Account have been used, to fund Operating Deficits up to \$1,446,921 during the Operating Deficit Guaranty Period, as defined in the agreement. As of June 30, 2013, there have been no operating deficit loans made to TP.

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

On February 11, 2011, the conduit debt on the \$31,305,000 of Multi-family Housing Revenue Bonds Series 2008A and 2008B were paid off and the TP received permanent financing with two tranches. One (Series A) is in the amount of \$3,910,000, bears interest at 5.65%, matures May 1, 2046 and is payable in monthly installments of \$21,383 until maturity and the other (Series B) is in the amount of \$5,580,000, bears interest at 5.45% and matures on May 1, 2026, and is payable in monthly installments of \$46,993, until maturity. These bonds have a principal balance of \$8,925,000 as of December 31, 2012 as summarized in Note 13.

(h) Tassafaronga Partners II

Operating Deficit Guarantee - The Authority has agreed to guarantee obligations of THC, who is the general partner in Tassafaronga Partners II, L.P. (TP II), an affordable housing limited partnership. These obligations may include operating deficits, development and low income housing tax credit guarantees. Under TP II's amended and restated limited partnership agreement dated August 20, 2009, THC is obligated to provide any funds needed by the TP II, after all funds in the Operating Reserve Account have been used, to fund Operating Deficits up to \$121,900 as of December 31, 2012. As of June 30, 2013, there have been no operating deficit loans made to TP II.

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CITY OF OAKLAND, CALIFORNIA**

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 12 – RELATED PARTY TRANSACTIONS (Continued)

(i) Village-Side Housing Partners

Ground Lease - On November 1, 2010, VSHP entered into a ground lease agreement with the Authority to lease the land upon the 72-unit project is located. The lease term is for a period of 89 years. Upon expiration of the lease, the buildings and improvements become the property of the Authority. The ground lease consists of required payments totaling \$1,950,000, of which \$1,250,000 was paid and \$700,000 remains payable as of December 31, 2012.

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

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

**HOUSING AUTHORITY OF THE
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Notes to Financial Statements
For the Year Ended June 30, 2013

**NOTE 13 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS**

	Chestnut Linden Associates (1)	Mandela Gateway Associates (1)	Oakland Coliseum Housing Partners (1)	Lion Way Housing Partners (1)	Creekside Housing Partners (1)	Foothill Family Apartments (1)	Tassafaronga Partners (1)	Tassafaronga Partners II (1)	Village-Side Housing Partners (1)	Total
Assets										
Unrestricted cash and cash equivalents	\$ 131,798	\$ 367,710	\$ 117,141	\$ 84,507	\$ 372,552	\$ 77,505	\$ 547,133	\$ 67,730	\$ 413,586	\$ 2,179,662
Restricted cash and cash equivalents	1,509,909	1,349,268	756,334	857,143	713,423	336,947	798,034	357,534	394,436	7,073,028
Accounts receivable and other current assets	36,665	267,700	337,155	155,218	123,440	17,281	74,252	7,434	35,574	1,054,719
Deferred costs, net and other noncurrent assets	102,288	138,406	701,137	1,281,852	1,466,537	47,268	472,696	90,971	2,415,426	6,716,581
Capital assets, net	26,635,537	31,050,662	28,302,039	34,934,346	34,408,816	9,624,360	51,115,789	7,185,535	31,143,741	254,400,825
Total assets	28,416,197	33,173,746	30,213,806	37,313,066	37,084,768	10,103,361	53,007,904	7,709,204	34,402,763	271,424,815
Liabilities										
Current liabilities	230,708	385,039	583,914	767,989	440,534	1,059,165	1,648,866	719,993	701,630	6,537,838
Other noncurrent liabilities	-	2,170,470	1,247,679	1,400,678	907,402	1,506,267	266,607	49,932	-	7,549,035
Loans from the Authority (Note 5)	10,806,510	3,454,867	5,500,000	9,077,610	3,346,920	2,400,000	14,313,793	1,819,688	9,974,271	60,693,659
Long-term obligations (other than loans from the Authority)	5,989,060	7,378,575	15,144,064	15,875,525	18,940,576	3,485,564	21,925,000	3,813,296	14,960,592	107,512,252
Total liabilities	17,026,278	13,388,951	22,475,657	27,121,802	23,635,432	8,450,996	38,154,266	6,402,909	25,636,493	182,292,784
Net position	\$ 11,389,919	\$ 19,784,795	\$ 7,738,149	\$ 10,191,264	\$ 13,449,336	\$ 1,652,365	\$ 14,853,638	\$ 1,306,295	\$ 8,766,270	\$ 89,132,031
Operating revenues										
Operating revenues	\$ 1,487,257	\$ 2,047,405	\$ 1,281,744	\$ 1,593,281	\$ 1,183,235	\$ 735,135	\$ 2,234,803	\$ 266,254	\$ 727,743	\$ 11,556,857
Operating expenses	(2,293,795)	(2,507,531)	(2,043,163)	(3,051,775)	(2,014,579)	(916,503)	(3,513,549)	(542,894)	(2,091,992)	(18,975,781)
Operating loss	(806,538)	(460,126)	(761,419)	(1,458,494)	(831,344)	(181,368)	(1,278,746)	(276,640)	(1,364,249)	(7,418,924)
Nonoperating revenues										
Nonoperating revenues	3,717	4,669	490	1,570	1,190	704	2,061	-	-	14,401
Nonoperating expenses										
Nonoperating expenses	(47,622)	(575,964)	(490,225)	(614,142)	(558,252)	(346,175)	(924,376)	(117,707)	(837,184)	(4,511,647)
Loss before capital contributions	(850,443)	(1,031,421)	(1,251,154)	(2,071,066)	(1,388,406)	(526,839)	(2,201,061)	(394,347)	(2,201,433)	(11,916,170)
Capital contributions										
Capital contributions	-	-	-	-	-	-	-	119,786	10,967,703	11,087,489
Change in net position	(850,443)	(1,031,421)	(1,251,154)	(2,071,066)	(1,388,406)	(526,839)	(2,201,061)	(274,561)	8,766,270	(828,681)
Net position, beginning of year	12,240,362	20,816,216	8,989,303	12,262,330	14,837,742	2,179,204	17,054,699	1,580,856	-	89,960,712
Net position, end of year	\$ 11,389,919	\$ 19,784,795	\$ 7,738,149	\$ 10,191,264	\$ 13,449,336	\$ 1,652,365	\$ 14,853,638	\$ 1,306,295	\$ 8,766,270	\$ 89,132,031

(1) Component unit was audited by other auditors.

**HOUSING AUTHORITY OF THE
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Notes to Financial Statements
For the Year Ended June 30, 2013

**NOTE 13 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

Custodial Credit Risk – Deposits - The Authority's discrete component units maintain cash and cash equivalents with various financial institutions. At times, these balances may exceed federal insurance limits; however, the discrete component units have not experienced any losses with respect to its bank balances in excess of government provided insurance. The uninsured cash balance, including restricted deposits, was approximately \$1.4 million as of December 31, 2012. The Authority's discrete component units have not experienced any losses in such accounts.

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

- **Replacement Reserves** – The partnerships are required to maintain reserves for replacement and repair of property and equipment in accordance with the partnership agreements and the lenders' regulatory agreements.
- **Operating Reserves** – The partnerships are required to maintain operating reserves in accordance with the partnership agreements and the lenders' regulatory agreements.
- **Affordability Reserves** – The partnerships under various agreements are required to establish an affordability reserve to be used as provided in the Authority's regulatory agreements for the benefit of the project units.
- **Priority Distribution Reserves** – The partnerships are required to establish a reserve from designated proceeds as defined in the partnership agreements. Funds shall be used to distribute to the investor limited partner upon sale by the investor limited partner of its interest, the withdrawal of investor limited partner or the dissolution of the partnership.
- **Security Reserves** – The partnerships are required to establish a reserve from designated proceeds as defined in the partnership agreements. Funds shall be used to provide for security services during lease up period.
- **Asset Management Fee Reserves** – The partnerships are required to establish a reserve from designated proceeds as defined in the partnership agreements. Funds shall be released annually to pay the cumulative asset management fee to the investor limited partner. Any funds remaining after the end of the compliance period shall be distributed as cash flow at the time of withdrawal of the investor limited partner or dissolution of the partnerships.
- **Section 8 Reserves** – The partnerships are required to establish a Section 8 Reserve to secure a HAP Contract. Funds shall be available to cover operating shortfalls in the event Section 8 funds to the project are reduced or eliminated, subject to the consent of the limited partner, and any requisite approvals.
- **Debt Service Reserves** – The partnership received funds from the loan servicer for the next scheduled monthly debt service payment, which are held by the trustee until the due date.
- **Revenue Deficit Reserves** – The partnership is required to establish a revenue deficit reserve to fund the operating deficits in case the HUD rental assistance contract is not renewed or is reduced.
- **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
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Notes to Financial Statements
For the Year Ended June 30, 2013

**NOTE 13 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

At December 31, 2012, these component units' restricted cash, cash equivalents and investments are as follows:

	CLA	MGA	OCHP	LWHP	CHP	FFA	TP	TP II	VSHP	Total
Restricted deposits for:										
Replacement reserves	\$ 796,445	\$ 669,916	\$ 241,919	\$ 308,464	\$ 265,890	\$ 89,259	\$ 171,343	\$ 26,848	\$ -	\$ 2,570,084
Operating reserves	623,476	570,032	247,497	380,747	224,325	212,478	482,093	160,345	224,526	3,125,519
Affordability reserves	-	-	34,501	44,620	-	-	-	-	-	79,121
Priority distribution reserves	-	-	43,500	-	-	-	-	-	-	43,500
Security reserves	-	-	119,241	-	-	-	-	-	-	119,241
Asset management fee reserves	-	-	-	-	57,816	-	-	-	-	57,816
Section 8 reserves	-	-	-	39,913	115,448	-	-	-	142,115	297,476
Debt service reserves	-	-	-	-	-	-	72,462	-	-	72,462
Revenue deficit reserves	-	-	-	-	-	-	-	167,000	-	167,000
Tenant security deposits	89,988	109,320	69,676	83,399	49,944	35,210	72,136	3,341	27,795	540,809
Total restricted deposits	<u>\$ 1,509,909</u>	<u>\$ 1,349,268</u>	<u>\$ 756,334</u>	<u>\$ 857,143</u>	<u>\$ 713,423</u>	<u>\$ 336,947</u>	<u>\$ 798,034</u>	<u>\$ 357,534</u>	<u>\$ 394,436</u>	<u>\$ 7,073,028</u>

Capital Assets - The Authority component units' capital assets activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Reductions / Transfers	Balance December 31, 2012
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,853,794	\$ -	\$ -	\$ 3,853,794
Construction in progress	-	850	-	850
Total capital assets, not being depreciated	<u>3,853,794</u>	<u>850</u>	<u>-</u>	<u>3,854,644</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	265,204,217	30,171,283	-	295,375,500
Equipment and vehicles	6,517,630	2,390,093	-	8,907,723
Total capital assets, being depreciated	<u>271,721,847</u>	<u>32,561,376</u>	<u>-</u>	<u>304,283,223</u>
<i>Less accumulated depreciation</i>	<u>(42,990,971)</u>	<u>(10,746,071)</u>	<u>-</u>	<u>(53,737,042)</u>
Total capital assets, being depreciated, net	<u>228,730,876</u>	<u>21,815,305</u>	<u>-</u>	<u>250,546,181</u>
Component units capital assets, net	<u>\$ 232,584,670</u>	<u>\$ 21,816,155</u>	<u>\$ -</u>	<u>\$ 254,400,825</u>

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

Notes to Financial Statements
For the Year Ended June 30, 2013

**NOTE 13 – 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, 2012 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, 2012</u>
<i>Chestnut Linden Associates</i>				
Redevelopment Agency of the City of Oakland	2058	0.0%	Excess/distributable cash	\$ 5,385,060
World Savings Bank Affordable Housing Program	2058	0.0%	At maturity	<u>604,000</u>
Total Chestnut Linden Associates				<u>5,989,060</u>
<i>Mandela Gateway Associates</i>				
California Housing Finance Agency Note #1	2020	6.5%	\$38,547 monthly payments	
California Housing Finance Agency Note #2	2015	6.5%	of principal and interest	
California Housing Finance Agency Note #3	2035	3.0%	Sufficient residual receipts	
Subtotal California Housing Finance Agency				2,878,575
Redevelopment Agency of the City of Oakland	2059	3.0%	Sufficient residual receipts	2,500,000
City of Oakland	2058	3.0%	Sufficient residual receipts	1,000,000
World Savings Bank Affordable Housing Program	2060	0.0%	At maturity	<u>1,000,000</u>
Total Mandela Gateway Associates				<u>7,378,575</u>
<i>Oakland Coliseum Housing Partners</i>				
California Housing Finance Agency Note #A	2042	5.5%	\$18,366 monthly payments	
California Housing Finance Agency Note #B	2042	3.0%	of principal and interest	3,202,378
Department of Housing and Community Development	2061	3.0%	\$2,213 monthly payments	516,686
City of Oakland	2059	0.0%	0.42% of unpaid principal annually	7,965,000
Redevelopment Agency of the City of Oakland	2059	0.0%	9.5% of cash flow	1,500,000
Affinity Bank	2042	0.0%	9.5% of cash flow	1,500,000
			At maturity	<u>460,000</u>
Total Oakland Coliseum Housing Partners				<u>15,144,064</u>
<i>Lion Way Housing Partners</i>				
California Housing Finance Agency Note #1	2047	5.9%	\$21,948 monthly payments	
California Housing Finance Agency Note #2	2047	3.0%	of principal and interest	3,892,152
California Housing Finance Agency Note #3	2017	5.25%	\$2,613 monthly payments	678,124
Department of Housing and Community Development	2062	3.0%	\$6,652 monthly payments	345,249
Affinity Bank	2042	0.0%	0.42% of unpaid principal annually	10,315,000
			At maturity	<u>645,000</u>
Total Lion Way Housing Partners				<u>15,875,525</u>
<i>Creekside Housing Partners</i>				
California Housing Finance Agency Note #A	2047	5.7%	\$21,601 monthly payments	
California Housing Finance Agency Note #B	2017	5.5%	of principal and interest	3,966,228
California Housing Finance Agency Note #C	2047	3.0%	\$5,155 monthly payments	322,891
Department of Housing and Community Development	2064	3.0%	\$1,897 monthly payments	502,137
Redevelopment Agency of the City of Oakland	2061	0.0%	0.42% of unpaid principal annually	9,028,478
City of Oakland	2061	0.0%	18% of cash flow	2,997,228
Far East National Bank	2067	0.0%	9% of cash flow	1,598,614
			At maturity	<u>525,000</u>
Total Creekside Housing Partners				<u>18,940,576</u>
<i>Foothill Family Apartments</i>				
Hanmi Bank, Federal Savings Bank	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	1,616,183
Limited Partner Advance	n/a	8.0%	n/a	<u>1,294,381</u>
Total Foothill Family Apartments				<u>3,485,564</u>
<i>Tassafaronga Partners, L.P.</i>				
Wells Fargo Bank, N.A. Series A and Series B	2046	5.45% - 5.65%	\$68,376 monthly payments	8,925,000
Redevelopment Agency of the City of Oakland	2063	0.0%	14.88% of cash flow	3,000,000
Department of Housing and Community Development	2065	3.0%	0.42% of unpaid principal annually	<u>10,000,000</u>
Total Tassafaronga Partners				<u>21,925,000</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	2065	0.0%	At maturity	200,000
County of Alameda - HOPWA Loan	2065	3.0%	At maturity	500,000
California Tax Credit Allocation Committee (TCAC)	2065	0.0%	At maturity	<u>388,241</u>
Total Tassafaronga Partners II				<u>3,813,296</u>
<i>Village-Side Housing Partners, L.P.</i>				
California Community Reinvestment Corporation	2042	6.3%	\$3,817 monthly payments	620,000
California Community Reinvestment Corporation	2022	6.3%	\$3,739 monthly payments	333,000
City of Oakland	2065	0.0%	50% of cash flow	3,499,453
Department of Housing and Community Development	2067	3.0%	0.42% of unpaid principal annually	7,527,592
Redevelopment Agency of the City of Oakland	2065	0.0%	50% of cash flow	<u>2,980,547</u>
Total Village-Side Housing Partners, L.P.				<u>14,960,592</u>
Total Component Units				<u>\$ 107,512,252</u>

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

Notes to Financial Statements
For the Year Ended June 30, 2013

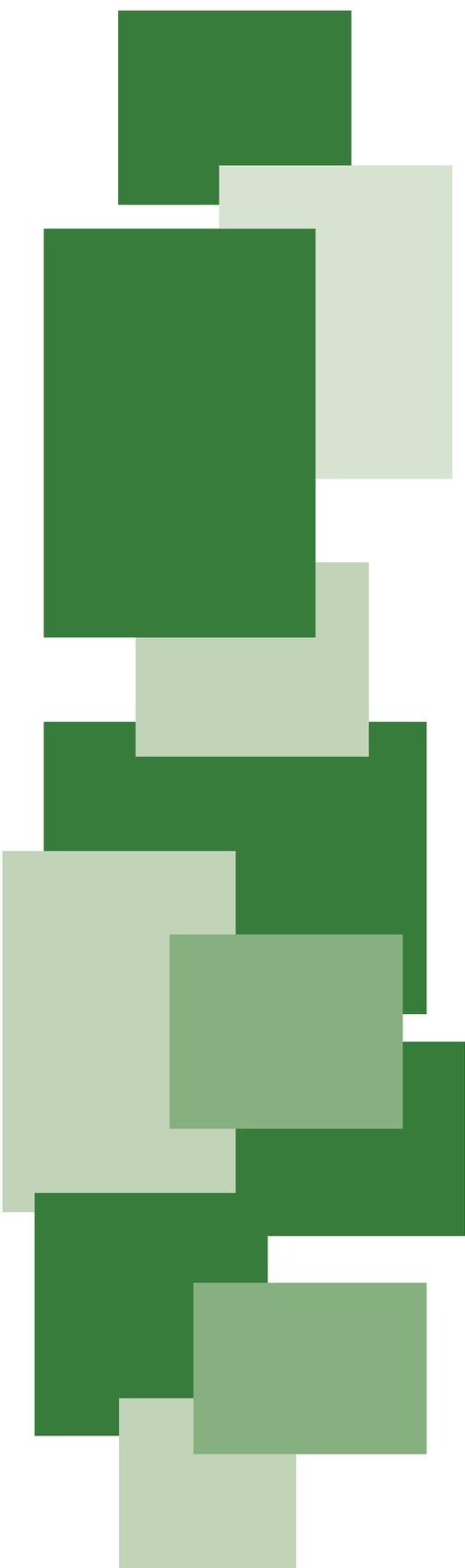
**NOTE 13 – SUMMARIZED FINANCIAL INFORMATION OF
DISCRETELY PRESENTED COMPONENT UNITS (Continued)**

Changes to the component units' long-term obligations for the year ended December 31, 2012 were as follows:

<i>Component Units:</i>	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Amounts Due Within One Year
Chestnut Linden Associates	\$ 6,052,766	\$ -	\$ (63,706)	\$ 5,989,060	\$ 28,251
Mandela Gateway Associates	7,700,026	-	(321,451)	7,378,575	344,280
Oakland Coliseum Housing Partners	15,197,910	-	(53,846)	15,144,064	56,613
Lion Way Housing Partners	15,979,025	-	(103,500)	15,875,525	109,037
Creekside Housing Partners	19,027,237	-	(86,661)	18,940,576	34,030
Foothill Family Apartments	3,511,422	-	(25,858)	3,485,564	28,199
Tassafaronga Partners	22,240,000	-	(315,000)	21,925,000	337,000
Tassafaronga Partners II	3,813,296	-	-	3,813,296	11,445
Village-Side Housing Partners, L.P.	-	32,270,592	(17,310,000)	14,960,592	32,021
Total	<u>\$ 93,521,682</u>	<u>\$ 32,270,592</u>	<u>\$ (18,280,022)</u>	<u>\$ 107,512,252</u>	<u>\$ 980,876</u>

NOTE 14 – SUBSEQUENT EVENT

On October 28, 2013, HUD exercised the fourth three-month renewal terms under the PBCA-ACC, as amended by the Second Amendment, to extend its contract with CAHI until March 31, 2014.



Other Supplementary Information

- Federal, Local and General Programs
- Federal Programs

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2013

The schedules of funding progress presented below provides a consolidated snapshot of the Authority's ability to meet current and future liabilities with the pension plan and other postemployment benefits plan assets.

Schedule of Funding Progress – Pension Benefits – Miscellaneous Plan (dollars in thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) - Entry Age	(C) Unfunded AAL (UAAL) [(B) - (A)]	(D) Funded Ratio [(A) / (B)]	(E) Covered Payroll	(F) UAAL as a Percentage of Covered Payroll [(C) / (E)]
6/30/2012	\$ 73,143	\$ 81,755	\$ 8,612	89.5%	\$ 17,747	48.5%
6/30/2011	68,808	77,818	9,010	88.4%	17,433	51.7%
6/30/2010	64,829	72,866	8,037	89.0%	16,745	48.0%

Schedule of Funding Progress - Postemployment Healthcare Benefits (dollars in thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) - Entry Age	(C) Unfunded AAL (UAAL) [(B) - (A)]	(D) Funded Ratio [(A) / (B)]	(E) Covered Payroll	(F) UAAL as a Percentage of Covered Payroll [(C) / (E)]
7/1/2011	\$ 12,750	\$ 49,604	\$ 36,854	25.7%	\$ 17,400	211.8%
7/1/2009	-	46,113	46,113	0.0%	15,200	303.4%
1/1/2008 ⁽¹⁾	-	40,431	40,431	0.0%	15,200	266.0%

⁽¹⁾ The valuation date is January 1, 2008. For purposes of presentation in this table the January 1, 2008 valuation results were "rolled back" to July 1, 2007 to coincide with the beginning of the fiscal year in which the Authority adopted GASB Statement No. 45.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Net Position
Federal, Local and General Programs
June 30, 2013

	Federal Programs	Local Programs	General Programs	Eliminations	Total
Assets:					
Current assets:					
Unrestricted cash, cash equivalents and investments	\$ 27,991,025	\$ 35,144,017	\$ 31,610,787	\$ -	\$ 94,745,829
Accounts receivable:					
U.S. Department of Housing and Urban Development	15,137,449	-	-	-	15,137,449
Tenants	816,506	4,219,410	187,535	-	5,223,451
Interest	-	53,981	-	-	53,981
Other	1,601,144	4,555,634	757,176	-	6,913,954
Due from other funds	1,535,988	-	5,211,258	(6,747,246)	-
Prepaid expenses	493,288	225,745	459,129	-	1,178,162
Restricted cash, cash equivalents and investments	2,481,789	387,435	14,103	-	2,883,327
Total current assets	50,057,189	44,586,222	38,239,988	(6,747,246)	126,136,153
Noncurrent assets:					
Noncurrent interest receivable	2,996,576	52,692	-	-	3,049,268
Advance to other funds	-	-	62,020,807	(62,020,807)	-
Notes receivable from component units	60,056,370	3,279,987	-	-	63,336,357
Notes receivable from others	-	11,370,236	-	-	11,370,236
Net pension asset	4,354,292	1,334,760	4,024,910	-	9,713,962
Other noncurrent assets	-	7,325,351	-	-	7,325,351
Capital assets:					
Nondepreciable	38,470,874	31,346,230	-	-	69,817,104
Depreciable, net	17,391,166	22,818,096	563,437	-	40,772,699
Total capital assets	55,862,040	54,164,326	563,437	-	110,589,803
Total noncurrent assets	123,269,278	77,527,352	66,609,154	(62,020,807)	205,384,977
Total assets	173,326,467	122,113,574	104,849,142	(68,768,053)	331,521,130
Liabilities:					
Current liabilities:					
Bank overdraft	1,551	-	-	-	1,551
Accounts payable	2,568,730	337,432	2,871,737	-	5,777,899
Accrued payroll	3,845	-	1,888,983	-	1,892,828
Due to the U.S. Department of Housing and Urban Development	170,784	-	-	-	170,784
Due to other funds	2,998,631	3,748,000	615	(6,747,246)	-
Unearned revenues	1,268,612	-	-	-	1,268,612
Other accrued liabilities	44,970	-	942,873	-	987,843
Tenant security deposits	372,697	324,585	-	-	697,282
Current portion of compensated absences	-	-	206,609	-	206,609
Total current liabilities	7,429,820	4,410,017	5,910,817	(6,747,246)	11,003,408
Noncurrent liabilities:					
Compensated absences, net of current portion	-	-	1,170,785	-	1,170,785
Advance from other funds	-	62,020,807	-	(62,020,807)	-
Family Self Sufficiency deposits	287,285	-	-	-	287,285
Total noncurrent liabilities	287,285	62,020,807	1,170,785	(62,020,807)	1,458,070
Total liabilities	7,717,105	66,430,824	7,081,602	(68,768,053)	12,461,478
Net position:					
Net investment in capital assets	55,862,040	54,164,326	563,437	-	110,589,803
Restricted for:					
Housing programs	1,821,807	62,850	14,103	-	1,898,760
Pension assets held in trust with CalPERS	4,354,292	1,334,760	4,024,910	-	9,713,962
Unrestricted	103,571,223	120,814	93,165,090	-	196,857,127
Total net position	\$ 165,609,362	\$ 55,682,750	\$ 97,767,540	\$ -	\$ 319,059,652

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

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Federal, Local and General Programs
For the Year Ended June 30, 2013

	Federal Programs	Local Programs	General Programs	Eliminations	Total
Operating revenues:					
Rental income	\$ 3,886,143	\$ 16,276,566	\$ 700	\$ -	\$ 20,163,409
Housing assistance payment revenues and fees	613,080,655	-	-	-	613,080,655
Miscellaneous and other revenues	3,498,414	6,751,557	25,442,726	(18,573,082)	17,119,615
Total operating revenues	<u>620,465,212</u>	<u>23,028,123</u>	<u>25,443,426</u>	<u>(18,573,082)</u>	<u>650,363,679</u>
Operating expenses:					
Housing assistance payments	542,670,292	1,402,222	-	-	544,072,514
Administrative	26,838,620	1,716,730	12,960,292	-	41,515,642
Tenant services	320,036	65,163	394,749	-	779,948
Utilities	1,156,657	1,562,776	106,227	-	2,825,660
Maintenance and operations	6,282,664	13,568,686	4,896,713	-	24,748,063
General expenses	8,224,123	2,299,588	982,705	-	11,506,416
Depreciation and amortization	4,892,473	4,605,583	192,521	-	9,690,577
Overhead allocation	7,604,076	7,500,451	3,468,555	(18,573,082)	-
Total operating expenses	<u>597,988,941</u>	<u>32,721,199</u>	<u>23,001,762</u>	<u>(18,573,082)</u>	<u>635,138,820</u>
Operating income (loss)	<u>22,476,271</u>	<u>(9,693,076)</u>	<u>2,441,664</u>	<u>-</u>	<u>15,224,859</u>
Nonoperating revenues (expenses):					
Operating grants	2,801,164	-	-	-	2,801,164
Investment income	421,690	23,704	174	-	445,568
Other nonoperating revenues	2,853,443	-	595	-	2,854,038
Other nonoperating expenses	(13,898)	(71,701)	(7,189)	-	(92,788)
Total nonoperating revenues (expenses)	<u>6,062,399</u>	<u>(47,997)</u>	<u>(6,420)</u>	<u>-</u>	<u>6,007,982</u>
Income (loss) before capital contributions and transfers	<u>28,538,670</u>	<u>(9,741,073)</u>	<u>2,435,244</u>	<u>-</u>	<u>21,232,841</u>
Capital contributions	-	-	7,153,504	-	7,153,504
Transfers in	199,466,416	3,201,221	387,696,590	(590,364,227)	-
Transfers out	(215,870,942)	(91,830)	(374,401,455)	590,364,227	-
Change in net position	12,134,144	(6,631,682)	22,883,883	-	28,386,345
Net position, beginning of year	153,475,218	62,314,432	74,883,657	-	290,673,307
Net position, end of year	<u>\$ 165,609,362</u>	<u>\$ 55,682,750</u>	<u>\$ 97,767,540</u>	<u>\$ -</u>	<u>\$ 319,059,652</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Cash Flows
Federal, Local and General Programs
For the Year Ended June 30, 2013

	Federal Programs	Local Programs	General Programs	Eliminations	Total
Cash flows from operating activities:					
Receipts from tenants	\$ 3,802,341	\$ 15,413,046	\$ -	\$ -	\$ 19,215,387
Receipts from customers and others	2,209,472	2,215,067	26,249,952	(18,573,082)	12,101,409
Receipts from housing assistance programs	608,742,440	-	-	-	608,742,440
Payments for interfund services used	(7,604,076)	(7,500,451)	(3,468,555)	18,573,082	-
Payments to suppliers for goods and services	(30,478,191)	(18,234,458)	(7,845,930)	-	(56,558,579)
Housing assistance payments on behalf of tenants	(542,563,010)	(1,402,222)	-	-	(543,965,232)
Payments to employees for services	(18,085,713)	(2,610,863)	(14,412,259)	-	(35,108,835)
Net cash provided by (used in) operating activities	<u>16,023,263</u>	<u>(12,119,881)</u>	<u>523,208</u>	<u>-</u>	<u>4,426,590</u>
Cash flows from noncapital financing activities:					
Transfers received	199,466,416	3,201,221	387,696,590	(590,364,227)	-
Transfers paid	(215,870,942)	(91,830)	(374,401,455)	590,364,227	-
Bank overdraft payments	(273,249)	-	-	-	(273,249)
Operating grants received	2,801,164	-	-	-	2,801,164
Net receipt of loans from other programs	10,168,912	23,135,871	-	(33,304,783)	-
Net disbursement of loans to other programs	-	-	(33,304,783)	33,304,783	-
Net disbursement of loans to related parties and component units	(3,355,401)	(1,833,061)	-	-	(5,188,462)
Net cash provided by (used in) noncapital financing activities	<u>(7,063,100)</u>	<u>24,412,201</u>	<u>(20,009,648)</u>	<u>-</u>	<u>(2,660,547)</u>
Cash flows from capital and related financing activities:					
Capital contributions	-	-	7,153,504	-	7,153,504
Proceeds from sale of capital assets	-	-	-	-	-
Acquisition of capital assets	(4,857,318)	(2,935,243)	(204,517)	-	(7,997,078)
Repayments of long-term debt	(7,983)	(21,148)	-	-	(29,131)
Net cash provided by (used in) capital and related financing activities	<u>(4,865,301)</u>	<u>(2,956,391)</u>	<u>6,948,987</u>	<u>-</u>	<u>(872,705)</u>
Cash flows from investing activities:					
Interest received	33,048	23,704	174	-	56,926
Proceeds from maturity of investments	-	750,000	-	-	750,000
Net cash provided by investing activities	<u>33,048</u>	<u>773,704</u>	<u>174</u>	<u>-</u>	<u>806,926</u>
Net change in cash and cash equivalents	4,127,910	10,109,633	(12,537,279)	-	1,700,264
Cash and cash equivalents, beginning of year	26,344,904	24,321,819	44,162,169	-	94,828,892
Cash and cash equivalents, end of year	<u>\$ 30,472,814</u>	<u>\$ 34,431,452</u>	<u>\$ 31,624,890</u>	<u>\$ -</u>	<u>\$ 96,529,156</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Combining Schedule of Cash Flows (Continued)
Federal, Local and General Programs
For the Year Ended June 30, 2013

	Federal Programs	Local Programs	General Programs	Eliminations	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 22,476,271	\$ (9,693,076)	\$ 2,441,664	\$ -	\$ 15,224,859
Adjustment to reconcile operating income (loss) to net cash provided (used in) by operating activities:					
Depreciation and amortization	4,892,473	4,605,583	192,521	-	9,690,577
Other revenues	-	-	595	-	595
Other expenses	(13,898)	(71,701)	(7,189)	-	(92,788)
Decrease (increase) in:					
Receivables	761,065	(5,240,153)	805,931	-	(3,673,157)
Prepaid expenses	19,972	82,370	(152,304)	-	(49,962)
Other assets	1,837	-	594,347	-	596,184
Net pension asset	(4,354,292)	(1,334,760)	(4,024,910)	-	(9,713,962)
Other noncurrent assets	-	(184,147)	-	-	(184,147)
Increase (decrease) in:					
Accounts payable	1,514,117	(189,933)	(275,284)	-	1,048,900
Accrued payroll	(17,227)	-	394,054	-	376,827
Due to the U.S. Department of Housing and Urban Development	107,282	-	-	-	107,282
Tenant security deposits	(33,369)	24,290	-	-	(9,079)
Unearned revenues	(6,438,655)	-	-	-	(6,438,655)
Compensated absences	(4,584)	-	123,954	-	119,370
Other liabilities	(2,887,729)	(118,354)	429,829	-	(2,576,254)
Net cash provided by (used in) operating activities	<u>\$ 16,023,263</u>	<u>\$ (12,119,881)</u>	<u>\$ 523,208</u>	<u>\$ -</u>	<u>\$ 4,426,590</u>
Cash and cash equivalents:					
Unrestricted cash, cash equivalents and investments	\$ 27,991,025	\$ 35,144,017	\$ 31,610,787	\$ -	\$ 94,745,829
Restricted cash, cash equivalents and investments	2,481,789	387,435	14,103	-	2,883,327
Less investments not meeting the definition of cash and cash equivalents	-	(1,100,000)	-	-	(1,100,000)
Total cash and cash equivalents	<u>\$ 30,472,814</u>	<u>\$ 34,431,452</u>	<u>\$ 31,624,890</u>	<u>\$ -</u>	<u>\$ 96,529,156</u>
Noncash capital and related financing activities:					
Application of deposits held in escrow for capital asset purchased	\$ 300,000	\$ -	\$ -	\$ -	\$ 300,000

**HOUSING AUTHORITY OF THE
CITY OF OALLAND, CALIFORNIA**
Combining Schedule of Net Position
Federal Programs
June 30, 2013

	Section 8					Public Housing Capital
	Low Rent Housing Program	Substantial and Moderate Rehabilitation	Housing Choice Voucher	Moving To Work	Mainstream Voucher	
Assets:						
Current assets:						
Unrestricted cash, cash equivalents and investments	\$ 1,254,695	\$ -	\$ -	\$ 300	\$ -	\$ -
Accounts receivable:						
U.S. Department of Housing and Urban Development	-	60,386	9,900,853	-	-	2,889,997
Tenants	816,506	-	-	-	-	-
Other	45,870	-	587,887	-	-	-
Due from other funds	-	-	163,502	-	-	1,337,111
Prepaid expenses	198,465	-	172,279	75,971	-	-
Restricted cash, cash equivalents and investments	2,171,707	-	287,285	-	-	-
Total current assets	4,487,243	60,386	11,111,806	76,271	-	4,227,108
Noncurrent assets:						
Noncurrent interest receivable	2,009,576	-	-	-	-	-
Notes receivable from component units	28,762,342	-	-	-	-	-
Net pension asset	699,507	-	2,025,619	1,629,166	-	-
Capital assets:						
Nondepreciable	31,760,697	-	-	-	-	1,630,481
Depreciable, net	15,514,305	-	167,055	593,108	-	-
Total capital assets	47,275,002	-	167,055	593,108	-	1,630,481
Total noncurrent assets	78,746,427	-	2,192,674	2,222,274	-	1,630,481
Total assets	83,233,670	60,386	13,304,480	2,298,545	-	5,857,589
Liabilities:						
Current liabilities:						
Bank overdraft	-	-	-	-	-	-
Accounts payable	409,027	9,422	389,619	13,399	89,925	-
Accrued payroll	3,845	-	-	-	-	-
Due to the U.S. Department of Housing and Urban Development	-	-	-	-	147,987	-
Due to other funds	-	-	-	442,162	548	2,138,876
Unearned revenues	127,812	-	-	1,070,028	-	-
Other accrued liabilities	41,667	-	2,153	-	-	-
Tenant security deposits	372,697	-	-	-	-	-
Total current liabilities	955,048	9,422	391,772	1,525,589	238,460	2,138,876
Noncurrent liabilities:						
Family Self Sufficiency deposits	-	-	287,285	-	-	-
Total liabilities	955,048	9,422	679,057	1,525,589	238,460	2,138,876
Net position:						
Net investment in capital assets	47,275,002	-	167,055	593,108	-	1,630,481
Restricted for:						
Housing programs	1,799,010	-	-	-	-	-
Pension assets held in trust with CalPERS	699,507	-	2,025,619	1,629,166	-	-
Unrestricted	32,505,103	50,964	10,432,749	(1,449,318)	(238,460)	2,088,232
Total net position	\$ 82,278,622	\$ 50,964	\$ 12,625,423	\$ 772,956	\$ (238,460)	\$ 3,718,713

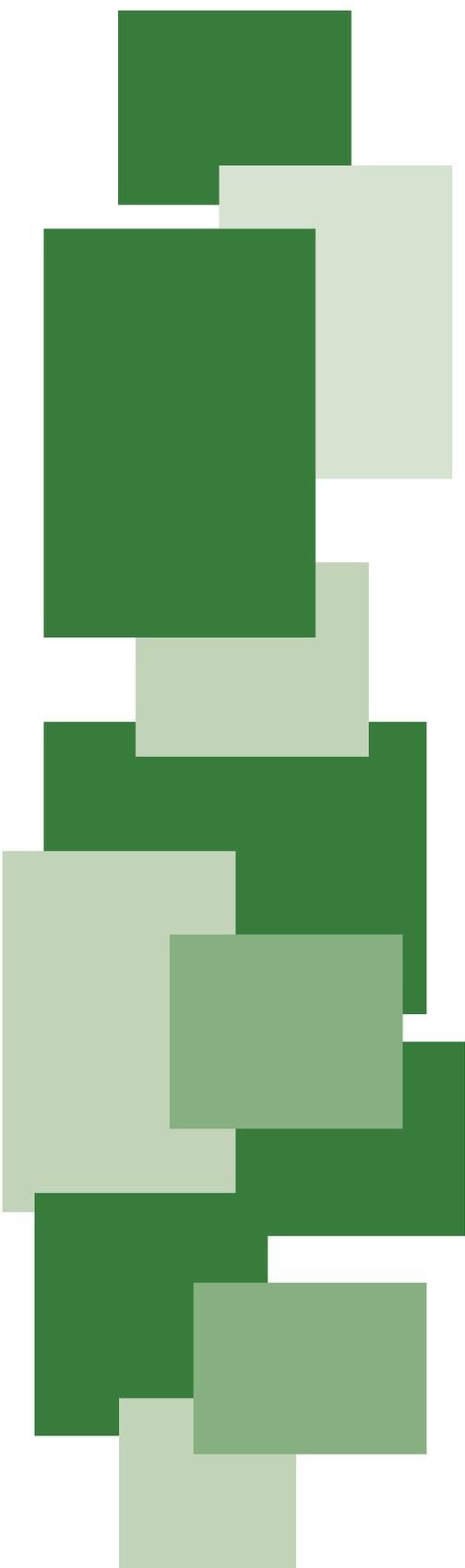
Public Housing Capital Recovery Act	HOPE VI	Resident Opportunity and Supportive Services	Shelter Plus Care	Home Investment Partnership	Disaster Housing Assistance	California Affordable Housing Initiatives, Inc.	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	26,736,030	\$ 27,991,025
-	-	33,968	-	-	-	2,252,245	15,137,449
-	-	-	-	-	-	-	816,506
-	-	-	958,287	-	-	9,100	1,601,144
-	-	35,375	-	-	-	-	1,535,988
-	-	-	-	-	-	46,573	493,288
-	-	-	-	-	-	22,797	2,481,789
-	-	69,343	958,287	-	-	29,066,745	50,057,189
-	987,000	-	-	-	-	-	2,996,576
-	31,294,028	-	-	-	-	-	60,056,370
-	-	-	-	-	-	-	4,354,292
-	-	-	-	-	-	5,079,696	38,470,874
-	-	-	-	-	-	1,116,698	17,391,166
-	-	-	-	-	-	6,196,394	55,862,040
-	32,281,028	-	-	-	-	6,196,394	123,269,278
-	32,281,028	69,343	958,287	-	-	35,263,139	173,326,467
-	-	-	1,551	-	-	-	1,551
-	-	-	2,099	-	14,683	1,640,556	2,568,730
-	-	-	-	-	-	-	3,845
-	-	-	-	-	-	22,797	170,784
-	-	-	-	-	-	417,045	2,998,631
-	-	-	70,772	-	-	-	1,268,612
-	-	-	-	-	-	1,150	44,970
-	-	-	-	-	-	-	372,697
-	-	-	74,422	-	14,683	2,081,548	7,429,820
-	-	-	-	-	-	-	287,285
-	-	-	74,422	-	14,683	2,081,548	7,717,105
-	-	-	-	-	-	6,196,394	55,862,040
-	-	-	-	-	-	22,797	1,821,807
-	-	-	-	-	-	-	4,354,292
-	32,281,028	69,343	883,865	-	(14,683)	26,962,400	103,571,223
\$ -	\$ 32,281,028	\$ 69,343	\$ 883,865	\$ -	\$ (14,683)	\$ 33,181,591	\$ 165,609,362

**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, 2013

	Section 8					Public Housing Capital
	Low Rent Housing Program	Substantial and Moderate Rehabilitation	Housing Choice Voucher	Moving To Work	Mainstream Voucher	
Operating revenues:						
Rental income	\$ 3,886,143	\$ -	\$ -	\$ -	\$ -	\$ -
Housing assistance payment revenues and fees	-	2,636,942	908,466	203,723,016	1,489,858	-
Miscellaneous and other revenues	374,468	-	2,257,765	266,181	-	-
Total operating revenues	<u>4,260,611</u>	<u>2,636,942</u>	<u>3,166,231</u>	<u>203,989,197</u>	<u>1,489,858</u>	<u>-</u>
Operating expenses:						
Housing assistance payments	-	2,321,878	144,402,146	-	1,321,898	-
Administrative	2,012,008	2,532	12,472,854	3,002,099	117,293	-
Tenant services	151,293	-	44,553	31,745	-	-
Utilities	1,156,657	-	-	-	-	-
Maintenance and operations	6,039,102	-	123,599	119,963	-	-
General expenses	4,090,892	1,208	432,316	3,056,254	4,065	-
Depreciation and amortization	4,571,935	-	74,573	207,458	-	-
Overhead allocation	3,166,754	156,541	2,787,791	1,372,514	53,099	-
Total operating expenses	<u>21,188,641</u>	<u>2,482,159</u>	<u>160,337,832</u>	<u>7,790,033</u>	<u>1,496,355</u>	<u>-</u>
Operating income (loss)	<u>(16,928,030)</u>	<u>154,783</u>	<u>(157,171,601)</u>	<u>196,199,164</u>	<u>(6,497)</u>	<u>-</u>
Nonoperating revenues (expenses):						
Operating grants	-	-	-	-	-	-
Investment income	246,970	-	16,305	-	-	-
Other nonoperating revenues	2,829,175	-	-	24,268	-	-
Other nonoperating expenses	(7,353)	-	(1,000)	(5,545)	-	-
Total nonoperating revenues (expenses)	<u>3,068,792</u>	<u>-</u>	<u>15,305</u>	<u>18,723</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	<u>(13,859,238)</u>	<u>154,783</u>	<u>(157,156,296)</u>	<u>196,217,887</u>	<u>(6,497)</u>	<u>-</u>
Transfers in	16,415,117	34,518	169,194,461	10,202,626	-	-
Transfers out	(3,195,172)	(364,537)	(8,939,789)	(198,784,214)	(99,884)	(3,421,961)
Change in net position	(639,293)	(175,236)	3,098,376	7,636,299	(106,381)	(3,421,961)
Net position, beginning of year	82,917,915	226,200	9,527,047	(6,863,343)	(132,079)	7,140,674
Net position, end of year	<u>\$ 82,278,622</u>	<u>\$ 50,964</u>	<u>\$ 12,625,423</u>	<u>\$ 772,956</u>	<u>\$ (238,460)</u>	<u>\$ 3,718,713</u>

Public Housing Capital Recovery Act	HOPE VI	Resident Opportunity and Supportive Services	Shelter Plus Care	Home Investment Partnership	Disaster Housing Assistance	California Affordable Housing Initiatives, Inc.	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,886,143
-	-	92,445	-	-	-	404,229,928	613,080,655
-	-	-	-	-	-	600,000	3,498,414
-	-	92,445	-	-	-	404,829,928	620,465,212
-	-	-	2,666,091	-	-	391,958,279	542,670,292
-	-	-	1,306	-	-	9,230,528	26,838,620
-	-	92,445	-	-	-	-	320,036
-	-	-	-	-	-	-	1,156,657
-	-	-	-	-	-	-	6,282,664
-	-	-	-	-	-	639,388	8,224,123
-	-	-	-	-	-	38,507	4,892,473
-	-	-	67,377	-	-	-	7,604,076
-	-	92,445	2,734,774	-	-	401,866,702	597,988,941
-	-	-	(2,734,774)	-	-	2,963,226	22,476,271
-	-	-	2,801,164	-	-	-	2,801,164
-	155,099	-	-	-	-	3,316	421,690
-	-	-	-	-	-	-	2,853,443
-	-	-	-	-	-	-	(13,898)
-	155,099	-	2,801,164	-	-	3,316	6,062,399
-	155,099	-	66,390	-	-	2,966,542	28,538,670
-	3,337,234	-	282,460	-	-	-	199,466,416
(733,941)	-	-	(312,711)	(4,495)	(14,238)	-	(215,870,942)
(733,941)	3,492,333	-	36,139	(4,495)	(14,238)	2,966,542	12,134,144
733,941	28,788,695	69,343	847,726	4,495	(445)	30,215,049	153,475,218
\$ -	\$ 32,281,028	\$ 69,343	\$ 883,865	\$ -	\$ (14,683)	\$ 33,181,591	\$ 165,609,362

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Statistical Section

**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.

**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
2013	\$ 110,590	\$ 11,613	\$ 196,857	\$ 319,060
2012	109,101	1,649	179,923	290,673
2011	83,574	1,649	170,435	255,658
2010	67,564	1,700	140,977	210,241
2009	101,391	1,001	114,218	216,610
2008	78,087	1,582	113,548	193,217
2007	81,709	1,625	84,460	167,794
2006	84,864	-	80,892	165,756
2005	91,963	-	67,301	159,264
2004	88,361	-	46,833	135,194

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**
Change in Net Position - Last Ten Years (Unaudited)
(\$ in Thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating revenues:										
Rental income	\$ 9,044	\$ 9,236	\$ 10,059	\$ 9,994	\$ 9,333	\$ 9,794	\$ 8,424	\$ 2,371	\$ 17,421	\$ 20,164
Housing assistance payment revenues and fees	158,873	284,335	427,539	429,711	494,296	501,021	552,439	586,826	604,956	613,081
Miscellaneous and other	731	498	1,357	927	2,050	1,700	23,950	20,168	12,983	17,119
Total operating revenues	168,648	294,069	438,955	440,632	505,679	512,515	584,813	609,365	635,360	650,364
Operating expenses:										
Housing assistance payments	137,721	238,157	381,658	392,717	414,688	427,898	481,420	508,431	528,705	544,072
Administrative	19,817	26,190	31,938	28,886	33,778	36,757	35,913	37,381	43,591	41,516
Tenant services	671	539	554	458	451	247	1,873	2,281	2,205	780
Utilities	2,155	2,479	2,655	2,590	2,680	2,708	2,289	1,140	2,516	2,826
Maintenance and operations	9,459	9,556	12,388	12,240	21,182	13,308	22,329	13,452	32,766	24,748
General expenses	6,564	6,069	4,919	9,749	14,204	12,602	9,692	12,565	11,663	11,506
Depreciation and amortization	12,155	11,957	12,916	11,557	10,417	12,410	13,299	6,503	12,158	9,691
Total operating expenses	188,542	294,947	447,028	458,197	497,400	505,930	566,815	581,753	633,604	635,139
Operating income (loss)	(19,894)	(878)	(8,073)	(17,565)	8,279	6,585	17,998	27,612	1,756	15,225
Nonoperating revenues (expenses):										
Operating grants	5,308	3,918	6,614	5,822	7,779	7,146	3,486	2,760	2,719	2,801
Investment income	(79)	753	990	3,041	3,227	2,832	916	1,090	506	446
Interest expense	-	(70)	(62)	(72)	(31)	(74)	(45)	-	-	-
Gain (loss) on disposal of capital assets	80	294	540	15	(975)	(3)	(1,532)	22	-	2,854
Other nonoperating revenues	-	-	-	-	-	-	-	-	4,722	-
Other nonoperating expenses	-	-	-	-	-	(62)	(28)	(8)	-	(93)
Total nonoperating revenues (expenses)	5,309	4,895	8,082	8,806	10,000	9,839	2,797	3,864	7,947	6,008
Income (loss) before capital contributions and special items	(14,585)	4,017	9	(8,759)	18,279	16,424	20,795	31,476	9,703	21,233
Capital contributions	24,829	20,052	6,483	10,797	7,143	-	9,269	13,941	5,282	7,154
Special item	-	-	-	-	-	-	(36,433)	-	20,030	-
Change in net position	10,244	24,069	6,492	2,038	25,422	16,424	(6,369)	45,417	35,015	28,387
Net position, beginning of year, as previously reported	124,951	135,195	159,264	165,756	167,794	193,216	216,610	210,241	255,658	290,673
Prior period adjustments	-	-	-	-	-	6,970	-	-	-	-
Net position, beginning of year, as restated	124,951	135,195	159,264	165,756	167,794	200,186	216,610	210,241	255,658	290,673
Net position, end of year	\$ 135,195	\$ 159,264	\$ 165,756	\$ 167,794	\$ 193,216	\$ 216,610	\$ 210,241	\$ 255,658	\$ 290,673	\$ 319,060

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		Miscellaneous and Other		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
2013	\$ 20,164	3%	\$ 613,081	94%	\$ 17,119	3%	\$ 650,364	100%
2012	17,421	3%	604,956	95%	12,983	2%	635,360	100%
2011	2,371	0%	586,826	96%	20,168	3%	609,365	100%
2010	8,424	1%	552,439	94%	23,950	4%	584,813	100%
2009	9,794	2%	501,021	98%	1,700	0%	512,515	100%
2008	9,333	2%	494,296	98%	2,050	0%	505,679	100%
2007	9,994	2%	429,711	98%	927	0%	440,632	100%
2006	10,059	2%	427,539	97%	1,357	0%	438,955	100%
2005	9,236	3%	284,335	97%	498	0%	294,069	100%
2004	9,044	5%	158,873	94%	731	0%	168,648	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	Operating Grants		Investment Income		Other Nonoperating		Total	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
2013	\$ 2,801	46%	\$ 446	7%	\$ 2,854	47%	\$ 6,101	100%
2012	2,719	34%	506	6%	4,722	59%	7,947	100%
2011	2,760	71%	1,090	28%	22	1%	3,872	100%
2010	3,486	79%	916	21%	-	0%	4,402	100%
2009	7,146	72%	2,832	28%	-	0%	9,978	100%
2008	7,779	71%	3,227	29%	-	0%	11,006	100%
2007	5,822	66%	3,041	34%	15	0%	8,878	100%
2006	6,614	81%	990	12%	540	7%	8,144	100%
2005	3,918	79%	753	15%	294	6%	4,965	100%
2004	5,308	100%	(79)	-1%	80	2%	5,309	100%

Source: Department of Finance

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues ⁽¹⁾	\$ 173,877	\$ 298,740	\$ 446,559	\$ 449,495	\$ 516,685	\$ 522,493	\$ 589,215	\$ 613,215	\$ 638,585	\$ 653,611
Operating expenses (excluding depreciation)	176,387	282,990	434,112	446,640	486,983	493,520	553,516	575,250	621,446	625,448
Revenues available for debt service	(2,510)	15,750	12,447	2,855	29,702	28,973	35,699	37,965	17,139	28,163
Debt service requirements:										
Principal	-	152	160	168	176	185	194	204	214	29
Interest	-	70	62	72	31	74	45	-	-	-
Total debt service	-	222	222	240	207	259	239	204	214	29
Debt service coverage	n/a	70.95	56.07	11.90	143.49	111.86	149.37	186.10	80.09	971.14

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

Source: Department of Finance

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

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

Fiscal Year	Long-Term Debt			Capital Assets, Net	Ratio of Total Debt to Capital Assets
	Current Portion	Noncurrent Portion	Total		
2013	\$ -	\$ -	\$ -	\$ 110,590	0.00%
2012	29	-	29	109,130	0.03%
2011	251	-	251	83,644	0.30%
2010	204	1,751	1,955	97,469	2.01%
2009	286	1,455	1,741	103,131	1.69%
2008	185	853	1,038	78,921	1.32%
2007	176	1,038	1,214	82,719	1.47%
2006	168	1,214	1,382	86,041	1.61%
2005	364	1,178	1,542	93,505	1.65%
2004	152	2,760	2,912	89,852	3.24%

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
2013	399,326	\$ 12,391,086	\$ 31,030	36.6	36,180	11.3%
2012	394,832	11,281,140	28,572	36.2	37,742	14.3%
2011	392,333	11,107,340	28,311	36.3	38,540	16.3%
2010	390,757	10,607,099	27,145	37.1	38,450	17.2%
2009	425,068	11,182,689	26,308	36.7	38,826	17.1%
2008	420,183	10,554,157	25,118	36.1	39,705	9.6%
2007	415,492	9,114,233	21,936	33.3	39,802	7.4%
2006	411,755	11,697,548	28,409	33.3	41,467	7.1%
2005	412,300	9,044,213	21,936	33.3	49,334	5.3%
2004	411,600	18,163,496	44,129	33.3	49,334	6.1%

Source: City of Oakland 2013 Comprehensive Annual Financial Report.

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

Principal Employers in Oakland
Current Year and Eight Years Ago

Employer	2012-2013			2005-2006		
	Number of Employees	Rank	% of Total Employment	Number of Employees	Rank	% of Total Employment
Kaiser Permanente Medical Group	10,914	1	6.0%	5,450	3	3.0%
Oakland Unified School District	7,664	2	4.2%	8,000	2	4.4%
State of California	7,480	3	4.1%	N/A		
County of Alameda	6,218	4	3.4%	9,740	1	5.4%
City of Oakland	5,082	5	2.8%	4,290	5	2.4%
Alta-Bates Summit Medical Center	3,623	6	2.0%	N/A		
Children's Hospital & Research Center	2,600	7	1.4%	N/A		
Internal Revenue Service	2,500	8	1.4%	N/A		
Southwest Airlines	2,100	9	1.2%	N/A		
Peralta Community College District	1,420	10	0.8%	N/A		
Kaiser Foundation Hospitals	N/A			4,340	4	2.4%
Bay Area Rapid Transit	N/A			2,800	6	1.5%
Federal Express	N/A			2,790	7	1.5%
Alta-Bates Medical Center	N/A			2,620	8	1.4%
Kaiser Foundation Health Plan	N/A			2,590	9	1.4%
Summit Medical Center	N/A			2,230	10	1.2%
	49,601			44,850		

Note: Data pertaining to principal employers for the past 10 years is not readily available. As such, we used 2006 data as the base year, which is the earliest information available.

Source: City of Oakland 2013 Comprehensive Annual Financial Report

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010⁽²⁾</u>	<u>2011</u>	<u>2012⁽¹⁾</u>	<u>2013</u>
Category:										
Land	\$ 22,772	\$ 23,812	\$ 28,001	\$ 31,951	\$ 32,688	\$ 34,750	\$ 35,254	\$ 45,143	\$ 60,242	\$ 65,679
Construction in progress	-	-	-	-	-	-	7,752	14,418	-	4,138
Buildings and improvements	198,952	212,439	212,512	216,722	204,252	238,650	151,406	154,886	256,369	256,964
Equipment and vehicles	5,351	6,147	7,298	7,198	7,201	7,565	4,387	4,820	5,244	5,473
Total capital assets, gross	227,075	242,398	247,811	255,871	244,141	280,965	227,075	219,267	321,855	332,254
Less accumulated depreciation	(137,223)	(148,893)	(161,770)	(173,152)	(165,220)	(177,834)	(129,606)	(135,623)	(212,725)	(221,664)
Total capital assets, net	89,852	93,505	86,041	82,719	78,921	103,131	97,469	83,644	109,130	110,590
Related debt	(1,491)	(1,542)	(1,177)	(1,010)	(834)	(1,740)	(29,905)	(70)	(29)	-
Net investment in capital assets	<u>\$ 88,361</u>	<u>\$ 91,963</u>	<u>\$ 84,864</u>	<u>\$ 81,709</u>	<u>\$ 78,087</u>	<u>\$ 101,391</u>	<u>\$ 67,564</u>	<u>\$ 83,574</u>	<u>\$ 109,101</u>	<u>\$ 110,590</u>

Notes: (1) Increase represents transfer in of OAHPI blended component unit capital assets upon change of board composition
(2) Decrease represents disposition of capital of assets to OAHPI nonprofit

Source: Department of Finance

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

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

Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Executive Office	8	7	7	9	9	6	5	6	7	7
Office of Program Administration	-	-	-	-	-	5	5	5	2	3
Family and Community Partnerships	-	-	-	-	-	-	-	11	12	14
Finance	17	16	14	18	18	16	17	18	20	20
Information Technology	8	8	9	9	9	9	9	10	11	11
Contract Compliance & General Services	8	9	9	9	9	10	9	9	10	8
Human Resources	6	7	7	7	7	7	7	7	8	8
California Affordable Housing Initiatives	1	2	1	1	1	1	1	1	1	1
Office of Real Estate Development	15	12	10	11	11	15	15	15	8	8
Leased Housing	71	73	68	73	73	66	82	84	87	90
Office of Property Operations	166	157	155	161	161	150	149	151	158	157
Police	27	22	23	30	30	31	38	43	45	45
TOTAL	327	313	303	328	328	316	337	360	369	372

Source: Department of Finance

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

Program	Number of Units								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
PUBLIC HOUSING									
Large Family Sites									
Campbell Village	154	154	154	154	154	154	154	154	154
Lockwood Gardens	372	372	372	372	372	372	372	371	371
Peralta Villa	390	390	390	390	390	390	390	390	390
Tassafaronga	87	87	87	-	-	-	-	-	-
	<u>1,003</u>	<u>1,003</u>	<u>1,003</u>	<u>916</u>	<u>916</u>	<u>916</u>	<u>916</u>	<u>915</u>	<u>915</u>
Designated Senior Sites									
Harrison Tower	101	101	101	101	101	101	101	101	101
Adel Court	30	30	30	30	30	30	30	30	30
Oak Grove North	77	77	77	77	77	77	77	77	77
Oak Grove South	75	75	75	75	75	75	75	75	75
Palo Vista Gardens	100	100	100	100	100	100	100	100	100
	<u>383</u>								
Scattered Sites									
	<u>1,615</u>	<u>1,615</u>	<u>1,615</u>	<u>1,615</u>	<u>1,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
HOPE VI Sites (Public Housing Units Only)									
Foothill Family Apts.	21	21	21	21	21	21	21	21	21
Linden Court	38	38	38	38	38	38	38	38	38
Chestnut Court	45	45	45	45	45	45	45	45	45
Mandela Gateway	46	46	46	46	46	46	46	46	46
Lion Creek Crossings	157	157	157	157	157	157	157	157	157
	<u>307</u>								
TOTAL PUBLIC HOUSING	<u>3,308</u>	<u>3,308</u>	<u>3,308</u>	<u>3,221</u>	<u>3,221</u>	<u>1,606</u>	<u>1,606</u>	<u>1,605</u>	<u>1,605</u>
HOUSING CHOICE VOUCHER PROGRAM									
Moving to Work (MTW)									
General MTW Housing Choice Vouchers (1)	10,927	10,928	10,958	10,717	11,232	11,228	12,518	12,433	12,687
Non-MTW									
Section 8 Mod Rehab	516	514	516	489	510	502	502	329	320
Section 8 Mainstream	-	-	-	172	166	175	175	175	175
Veterans Affairs Supportive Housing	-	-	-	-	-	105	105	205	265
Non-Elderly Disabled Vouchers	-	-	-	-	-	-	-	85	-
Tenant Protection Vouchers	-	-	-	-	-	1,258	-	169	118
	<u>516</u>	<u>514</u>	<u>516</u>	<u>661</u>	<u>676</u>	<u>2,040</u>	<u>782</u>	<u>963</u>	<u>878</u>
TOTAL HOUSING CHOICE VOUCHERS	<u>11,443</u>	<u>11,442</u>	<u>11,474</u>	<u>11,378</u>	<u>11,908</u>	<u>13,268</u>	<u>13,300</u>	<u>13,396</u>	<u>13,565</u>
SHELTER PLUS CARE PROGRAM	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>208</u>	<u>242</u>	<u>242</u>	<u>242</u>	<u>242</u>	<u>237</u>
TOTAL INVENTORY	<u>14,751</u>	<u>14,750</u>	<u>14,782</u>	<u>14,807</u>	<u>15,371</u>	<u>15,116</u>	<u>15,148</u>	<u>15,243</u>	<u>15,407</u>

Note: Information prior to 2005 was not available.

(1) Authorized vouchers not vouchers in use.

Source: MTW Annual Reports, 2005-2013

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Number of Households on Waiting Lists - Last Nine Years (Unaudited)

Program	Number of Households								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Housing	10,378	4,760	9,772	6,616	4,499	3,672	2,791	1,609	3,236
Section 8 Vouchers									
General, Mainsteam, and Mod Rehab	15,455	10,645	8,845	6,942	6,499	5,500	10,007	10,230	10,489
OAHPI Scattered Sites	(1)	(1)	(1)	(1)	(1)	2,099	6,235	5,647	6,253
Other Project Based Voucher Sites*	(2)	(2)	(2)	(2)	(2)	5,596	6,665	3,292	10,561
Shelter Plus Care	(2)	(2)	(2)	(2)	(2)	43	37	37	56
Subtotal - Section 8 Vouchers	15,455	10,645	8,845	6,942	6,499	13,238	22,944	19,206	27,359
HOPE VI Sites**	(2)	(2)	(2)	3,938	3,633	2,431	627	615	1,550
Total	25,833	15,405	18,617	17,496	14,631	19,341	26,362	21,430	32,145

(1) Did not exist at that time

(2) Not available

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

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

Note: Information prior to 2005 was not available.

Source: MTW Annual Reports, 2005-2013

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

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

Development	Number of Units					
	2008	2009	2010	2011	2012	2013
Large Public Housing						
Lockwood Gardens	(2)	1,099	1,346	1,328	1,657	1,931
Peralta Village	(2)	1,154	2,025	1,922	2,353	2,444
Palo Vista Gardens*	(2)	169	304	163	132	130
Subtotal		2,422	3,675	3,413	4,142	4,505
Scattered Sites						
Deep East	(2)	1,183	1,503	1,810	1,578	1,167
East Oakland	(2)	985	1,511	1,483	1,348	1,282
Fruitvale	(2)	800	1,251	944	1,499	1,408
San Antonio	(2)	789	1,439	1,365	1,862	1,510
West Oakland	(2)	846	1,235	1,307	1,340	1,421
North Oakland	(2)	826	1,615	2,118	1,665	1,490
Subtotal		5,429	8,554	9,027	9,292	8,278
Total	12,417	7,851	12,229	12,440	13,434	12,783

* 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.

(2) Work order data prior to 2008 not available. Data for 2008 is not available at the site level.

Sources: MTW Annual Report, 2008 and Authority Records

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

	Calendar Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
OHA Police Department Calls for Service (1)										
Number of Incidents	3,292	2,661	4,636	6,113	8,633	8,479	10,193	14,095	17,482	15,979
OHA Police Department Reported UCR Part 1 Crimes (2)										
Number of Offenses	n/a	424	450	480	692	924	926	955	931	818
OHA Police Department Parking Enforcement Revenue										
Number of Citations	1,897	2,715	3,178	4,204	3,734	5,019	5,060	4,630	4,416	3,445
Revenue	(3)	(3)	(3)	\$ 51,122	\$ 73,012	\$ 74,731	\$ 54,756	\$ 60,246	\$ 59,088	\$ 62,944
OHA Police Department Parking Enforcement Revenue										
Repayment Agreements	\$ 111,686	\$ 238,085	\$ 223,660	\$ 79,873	\$ 105,721	\$ 146,433	\$ 389,491	\$ 239,327	\$ 142,716	\$ 517,436
Recovered Funds	\$ 45,117	\$ 154,110	\$ 276,208	\$ 276,210	\$ 278,170	\$ 185,374	\$ 291,143	\$ 288,069	\$ 349,644	\$ 353,672

(1) Calls for service represents all communication incidents with the OHA PD Communications Center, including calls for service, communications from OHA PD officers in the field, 911 calls, etc.

(2) Uniform Crime Reporting (UCR) Part 1 Crimes include murder, rape, robbery, assault, burglary, larceny and auto theft.

(3) Parking Enforcement data on revenue prior to 2006 not available.

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

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

Property Characteristics and Dwelling Unit Composition (Unaudited)
June 30, 2013

Authority Public Housing Developments

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

Source: Table 1, MTW Annual Report, 2013

OAHPI Project Based Voucher Sites

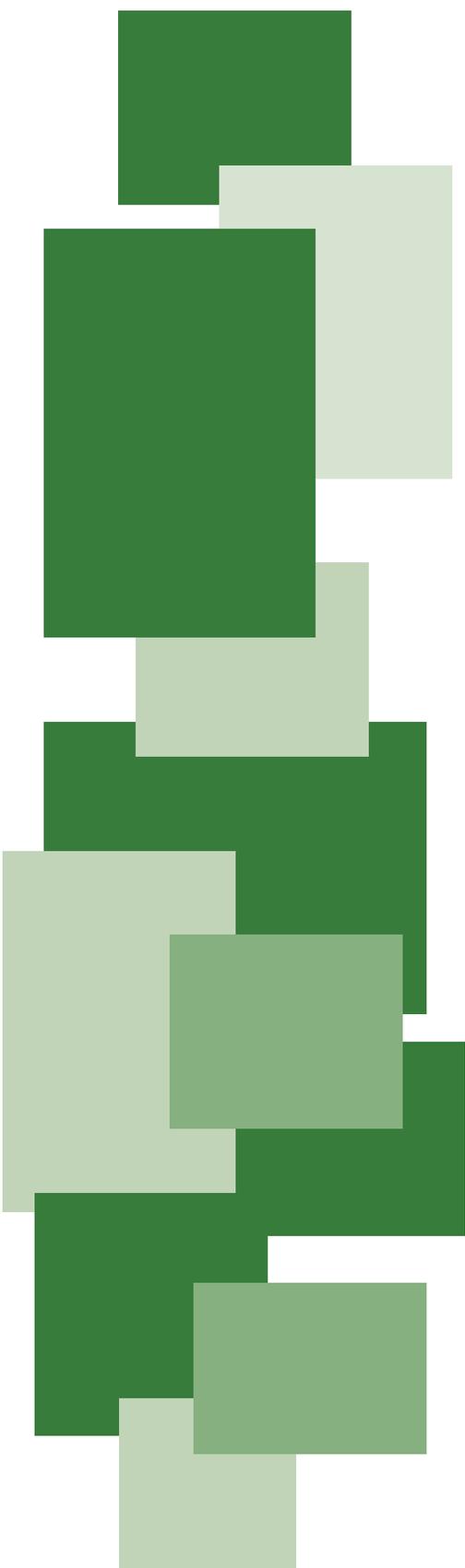
Name of Development	Location	# of Units
Deep East Scattered Sites	Various	281
East Oakland Scattered Sites	Various	272
Fruitvale Scattered Sites	Various	248
North Oakland Scattered Sites	Various	246
San Antonio Scattered Sites	Various	241
West Oakland Scattered Sites	Various	241
Total OAHPI Project Based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

Source: Authority Internal Records

Mixed Finance Developments

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

Source: Table 4, MTW Annual Report, 2013



Federal Compliance Section

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Oakland, California (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated December 23, 2013. 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 Foothill Family Apartments, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-01, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Macias Gini & Connell LLP

Oakland, California

December 23, 2013

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

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

Compliance

We have audited the Housing Authority of the City of Oakland, California’s (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority’s major federal program for the year ended June 30, 2013. 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 \$404,229,928 in federal awards, which is not included in the schedule of expenditures of federal awards (SEFA) for the year ended June 30, 2013. Our audit, described below, did not include the operations of the CAHI because we audited and reported on CAHI in accordance with OMB Circular A-133 as a separate engagement.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Authority’s major federal 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on the Section 8 Moving to Work Demonstration Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the Section 8 Moving to Work Demonstration Program (CFDA No. 14.881) as described in finding 2013-02 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on the Section 8 Moving to Work Demonstration Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Section 8 Moving to Work Demonstration Program for the year ended June 30, 2013.

Other Matters

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

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-02 to be a material weakness.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Macias Gini & Connell LLP

Oakland, California

December 23, 2013

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Grantor/Pass-Through Grantor/Program Title	Grantor Identifying Number(s)	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:			
<i>Pass-through the County of Alameda:</i>			
Shelter Plus Care	CA0085L9T021205-TRA CA0084L9T021205-SRA	14.238	\$ 2,801,164
<i>Direct:</i>			
Section 8 Project Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation	n/a	14.182	1,406,061
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	n/a	14.856	<u>1,230,881</u>
Subtotal Section 8 Project Based Cluster			<u>2,636,942</u>
Resident Opportunity and Supportive Services - Service Coordinators	n/a	14.870	92,445
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	n/a	14.871	908,466
Mainstream Vouchers	n/a	14.879	<u>1,489,858</u>
Subtotal Housing Voucher Cluster			<u>2,398,324</u>
Section 8 Moving To Work Demonstration Program	n/a	14.881	<u>203,723,016</u>
Total U.S. Department of Housing and Urban Development			<u>211,651,891</u>
Total Expenditures of Federal Awards			<u>\$ 211,651,891</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, 2013

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

NOTE 4 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
<i>Direct:</i>		
Section 8 Housing Assistance Payments Program -		
Special Allocations	14.195	<u>\$ 404,229,928</u>

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	We issued an unmodified opinion.
Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(cies) identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

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

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Comment #2013-01 Significant Deficiency

Risk Assessment Over Financial Reporting and Reliability of Financial Statements

Over the past 12 months, the Authority made significant progress in improving its internal controls over financial reporting thereby reducing the severity of its control deficiency from a material weakness in the prior year to a significant deficiency in the current year. The Authority has initiated steps in improving its design and operation of internal controls through the addition of key personnel such as the Chief Financial Officer and the Accountant III and the implementation of new accounting applications during the fiscal year 2013 year-end closing and financial reporting processes. However, the new personnel needed more time to become familiar with the Authority and its affiliates, its new applications and processes, and unique transactions entered into during the fiscal year in order to better analyze how all of its activity should be accounted for and reported. During our audit, we noted the following areas where continued improvements could be made:

- *Inter-program Transactions* – While the Authority started to review and analyze its current year inter-program and related program cash activities, the Authority did not have the time and resources to complete its research to support the propriety of the prior inter-program balances.
- *Tenant Receivable Analysis* – The Authority did not timely review and analyze the collectability of its outstanding tenant receivables. During the Authority's year-end closing process, the Finance Department obtained detailed information to perform a collectability analysis, including the outstanding tenant receivables amounts from the Public Housing Authority Management System (PHAMS). However, the total tenant receivable balance reported in PHAMS did not agree to the amount recorded in the Authority's general ledger. The discrepancy is approximately \$3 million at June 30, 2013. As such, the Authority had to perform a detailed reconciliation by Asset Management Projects (AMP) to identify and correct the differences.

We recommend that the Authority continue its staff training program and initiate a cross-training program to build depth to its accounting and finance staff. This depth would provide the Authority with the resources it needs to complete its research to support the propriety of its inter-program amounts. In addition, the Authority should perform more frequent reconciliations of its tenant receivable records to its general ledger to timely identify and correct discrepancies and to better analyze the collectability of its receivable balances.

Management Response

The Authority spent half of the Fiscal Year evaluating processes and properly staffing the Finance department, reorganizing job responsibilities and implementing several new internal controls and review procedures to ensure timely and accurate reporting. In addition, the Authority has made substantial progress in its goal of selecting a more complete and comprehensive business system that will allow better integration of financial and program activities such as inter-fund transactions and accounts receivable to its general ledger.

The Authority acknowledges both these areas having been challenging over a number of reporting cycles based on the complexities of the processes, sheer volume of data to be analyzed that not only involved the Finance staff, but the Program staff as well. The Authority had a shortened time frame for closing the general ledger and producing the financial statements. The Authority's continuing priority remains staff training both in Finance and Program to ensure that all records are accurate and facilitates ease of reconciling all general ledger accounts, including inter-fund and accounts receivable as we move toward implementation of a new business system.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section III - Federal Award Findings and Questioned Costs

Reference Number: 2013-02
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title: Section 8 Moving to Work Demonstration Program
Federal Catalog Number: 14.881
Federal Grant Number: Not Applicable
Category of Finding: Eligibility

Criteria

Except for the elderly and disabled households on a fixed income in the specific Public Housing and Section 8 programs described in the Authority's Moving to Work (MTW) Plan for fiscal year 2013, pursuant to 24 CFR §982.516(a) and 24 CFR §960.259, the Public Housing Agency (PHA) must conduct a re-examination of family income and composition at least annually. The PHA must obtain and document in the tenant file third party verification of the following factors, or must document in the tenant file why third party verification was not available: (i) reported family annual income; (ii) the value of assets; (iii) expenses related to deduction from annual income; and (iv) other factors that affect the determination of adjusted income. The Authority implemented rent reform as part of its MTW initiatives approved by HUD, whereby elderly and disabled households on fixed income in two sites are re-examined every three years.

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

Condition and Context

During our audit of the eligibility requirements of the Moving to Work's Section 8 Housing Choice Voucher (HCV) and Low Rent Public Housing (LRPH) Programs, we randomly selected tenants from each program representing a population of 13,959 HCV tenant cases and 894 LRPH cases for testing. The following documentation was not available to ascertain the tenant's eligibility:

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

- For one tenant case, the file was missing initial eligibility documentation, such as a birth certificate or a 214 declaration.
- For one tenant case, the file was missing annual re-examination documentation and a HUD-50058 report.
- For three tenant cases, the files were missing third-party income verifications.

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

- For two tenant cases, the files were missing annual re-examination documentation, third-party income verification, and a HUD-50058 report. In addition, one of the two tenant cases was also missing a rent choice form.
- For two cases, annual REAC inspection reports on the housing unit were missing.

In addition, we noted that for the LRPH Program, the tenant income used in the rent calculations was not properly updated in three other tenant cases, which resulted in a misstatement in the tenants' rent amounts.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

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

Cause

The documentation and computation errors were due to staff oversight during the re-examination process.

Effect

The Authority did not comply with the eligibility requirements related to the re-examination and the correct computation of housing assistance benefits funded by the program.

Questioned Costs

The questioned costs totaled \$36,290 for the HCV Program and \$7,305 for the LRPH Program. The questioned costs are computed by taking the participants' monthly rent made from the date of the applicable re-examination with proper tenant's income to the Authority's fiscal year-end.

Recommendation

We recommend that the Authority establish a procedure to review the system data with the case files at each initial examination and re-examination date to ensure the system was properly established and the correct tenant information is used to compute the housing assistance payments.

Management Response and Corrective Action

Leased Housing management has implemented quality control audit procedures. To ensure all tested samples are corrected timely and no later than 60 days from sample pull, the supervisor will be required to confirm and sign off, that all corrective action has been taken and the required HUD and the Authority forms are in the client file. Additionally, supervisors will ensure no later than 30 days prior to effective date of annual recertification date that all are completed, and that 50058 and all required documents are in the client file. The department will ensure additional training in rent calculation and eligibility processing is provided annually.

The Authority's Property Management department reorganized the annual and interim recertification process for the Low Rent Public Housing Program (LRPH) during the 2013 fiscal year. The process was centralized and the percentage of quality control (QC) file reviews was increased. Assessment of the QC reviews identified the need to provide additional technical training on the rental certification process. Training will be provided by a third party industry leader in affordable housing. All staff is scheduled to complete training by the end of the third quarter FY 2014, March 31 2014.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

Prior Year's Financial Statement Findings

Reference Number:	2012-01 – Material Weakness Risk Assessment Over Financial Reporting and Reliability of Financial Statements
Audit Finding:	During our audit, we noted financial reporting errors and control weaknesses in the following areas: <ul style="list-style-type: none">• Compensated absences accruals• Related organizations accounting and reporting of transactions• Inter-program transactions
Recommendation:	We recommend that the Authority provide accounting training to reduce the likelihood that errors may occur and therefore improve internal controls over financial reporting. In conjunction with the training program, the Authority should development instructions and procedures.
Status of Corrective Action:	The Authority corrected errors and control weaknesses related to compensated absences accruals and related organizations accounting and reporting of transactions. See Item 2013-01 for status of the inter-program transactions and other areas for improvement in financial reporting noted.
Reference Number:	2012-02 – Material Weakness Lack of Sufficient Controls Over Year-End Financial Reporting Processes
Audit Finding:	During our audit, we observed that the Authority continues to not have sufficient internal controls over year-end financial reporting processes. As such, we noted that the beginning of the year net assets balance as reported in the general ledger system was not timely reconciled to the prior year's audited financial statements.
Recommendation:	We recommend that the Authority continue to fill their vacant finance positions and improve on its time line of its year-end financial closing process. In addition, we recommend the Authority continue to analyze the results of its system generated reports and the functionality of its accounting system to ensure that data generated from the accounting system is reporting information in the proper period.
Status of Corrective Action:	Corrected.

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

Summary of Prior Year's Federal Award Findings

Reference Number:	Finding 2012-A – Eligibility Section 8 Moving to Work Demonstration Program, CFDA No. 14.881
Audit Finding:	During our eligibility requirements of the Moving to Work's Section 8 Housing Choice Voucher Program, During our testing of the eligibility requirements of the Moving to Work's Section 8 Housing Choice Voucher Program, we noted that out of a sample size of 40 from a population of 12,453 tenants cases selected for examination, 1 re-examination was conducted 2 years after the last examination. In addition, we noted that the Authority had 4 errors in the computation of tenant rent, which is a portion of the total rent covered by the tenant. This computation is based on the family's reported annual income and resulted in an overstatement of the housing assistance payments for 4 tenants.
Recommendation:	We recommend the Authority establish a procedure to review the system data with the case files at each initial examination and re-examination date to ensure the system was properly established and the correct tenant information is used to compute the housing assistance payments.
Status of Corrective Action:	Not corrected. See current year finding 2013-02.
Reference Number:	Finding 2012-B – Eligibility and Special Tests and Provisions Section 8 Moving to Work Demonstration Program, CFDA No. 14.881
Audit Finding:	During our testing of eligibility and special tests and provisions requirements of the Moving to Work's Section 8 Housing Choice Voucher (HCV) and Low Rent Public Housing Programs (LRPH), we noted the following exceptions related to missing documentation out of 2 sets with a sample size of 40 from a population of 12,453 tenant cases for HCV and 917 tenant cases for LRPH selected for examination: <ul style="list-style-type: none">• 1 set of personal identification documents, including birth certificate, social security card and ID• 2 third-party verification for the tenant annual income.
Recommendation:	We recommend that the Authority develop a systematic process for storing and maintaining all necessary documents used in eligibility determination and rent reasonableness to ensure all program requirements are met.
Status of Corrective Action:	The Authority corrected the special tests and provisions findings. See current year finding 2013-02 related to eligibility. .

**HOUSING AUTHORITY OF THE
CITY OF OAKLAND, CALIFORNIA**
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

Summary of Prior Year's Federal Award Findings (Continued)

Reference Number:	Finding 2011-B – Davis-Bacon Act Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded, CFDA No. 14.885
Audit Finding:	During our testing of Davis-Bacon Act compliance requirements, we noted 4 out of 40 certified payroll records samples selected out of a population of 1,508 were not available for our review.
Status of Corrective Action:	In progress. The Authority has continued working to implement Laserfiche, an imaging system.

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