HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Annual Financial and
Compliance Report

For the Year Ended September 30, 2020

Certified
Public
Accountants

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
For the Year Ended September 30, 2020

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MGO Certified Public Accountants

Independent Auditor's Report

Members of the Board of Commissioners of the
Housing Authority of the City and County of San Francisco, California
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City and County of San Francisco, California (Authority), as of and for the year ended September 30, 2020, 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 Authority's discretely presented component units: Bernal Housing Associates, L.P., Hayes Valley Apartments, L.P., Hayes Valley Apartments II, L.P., and Plaza East Associates, L.P., which together represent 100% of the total assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Bernal Housing Associates, L.P., Hayes Valley Apartments, L.P., Hayes Valley Apartments II, L.P., and Plaza East Associates, L.P., 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 Bernal Housing Associates, L.P. and Plaza East Associates, L.P. 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.

Macias Gini & O'Connell LLP
101 California Street, Suite 3910
San Francisco, CA 94111

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 September 30, 2020 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.

Emphasis of Matters

Revenue Concentrations

As discussed in Note 11 to the financial statements, the Authority is dependent on the U.S. Department of Housing and Urban Development (HUD) for 96% of its operating revenues. Our opinion is not modified with respect to this matter.

Housing Choice Voucher (HCV) Consolidated Annual Contributions Contract (ACC-Section 8) and Low Rent Public Housing (LRPH) Consolidated Annual Contributions Contract (ACC-LRPH) Defaults

As discussed in Note 11 to the financial statements, on March 7, 2019, HUD determined that the Authority was in default of its Housing Choice Voucher (HCV) Consolidated Annual Contributions Contract (ACC-Section 8) and its Low Rent Public Housing (LRPH) Consolidated Annual Contributions Contract (ACC-LRPH) executed by and between the Authority and HUD on August 12, 1998 and April 29, 1996, respectively. In response, the Authority worked with the City and County of San Francisco (City) and submitted to HUD for its review and approval a Memorandum of Understanding (MOU) outlining a scheduled plan of action for the City's assumption of all programmatic and financial functions of the Authority's HCV and LRPH Programs. On September 30, 2020, HUD issued a letter to the Authority stating that the default had been cured through corrective action measures. Our opinion is not modified with respect to this matter.

Going Concern - Plaza East Associates, L.P.

The financial statements of Plaza East Associates, L.P., a discretely presented component unit of the Authority, have been prepared assuming that Plaza East Associates, L.P. will continue as a going concern. As discussed in Note 13 to the financial statements, Plaza East Associates, L.P. has a working capital deficit and incurred losses in 2019. Those conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Based on the report of other auditors dated March 28, 2020, the other auditors' opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying discretely presented component units - combining statement of net position and combining statement of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying financial data schedules and the schedule of modernization costs for completed projects are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

The discretely presented component units – combining statement of net position and combining statement of revenues, expenses and changes in net position, the financial data schedules, the schedule of modernization costs for completed projects, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the discretely presented component units – combining statement of net position and combining statement of revenues, expenses and changes in net position, the financial data schedules, the schedule of modernization costs for completed projects, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated September 29, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

San Francisco, California
September 29, 2021

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The Housing Authority of the City and County of San Francisco, California (Authority) management's discussion and analysis report is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns. As such, it should be read in conjunction with the Authority's financial statements and related notes, which follow this section.

This financial report is designed to provide an overview of the Authority's total financial picture for the year ended September 30, 2020, for those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, Housing Authority of the City and County of San Francisco, 1815 Egbert Avenue, San Francisco, California 94124.

Financial Highlights

- The Authority's net position increased by $61.0 million or 7.5% during the fiscal year.
- The Authority's total revenues increased by $25.0 million or 7.0% during the fiscal year.
- The Authority's total expenses increased by $20.5 million or 6% during the fiscal year.
- At the close of the current fiscal year, the Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $876.0 million and the Authority's unrestricted net position is $829.3 million.

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, required supplementary information, and other supplementary information. The basic financial statements include the following:

- The financial statements provide information about the Authority's overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.
- Accompanying the basic financial statements are "Notes to Financial Statements" that explain some of the information in the financial statements and provide more detailed data.

The financial statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid.

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

In addition to the basic financial statements, this report provides required and other supplementary information. Required supplementary information includes the Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Pension Contributions, and Schedule of Changes in Total Other Postemployment

Benefits (OPEB) and Related Ratios, and Schedule of OPEB Contributions. Other supplementary information includes the combining financial statements of its discretely presented component units, the financial data schedules, the schedule of expenditures of federal awards, and other information as mandated by regulatory bodies that fund the Authority's various programs.

Financial Analysis of the Authority

Net Position - A summary of the statement of net position as of September 30, 2020 and 2019 is shown in the following table (in thousands).

	September 30,		Increase/(Decrease)	
	2020	**2019**	**Amount**	**%**
Assets:				
Current and other assets	$ 974,531	$ 905,429	$ 69,102	7.6
Capital assets	45,766	40,277	5,489	13.6
Total assets	1,020,297	945,706	74,591	7.9
Deferred outflows of resources	4,196	3,234	962	29.7
Liabilities:				
Current liabilities	16,817	12,604	4,213	33.4
Net pension liability	17,917	16,495	1,422	8.6
Total OPEB liability	25,448	23,748	1,700	7.2
Other noncurrent liabilities	88,137	79,960	8,177	10.2
Total liabilities	148,319	132,807	15,512	11.7
Deferred inflows of resources	215	1,208	(993)	(82.2)
Net Position:				
Net investment in capital assets	45,766	40,277	5,489	13.6
Restricted	916	2,235	(1,319)	(59.0)
Unrestricted	829,277	772,413	56,864	7.4
Total net position	$ 875,959	$ 814,925	$ 61,034	7.5

Significant balances with fluctuations compared to the prior year include:

- Cash and cash equivalents increased by $2.6 million from $43.2 million as of September 30, 2019 to $45.8 million as of September 30, 2020. During current year, the Authority received $6.8 million in loan interest and $3.5 million from the Capital Fund Program grant for operations, as well as $6.6 million of Coronavirus Aid, Relief, and Economic Security or the CARES Act funding from HUD. The increase was offset by COVID-19 related expenditures and operational costs totaling $2.3 million and funding of $3.7 million of rehabilitation work performed on Public Housing units which will be reimbursed by the City and County of San Francisco (City) upon completion of the work.
- HUD receivables increased by $1.2 million from $0.8 million as of September 30, 2019 to $2.0 million as of September 30, 2020, while Due from other governments increased by $3.7 from $1.2 million to $4.9 million. The increase in receivables are due to the timing of reimbursements for COVID-19 related and rehabilitation expenditures.
- Notes receivable increased by $51.1 million due to the conversion of two HOPE VI sites to private ownership through HUD's Rental Assistance Demonstration (RAD) program. Noncurrent interest receivable increased $10.1 million primarily due to the increase in accrued interest on the RAD notes.

- Net capital assets and net investment in capital assets increased by $5.5 million mainly due to additions for buildings and improvements totaling $6.9 million offset by fiscal year 2020 depreciation of $1.4 million as discussed in Note 4.
- Total current liabilities increased by $4.2 million from $12.6 million as of September 30, 2019 to $16.8 million as of September 30, 2020. This increase is mainly due to CARES Act funding of $6.0 million received in advance that remained unearned at year-end. The use of the CARES Act supplemental funding is limited to any incremental costs which are related to COVID-19 and are set to expire on December 31, 2021.
- Total other noncurrent liabilities increased by $11.3 million from $120.2 million as of September 30, 2019 to $131.5 million as of September 30, 2020 This increase is primarily due to the current year HOPE VI RAD conversions which increased deferred lease revenue in the amount of $9.3 million. The increase also included increases in total other postemployment benefit liability of $1.7 million and in net pension liability of $1.4 million.
- Unrestricted net position increased by $56.9 million due mainly to the impact of the current year HOPE VI RAD conversions discussed in Note 3 and Note 15.

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 September 30, 2020 and 2019 is shown in the following table (in thousands).

	September 30,		Increase/(Decrease)	
	2020	**2019**	**Amount**	**%**
Revenues				
Operating revenues:				
Tenant revenues, net	$ 5,243	$ 5,972	$ (729)	(12.2)
HUD revenue	343,573	326,259	17,314	5.3
Other	8,750	5,923	2,827	47.7
Nonoperating revenues:				
Investment income	16,940	15,881	1,059	6.7
Operating grants	4,704	4,317	387	9.0
Loss on disposal of capital assets	-	(4,354)	4,354	(100.0)
Capital contributions	3,522	3,729	(207)	(5.6)
Total revenues	382,732	357,727	25,005	7.0
Expenses				
Operating expenses:				
Housing assistance payments	311,732	293,236	18,496	6.3
Depreciation	1,413	1,493	(80)	(5.4)
Other operating expenses	49,106	47,009	2,097	4.5
Total expenses	362,251	341,738	20,513	6.0
Excess (deficiency) before special items	20,481	15,989	4,492	28.1
Special items	40,553	-	40,553	n/a
Change in net position	61,034	15,989	45,045	281.7
Net position, beginning of year	814,925	798,936	15,989	2.0
Net position, at end of year	$ 875,959	$ 814,925	$ 61,034	7.5

Revenues: Revenues increased by $25.0 million with the following explanations:

- HUD revenue increased by $17.3 million primarily due to the following:
  - Operating subsidy for the Public Housing Program decreased by $6.5 million due to the decrease in the number of public housing units. The decrease in units is due to the on-going RAD Conversions.
  - Capital Fund Program (CFP) grant revenue decreased by $1.9 million as much of the work being performed at the public housing units is being funded by the City as part of the RAD initiative.
  - HUD revenue increased by $2.3 million with the receipt of CARES Act funds for the Public Housing and Section 8 Programs.
  - Section 8 Program subsidy increased by $24.0 million due to an increase in voucher utilization.
- The decrease of $0.7 million in tenant revenues is due to the decrease in number of public housing units due to the current year RAD conversion.
- The increase in other revenue of $2.8 million is due mainly to $1.4 million ground lease payment received from North Beach Housing Associates, L.P and $1.2 million received for reimbursement of Section 8 Housing Assistance Payments (HAPs), referred to as Portability in HAP Payments.
- The increase in investment income of $1.0 million is attributed to the increase in loan receivable balance from the current year RAD conversion.

Expenses: Expenses increased by $20.5 million with the following explanations:

- Housing Assistance Payments increased by $18.5 million due to an increase in the unit months leased in the Housing Choice Voucher (HCV) program. Funding for Public Housing units that are converted to RAD is transferred from the Public Housing and Capital Fund Programs to the HCV Program.
- The increase of $2.1 million in other operating expenses is primarily due to $4.9 million increase of the administrative salaries attributed to the conversion of crafts staff from force account to maintenance classification and $2.3 million in COVID-19 related expenditures reflected under tenant services, offset by a $4.0 million decrease in other general expenses.

Special Items: During the year ended September 30, 2020, the Authority completed the RAD conversion to transfer ownership of two public housing sites, Bernal Dwelling and Hayes Valley South and recognized a gain of $40.6 million from these dispositions as special items.

Capital Asset and Long-Term Obligations Activities

During the year ended September 30, 2020, net capital assets increased by $5.5 million. This increase was attributed to additions for buildings and improvements totaling $6.9 million offset by fiscal year 2020 depreciation of $1.4 million. Additional information on the Authority's capital assets can be found in Note 4 to the basic financial statements.

During the year ended September 30, 2020, loans payable decreased by $0.1 million to $41.7 million at September 30, 2020 due to repayment of other loan payable to the City of $0.1 million. Additional information on the Authority's long-term obligations can be found in Note 5 to the basic financial statements.

Economic Factors

The majority of the Authority's funding is from HUD in the form of operating subsidies, capital fund grants, HCV housing assistance payments (HAP), and other smaller grants. For many years, Congress and the federal government cut federal subsidies due to federal budget priorities. The reduced funding had a large impact on the Authority's economic position because federal housing funding make up the largest source of revenue for the authority (96% of operating revenues).

Housing assistance payments for the HCV program, which is the Authority's largest housing program serving over 15,000 families, was funded at 100%. The Administrative fees for HCV was prorated at 94% and Public Housing operating subsidies at 93%.

In fiscal year 2020, the Authority received $8.3 million in CARES Act funding to be utilized for COVID-19 and operating expenditures. The CARES Act funds must be fully utilized by December 31, 2021 or will be subject to recapture. The Authority anticipates utilizing all CARES Act funding available prior to that date.

Significant Factors that Have Contributed to the Authority's Stability in 2020

The Authority recognized that it did not have sufficient funding to meet the capital needs of the public housing portfolio and submitted a portfolio application for the RAD program in September of 2013. HUD approved the Authority's RAD application on January 6, 2014, to convert 4,575 public housing units to private ownership and management with project-based HCV subsidies attached. Conversion of 29 properties with 3,491 units took place in two phases with the second phase transferred in October 2016. In May 2019, Alice Griffith, a public housing development consisting of 124 units, was transferred to a third party to be redeveloped and converted to project-based HCV subsidies. As part of the on-going RAD initiative, the Authority converted 2 tax credit developments in fiscal year 2020, Bernal Dwelling (160 public housing units) converted in December 1, 2019 and Hayes Valley South (66 public housing units) converted June 1, 2020. The RAD conversion leveraged over $1.147 billion in private equity and debt ($816 million tax credit equity and $331 million tax-exempt permanent debt) to rehabilitate 31 properties. The Authority will maintain a ground lease on the land for each property to preserve affordability of the housing developments for 99 years. The RAD conversion has transformed the first of 4,575 units of public housing into financially sustainable real estate assets while improving the resident experience and ensuring the sustainability of the City's public housing infrastructure. These units are being subsidized through HUD's HCV program, with RAD and project-based vouchers that the Authority will administer with the associated increased administrative fees. The Authority will retain 1,452 units of public housing while they are being redeveloped under the City's Hope SF program.

Authority Cured its Contracts Default

On March 7, 2019, the City received a letter from HUD indicating that the Authority's Housing Choice Voucher (HCV) and Low Rent Public Housing Programs (LRPH) were in contractual default. The letter requested that the Authority and the City enter a Memorandum of Understanding (MOU) with HUD. The MOU outlined a scheduled plan of action for the City's assumption of all programmatic and financial functions of the Authority's HCV and LRPH Programs. The MOU also included plans for outsourcing financial and programmatic services for the HCV and LRPH programs to third party experts and implementing all corrective actions from the 2019 Quality Assurance Division (QAD) Report.

On September 30, 2020, HUD issued a letter to the Authority stating that the Authority and the City have worked diligently through a MOU in partnership with HUD and the Authority has successfully cured the default by completing the following actions:

1. The Authority successfully provided an MOU to HUD outlining a scheduled plan for the City's assumption of all programmatic and financial functions of the Authority's HCV and LRPH programs. The MOU also identified plans for outsourcing financial and programmatic services for the HCV and LRPH programs to third-party entities.

2. The Authority successfully outsourced its finances to a third-party entity in order to implement all corrective actions identified in the report that resulted from the 2019 Financial Management Review conducted by HUD's Quality Assurance Division (QAD).

3. The Authority successfully outsourced its HCV program to a third-party entity that has assumed all responsibilities pertaining but not limited to financial management, program management, waitlist admissions, inspections, eligibility determinations, and lease and grievance procedures.

4. The Authority successfully outsourced its LRPH division to a third-party entity that has assumed all responsibilities pertaining but not limited to financial management, program management, waitlist admissions, inspections, eligibility determinations, and lease and grievance procedures.

5. The Authority, in partnership with the City's and third-party entities, is implementing all corrective actions and continues to close findings identified in the 2019 QAD report. This includes implementing controls to ensure accurate reporting and accounting practices.

This letter also recommends the following actions to remain in compliance:

1. The City and the Authority continue to retain an MOU between them to operate the Authority daily. Any updates to this MOU should continue daily management oversight by the City and the Authority, including, but not limited to financial, operational, and technical assistance.

2. The City and the Authority continue to outsource the operations of the HCV Program.

3. The City and the Authority continue to complete actions identified in the 2020 High Performer Plan but not limited to repositioning efforts of the LRPH portfolio.

4. The Authority continues to work with its third-party financial division to support the Authority in the timely completion of the fiscal year 2020 financial reporting to REAC.

5. The City and the Authority continue working with the QAD to implement the corrective action plan resulting from the 2019 QAD report to improve the operations of the HCV program.

To outsource the LRPH program and cure the default, the Authority has started the accelerated conversion of the public housing units at Sunnydale and Potrero HOPE SF sites to the HCV program by rehabilitating units to the extent that they may meet Federal Housing Quality Standards (HQS) as required by HCV program.

Impacts of COVID-19 Health Emergency

On March 11, 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. In response to the financial and economic impacts of COVID-19, Congress passed the CARES Act. This act provided authority for HUD to grant waivers to regulations and provided supplemental operating funds and administrative fees to prevent, prepare for and respond to coronavirus, including to maintain normal operations during the period the program is impacted by coronavirus. The Authority expects this pandemic to continue to impact its operations for future reporting periods. It is not possible for the Authority to predict the duration or magnitude of the adverse results of the pandemic and its effects on the Authority's operations.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Statement of Net Position
September 30, 2020
(With Discretely Presented Component Units as of December 31, 2019)

	Primary Government - Business-Type Activities	Discretely Presented Component Units
Assets:		
Current assets:		
Unrestricted cash and cash equivalents	$ 29,130,634	$ 100,202
Restricted cash and cash equivalents	16,639,621	2,217,215
Due from the U.S. Department of Housing and Urban Development	1,997,456	-
Due from other governments, net of allowance of $1,870,531 for primary government	4,885,962	-
Accounts receivable, net:		
Tenants, net of allowance of $2,936,419 and $206,478 for primary government and discretely presented component units, respectively	407,415	515,895
Others, net of allowance of $4,260 for primary government	97,355	541,283
Notes receivable from tenants	450,000	-
Due from primary government	-	1,014,503
Prepaid expenses	71,393	84,816
Inventories	127,580	-
Total current assets	53,807,416	4,473,914
Noncurrent assets:		
Noncurrent interest receivable due from component units and others, net of allowance of $17,504,125	58,579,820	-
Notes receivable from component units and others	848,998,034	-
Other noncurrent assets	13,145,528	1,403,251
Capital assets:		
Nondepreciable	11,392,003	5,109,423
Depreciable, net	34,374,394	18,426,189
Total capital assets	45,766,397	23,535,612
Total noncurrent assets	966,489,779	24,938,863
Total assets	1,020,297,195	29,412,777
Deferred outflows of resources	4,195,536	-

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Statement of Net Position (Continued)
September 30, 2020
(With Discretely Presented Component Units as of December 31, 2019)

	Primary Government - Business-Type Activities	Discretely Presented Component Units
Liabilities:		
Current liabilities:		
Accounts payable	$ 6,670,987	$ 508,187
Due to the U.S. Department of Housing and Urban Development	138,296	-
Accrued salaries and benefits	981,192	9,950
Unearned revenues	6,083,927	93,199
Other accrued liabilities	987,912	-
Tenant security deposits	217,187	206,883
Current portion of long-term debt to others	-	109,292
Current portion of compensated absences	293,763	-
Current portion of unearned revenues - leases	559,566	-
Other current liabilities	884,674	853,169
Total current liabilities	16,817,504	1,780,680
Noncurrent liabilities:		
Compensated absences, net of current portion	195,842	-
Long-term interest payable to primary government	-	15,825,532
Long-term debt due to primary government	-	18,314,813
Long-term debt to others, net of current portion	41,665,301	2,995,967
Noncurrent unearned revenues - leases	46,057,611	-
Total other postemployment benefits liability	25,447,533	-
Net pension liability	17,917,237	-
Other noncurrent liabilities	218,040	960,198
Total noncurrent liabilities	131,501,564	38,096,510
Total liabilities	148,319,068	39,877,190
Deferred inflows of resources related to pensions	214,954	-
Net position:		
Net investment in capital assets	45,766,397	(13,709,992)
Restricted for:		
Escrow accounts and replacement reserves	-	2,010,332
Housing assistance payment reserves	115,644	-
U.S. Housing Act of 1937 Section 18 programs - affordability reserve	766,379	-
Disaster Housing Assistance Program	33,386	-
Unrestricted net position	829,276,903	1,235,247
Total net position	$ 875,958,709	$ (10,464,413)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2020
(With Discretely Presented Component Units for the Year Ended December 31, 2019)

	Primary Government - Business-Type Activities	Discretely Presented Component Units
Operating revenues:		
Tenant revenues, net	$ 5,242,790	$ 3,956,362
Housing assistance payment revenues	343,572,855	-
Operating subsidy from primary government	-	2,706,571
Miscellaneous and other revenues	8,749,788	123,489
Total operating revenues	357,565,433	6,786,422
Operating expenses:		
Housing assistance payments	311,732,321	-
Administrative	23,634,568	1,523,554
Tenant services	3,037,675	-
Utilities	5,035,837	1,970,123
Maintenance	10,937,328	2,409,950
Protective services	586,399	155,598
General	5,873,857	717,267
Depreciation	1,413,111	2,037,306
Total operating expenses	362,251,096	8,813,798
Operating loss	(4,685,663)	(2,027,376)
Nonoperating revenues (expenses):		
Operating grants from the City and County of San Francisco	4,703,560	-
Investment income	4,630	22,409
Investment income - restricted	4,257	-
Investment income from notes and loans receivable	16,931,282	-
Interest expense	-	(1,564,960)
Total nonoperating revenues (expenses)	21,643,729	(1,542,551)
Income (loss) before capital contributions	16,958,066	(3,569,927)
Capital contributions	3,521,642	-
Special item	40,553,638	4,260,364
Change in net position	61,033,346	690,437
Net position, beginning of year	814,925,363	(11,154,850)
Net position, end of year	$ 875,958,709	$ (10,464,413)

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Statement of Cash Flows
For the Year Ended September 30, 2020

	Primary Government - Business-Type Activities
Cash flows from operating activities:	
Receipts from tenants	$ 4,594,168
Receipts from others	14,363,131
Receipts from housing assistance programs	336,589,466
Payments to suppliers for goods and services	(32,697,337)
Payments to employees for services	(15,305,530)
Housing assistance payments on behalf of tenants	(311,732,321)
Net cash used in operating activities	(4,188,423)
Cash flows from noncapital financing activities:	
Intergovernmental revenues	4,703,560
Payment of affordability reserve to third-party buyer for RAD 2020 Conversion	(1,317,750)
Receipt of loan interest payments from related parties and component units	6,795,922
Receipt of loans repayments from related parties and component units	56,144
Net cash provided by noncapital financing activities	10,237,876
Cash flows from capital and related financing activities:	
Capital contributions received	3,521,642
Acquisition of capital assets	(6,902,033)
Repayments of long-term liabilities	(142,480)
Net cash provided by capital and related financing activities	(3,522,871)
Cash flows from investing activities:	
Interest received	64,657
Net change in cash and cash equivalents	2,591,239
Cash and cash equivalents, beginning of year	43,179,016
Cash and cash equivalents, end of year	$ 45,770,255
Cash and cash equivalents:	
Unrestricted cash and cash equivalents	$ 29,130,634
Restricted cash and cash equivalents	16,639,621
Total cash and cash equivalents	$ 45,770,255

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Statement of Cash Flows (Continued)
For the Year Ended September 30, 2020

	Primary Government - Business-Type Activities
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (4,685,663)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,413,111
Decrease (increase) in:	
Due from the U.S. Department of Housing and Urban Development	(4,955,033)
Accounts receivables	(127,538)
Prepaid expenses	153,258
Inventories	(127,580)
Other assets	(288,737)
Increase (decrease) in:	
Accounts payable	2,204,073
Due to the U.S. Department of Housing and Urban Development	(2,028,356)
Accrued salaries and benefits	(1,594,179)
Unearned revenues	5,529,358
Other accrued liabilities	474,773
Tenant security deposits	(18,541)
Compensated absences	(488,817)
Net other postemployment benefits liability	1,699,437
Net pension liability and related balances	(532,872)
Other current and noncurrent liabilities	(815,117)
Net cash used in operating activities	$ (4,188,423)
Noncash noncapital financing activities:	
Interest accrued on long-term receivables	$ 18,593,236
Allowance on interest accrued on long-term receivables	(1,717,724)
Notes receivable additions from RAD 2020 Conversion	74,374,518
Notes receivable retirements from RAD 2020 Conversion	(23,233,130)
Unearned revenues - leases addition from RAD 2020 Conversion	9,270,000

See accompanying notes to financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Housing Authority of the City and County of San Francisco, California (Authority), is a public body organized in 1938 under the laws of the State of California for the purpose of engaging in the development, acquisition, leasing and administration of low-cost housing for individuals meeting criteria established by the U.S. Department of Housing and Urban Development (HUD). The governing body of the Authority is its Board of Commissioners (Board) composed of seven members appointed by the Mayor of the City and County of San Francisco (City). The Mayor of the City has the authority to appoint the Board members, but not to remove them from office. The Authority is not a component unit of the City, as defined by the Governmental Accounting Standards Board (GASB), as the Board independently oversees the Authority's operations.

The governmental reporting entity consists of the Authority (Primary Government) and its component units. Component units are legally separate organizations for which the Board 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. Financial accountability is also defined as the fiscal dependency of the component units on the Authority and the potential for the component unit to provide a financial benefit to or impose a financial burden on the Authority regardless of the organization of the governing board of the component unit.

Blended component units are, although legally separate entities, in substance part of the Authority's operations and so data from these units are 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. For financial reporting purposes, the Authority's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the Authority's Board.

The basic financial statements include the following blended and discretely presented component units.

Blended Component Units - The Authority's operations include two blended component units, which are included in the basic financial statements and consist of legally separate entities for which the Authority is financially accountable.

- The Authority organized the SFHA Housing Corporation, a California not-for-profit public benefit corporation, in June 2002 to provide, develop, finance, rehabilitate, own and operate decent, safe and sanitary housing affordable to persons and households of low-income; to assist low-income households by enabling them to secure the basic human need of decent shelter; to combat community blight and deterioration in the City and contribute to their physical improvement; to provide and expand economic opportunities for persons assisted by or eligible for assistance from the Authority; to provide, develop, finance and operate supportive service programs for low-income residents of the Authority and surrounding communities; to assist low-income households to secure education, training and services for self-sufficiency; and to promote healthy and safe communities. Although legally separate from the Authority, the SFHA Housing Corporation is reported as if it were part of the primary

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

government because its purpose is to provide loans to Plaza East Associates, L.P., a discretely presented component unit of the Authority, and to Valencia Gardens Housing, L.P, which is not a component unit of the Authority. The SFHA Housing Corporation also holds an interest in the Bernal Housing Associates, L.P. The SFHA Corporation is governed by a separate eight-member board of directors appointed by the Authority's Board.

- The Authority organized the Plaza East Housing Corporation, a California not-for-profit public benefit corporation, in 2002 to provide, develop, finance, rehabilitate, own and operate decent, safe and sanitary housing affordable to persons and households of low-income; to assist low-income households by enabling them to secure the basic human need of decent shelter; to combat community blight and deterioration in the City and contribute to their physical improvement; and to provide and expand economic opportunities for persons assisted by or eligible for assistance from the Authority.

  Although legally separate from the Authority, the Plaza East Housing Corporation is reported as if it were part of the primary government because its sole purpose is to provide loans to Plaza East Associates, L.P., a discretely presented component unit of the Authority. The Plaza East Housing Corporation is governed by a separate seven-member board of directors appointed by the Authority's Board.

In addition, the following component units are California not-for-profit corporations created as instrumentalities of the Authority to be a general partner in certain limited partnerships for the purpose of providing and developing affordable housing opportunities.

- Bernal Housing Corporation
- Hayes Valley Housing Corporation

Discretely Presented Component Units – The Authority follows the guidance provided by the GASB on the relationship of housing authorities as general partners of limited tax credit partnerships whereby the limited partners have limited rights regarding the operation of the partnership and the housing authority possesses essentially all authority over day-to-day operations. The Authority discretely presented component units are reported as a separate column in the statement of net position and the Authority considers a component unit to be discretely presented if the Authority either 1) has significant influence over the component unit given its significant financial relationships, or 2) the Authority has a majority equity interest in the component unit but the component unit does not provide services entirely to or exclusively benefit the Authority. The following discretely presented component units' year ended on December 31, 2019 and their financial activities are reported as of and for the year ended December 31, 2019.

- **Bernal Housing Associates, L.P.** (Bernal Housing), a real estate development limited partnership, was formed in April 1999 to develop and operate Bernal Dwellings, containing 160 low-income rental units in San Francisco, California. Bernal Housing 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 the units become fully available for occupancy.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Before January 1, 2017, third parties unrelated to the Authority were allocated 99.99% of Bernal Housing's interests and Bernal Housing Corporation, the managing general partner controlled by the Authority was allocated 0.01% of Bernal Housing's interests.

As of March 1, 2017, the unrelated third parties' interests of 99.99% was redeemed and allocated to SFHA Housing Corporation. As of January 1, 2018, Bernal Housing Corporation conveyed 0.005% of Bernal Housing's interests to SFHA Housing Corporation. As a result, SFHA Housing Corporation and Bernal Housing Corporation are allocated a total of 99.995% and 0.005%, respectively, of Bernal Housing's interests.

In December 2019, the apartment complex known as Bernal Dwellings was sold to a third party unrelated to the Authority in accordance with the Authority's Rental Assistance Demonstration (RAD) conversion efforts (see Note 13). Pursuant to the terms of the partnership agreement, Bernal Housing will dissolve during the year ending September 30, 2021.

- **Hayes Valley Apartments, L.P.** (Hayes Valley I), a real estate development limited partnership, was formed in February 1995 to develop and operate an 8-building, 84-unit occupancy apartment complex in San Francisco, California. Hayes Valley I 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 the units become fully available for occupancy.

  Third parties unrelated to the Authority are allocated 99.95% of Hayes Valley I's interests and Hayes Valley Housing Corporation, a general partner controlled by the Authority, is allocated 0.05% of Hayes Valley I's interests.

- **Hayes Valley Apartments II, L.P.** (Hayes Valley II), a real estate development limited partnership, was formed in May 1996 to develop and operate an 8-building, 110-unit occupancy apartment complex in San Francisco, California. Hayes Valley II 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 the units become fully available for occupancy.

  Third parties unrelated to the Authority are allocated 99.95% of Hayes Valley II's interests and Hayes Valley Housing Corporation, a general partner controlled by the Authority, is allocated 0.05% of Hayes Valley II's interests.

  On June 1, 2020, subsequent to Hayes Valley II's year-ended December 31, 2019, the apartments complex known as Hayes Valley South was sold to a third party unrelated to the Authority in accordance with the Authority's RAD conversion efforts (See Note 13).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Plaza East Associates, L.P.** (Plaza East), a real estate development limited partnership, was formed in April 2000 to develop and operate a 193-unit multi-family apartment complex in San Francisco, California. Plaza East 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 the units become fully available for occupancy.

  Before January 1, 2018, third parties unrelated to the Authority were allocated 99.99% of Plaza East's interests and Plaza East Housing Corporation, a developer general partner controlled by the Authority, is allocated 0.01% of Plaza East's interests. As of January 1, 2018, the unrelated third parties sold 99.00% of limited partner interests to Plaza East Housing Corporation for a total of $30,000. As a result, Plaza East Housing Corporation is allocated 99.01% of Plaza East's interests.

Although these discretely presented component units do not follow governmental accounting and financial reporting standards, for presentation purposes, certain transactions may be reported differently in these financial statements than in separately issued financial statements in order to conform to the presentation of the Authority. Separately issued financial statements for the year ended December 31, 2019 for each discretely presented component unit can be obtained by contacting the Authority at 1815 Egbert Avenue, San Francisco, California 94124.

(b) Basis of Accounting

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating activity generally arises from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of rental charges to tenants and housing assistance payment (HAP) revenues from HUD, and include, to a lesser extent, certain operating subsidies that offset operating expenses. Operating expenses for the Authority include the cost of administrative, maintenance, tenant services, general, utilities, protective services, depreciation and HAPs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

(c) Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The Authority and its discretely presented component units utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector; thus, the Authority's and discretely presented component units' activities are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net position.

(d) Summary of Programs

The accompanying basic financial statements include the activities of several housing programs subsidized by HUD and other federal entities at the Authority. A summary of each significant program is provided below.

- **Public Housing Program** includes the asset management projects (AMPs), which collect low rent operating subsidies, and the Public Housing Capital Fund program. The purpose of the public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained and managed by the Authority. The developments/units are acquired, developed and modernized under HUD's Public Housing Capital Fund programs. Funding of the program's operations and developments are provided by annual federal contributions or appropriations, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

- **Business Activities Program** includes land, notes receivable and accrued interest resulting from the disposition of public housing developments to a third party in accordance with HUD's RAD program. The properties that are part of this program do not receive additional funding from HUD. HUD reallocates the funding source from the Public Housing Program to the Housing Choice Voucher Program. HUD refers to this type of disposition as Non-Section 18 and considers the proceeds to be unrestricted.

- **Central Office Cost Center** (COCC) is the program mandated by HUD to account for "centralized" services and functions necessary to the Authority's operations. Most of the functions of the COCC are not directly attributable to the public housing or other programs. Funding for the COCC is in the form of fees charged to other Authority programs and activities. HUD regulations generally do not allow for the allocation of costs. The fees include those specified by HUD as management fees, bookkeeping fees, asset management fees, or fees for services. HUD regulates which of these fees may be charged to any given program and how the fee is to be calculated.

- **HAP Programs** utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. HAP programs include Moderate Rehabilitation, Single Room Occupancy, and the Housing Choice Voucher (Voucher) programs. The Moderate Rehabilitation and Single Room Occupancy programs allow for the rehabilitation of housing units, which then must be rented to low-income individuals for a contracted period of time. The program provides owners with

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

sufficient rental income to pay for rehabilitation costs. Developers must obtain their own financing and HUD subsidizes rents once the units are occupied. Funding for the Voucher program, which includes the Veterans Affairs Supportive Housing program, is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenant. In addition, the Authority receives an administrative fee to cover operating expenses.

- **Rental Assistance Demonstration Program** – The Authority recognized that it cannot meet the capital needs of its public housing portfolio estimated at $270 million, and submitted a portfolio application to HUD to participate in the RAD program in September 2013. On January 6, 2014, HUD approved the Authority's RAD application to convert 4,575 public housing units to private ownership and management with attached project based Housing Choice Vouchers. The conversion was completed in three phases: Phase I related to the 1,422 public housing units converted in November 2015, Phase II related to over 2000 units converted in October 2016, and 2020 Conversion related to 270 unites converted during the year ended September 30, 2020.

(e) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all unrestricted and restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) Receivables, Net and Accrued Interest, Net

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

(g) Capital Assets, Net

The Authority's policy is to capitalize assets with a value in excess of $5,000 and a useful life in excess of one year. The Authority capitalizes the costs of site acquisition and improvement, structures, equipment and direct development costs meeting the capitalization policy. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and assets contributed after July 1, 2015 are recorded at acquisition value at the date of the donation. Assets contributed prior to this date are valued at fair value on the date of donation.

Depreciation has been provided using the straight-line method over the estimated useful lives, which range as follows:

Buildings	40 years
Building improvements	15 - 20 years
Furniture and equipment	3 - 7 years

The Authority evaluates events or changes in circumstances affecting capital assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is significant and outside normal life cycle of the capital asset, then an impairment loss will be recorded in the Authority's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Accrued Compensated Absences

Fringe benefits such as health and welfare, pension, vacation, training and annuity for members of the trade unions (carpenters, electricians, floor layers, glaziers, laborers, painters and plumbers) are determined by the respective agreement between the Authority and the respective employees' labor contract.

The following represent the vacation, sick leave, as well as floating holidays and management time off (MTO) (if applicable) accrual rates and caps for the respective collective bargaining agreements, as well as those classifications that are not part of a collective bargaining agreement (Unrepresented and Confidential):

	SEIU Local 1021 Admin Unit and Unrepresented	SEIU Local 1021 Maintenance Generalist I Unit	Municipal Executives' Association and Confidential
Annual Leave Accrual:	1 to 3 years: 100 hours annually 3+ to 8 years: 140 hours annually 8+ to 19 years: 180 hours annually Over 19 years: 220 hours annually	1 to 5 years: 104 hours annually 5+ to 15 years: 144 hours annually Over 15 years: 184 hours annually	1 to 3 years: 100 hours annually 3+ to 8 years: 140 hours annually 8+ to 19 years: 180 hours annually Over 19 years: 220 hours annually
Annual Leave Cap:	400 hours	400 hours	400 hours
Sick Leave Accrual:	1-10 years: 13 days 10 years or more: 15 days	1-10 years: 10 days 10 years or more: 15 days	1-10 years: 13 days 10 years or more: 15 days
Sick Leave Cap:	130 days	No maximum	No maximum
MTO:	n/a	n/a	80 hours are credited October 1st each calendar year
MTO Cap:	n/a	n/a	140 hours
2 Floating Holidays:	Holidays cannot be utilized until after 180 days of employment	n/a	n/a

With respect to the non-trade collective bargaining units: Service Employees' International Union (SEIU) Local 1021 Administrative Unit, SEIU Local 1021 Maintenance Generalist I Unit, Municipal Executives' Association annual vacation hours may be accumulated up to 400 hours for Maintenance Generalist I and administrative personnel represented by the SEIU Local 1021, and management personnel. SEIU Local 1021 Maintenance Generalist I earns vacation rates ranging from 104 hours per year for the first 5 years of service and up to a maximum of 184 hours per year after 15 years of service. SEIU Local 1021 administrative personnel and management personnel earn vacation rates ranging from 100 hours per year for the first 36 months of service and up to a maximum of 220 hours per year after 228 months of service. Employees hired on or before September 30, 1984 earn unused sick leave at the base rate of pay excluding overtime or premium rates. There is no limit in accumulation with cash-out capped at 1,040 hours for SEIU Local 1021 Maintenance Generalist I and maximum accumulation of up to 130 days for SEIU Local 1021 administrative personnel. There is no limit in accumulation of sick leave accrual for management personnel. Employees hired after September 30, 1984 are not eligible for reimbursement of unused sick leave. In addition, the Authority records a liability related to the payroll taxes due until the leave times are used or cashed out. The estimated liability for vested leave benefits is recorded when it is earned as an expense and the cumulative unpaid amount is reported as a liability.

(i) Unearned Revenues

Current unearned revenues primarily represent advances of federal grant funding pertaining to the COVID-19 pandemic, amounting to $6,005,128 as of September 30, 2020, as well as prepaid tenant rental income amounting to $78,799. Noncurrent unearned revenues include rent received in advance from long-term ground leases that is amortized over the term of the agreements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Eliminations

- **Interprogram due from/to** - In the normal course of operations, certain programs may pay for common costs or advance funds for operational shortfalls that create interprogram receivables or payables. At September 30, 2020, the Authority had interprogram balances in the amount of $2,656,010 from its normal course of operations. These balances are netted to zero and are eliminated for the presentation of the Authority's basic financial statements.

- **Fee for service** - The Authority's COCC internally charges fees to the AMPs. These charges include management fees, bookkeeping fees, front line service fees, and asset management fees. For financial reporting purposes $8,304,765 of fee for service charges have been eliminated for the year ended September 30, 2020.

(k) Net Position

Net position comprises the various net earnings from operating income or loss, 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 is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position 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 represents net position that does not meet the definition of "restricted" or "net investment in capital assets."

(l) Tenant and Other Revenues

Tenant and other revenues are presented in the financial statements net of the bad debt expense for uncollectible amounts. The Authority recorded uncollectible tenant revenues as bad debt expenses of $117,683 for the business-type activities for the year ended September 30, 2020 and $232,302 for the discretely presented component units for the year ended December 31, 2019.

(m) Leasing Activities

The Authority is the lessor of dwelling units to low-income and market rate residents. The low-income rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year.

The Authority may cancel the leases only for cause. Most of the Authority's capital assets are used in these leasing activities. Revenues associated with these leases are recorded in the accompanying financial statements within tenant revenue.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority recognizes revenue on HOPE VI and HOPE SF land leases (see Notes 12 and 13) and RAD ground leases when payments are received because payments are dependent on defined available cash flows; payments less than the annual amount are not accrued and are not recorded as a receivable.

(n) Defined Benefit Pension Plans

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

(o) Other Postemployment Benefits (OPEB) Plan

Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

(p) New Accounting Standards To Be Implemented

The Authority is currently evaluating its accounting practices to determine the potential impact on the financial statements of GASB Statements No. 84, *Fiduciary Activities*; No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; No. 90, *Majority Equity Interests – an amendment to GASB Statements No. 14 and No. 61;* No. 91, *Conduit Debt Obligations*; No. 92, *Omnibus 2020;* No. 93, *Replacement of Interbank Offered Rates*; No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.*

(q) Special Items

Special items are transactions or events that are within the control of the Authority and that are either unusual in nature or infrequent in occurrence. The Authority's conversion of its public housing units under the RAD Program is reported as special items (see Notes 3, 4, 13, and 15).

(r) Use of Estimates

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets, liabilities, deferred outflows and inflows of resources, revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Actual results may differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Authority's cash and cash equivalents at September 30, 2020 (primary government) and December 31, 2019 (discretely presented component units) are reported as follows:

	Primary Government	Component Units	Total
Unrestricted cash and cash equivalents	$ 29,130,634	$ 100,202	$ 29,230,836
Restricted cash and cash equivalents	16,639,621	2,217,215	18,856,836
Total cash and cash equivalents	$ 45,770,255	$ 2,317,417	$ 48,087,672

(a) 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. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by 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.

The Authority's discretely presented component units maintain cash and cash equivalents with various financial institutions. At times, these balances may exceed federal insurance limits; however, the discretely presented component units have not experienced any losses with respect to their bank balances in excess of government provided insurance.

(b) Restricted Cash and Cash Equivalents

The Authority's restricted cash and cash equivalents consist of the following:

- **Section 8 Voucher HAP Reserves -** Under HUD's Section 8 Program contract administration requirements, the Authority has an established bank account that is restricted to receiving and disbursing HAPs 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 the bank. On September 24, 2018, HUD gave notice to the Authority that $1,779,898 of HAP funds were being awarded for 99 vouchers in the Section 8 Mainstream Program. During the year ended September 30, 2020, the Authority returned remaining excess funding of $1,327,943 to HUD and there was no restricted reserve at September 30, 2020.

- **HAP Disbursements Funds** – In November 2018, the Authority entered into a $20.0 million zero interest loan from the City to assist in covering projected future financial shortfall for HAP disbursements. As of September 30, 2020, the Authority has drawn $17.0 million which is being recorded as a long-term debt in the accompanying financial statements. Unspent funds are held in an interest bearing account to be used for future HAP payments or unit repair work at Sunnydale and/or Portrero Public Housing sites upon the City's approval. At September 30, 2020, $7,812,118 and $1,471,739 of these restricted HAP disbursements funds are held in the COCC Program and Section 8 Housing Choice Voucher Program, respectively.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

- **Family Self-Sufficiency (FSS) Escrow –** The FSS Escrow Account is an interest-bearing account reported as part of restricted cash and cash equivalents 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 based on increases in earned income of the family. This escrow is credited to this account by the Authority during the term of the FSS contract. The Authority may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education. If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS 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 September 30, 2020, the Authority held $218,040 of FSS escrow funds in the Section 8 Housing Choice Voucher Program as restricted cash. A corresponding noncurrent liability is included in the accompanying financial statements.

- **Restricted Reserves –** In accordance with the Regulatory and Operating Agreement, the Authority established Affordability Reserves for three of the Public Housing Tax Credit Partnerships. The reserves shall be held in trust and shall be held and applied in accordance with the terms of the Agreement. At September 30, 2020, the Authority's reserves totaled $882,023, which are included in the accompanying financial statements and comprised of $766,379 held in the AMPs and $115,644 held in the Authority's blended component units.

- **COVID-19 Funding –** During the year ended September 30, 2020, the Authority received COVID-19 funding from HUD. At September 30, 2020, $5,990,369 and $14,759 of unearned advance funding are held in the COVID-19 Economic Relief Public Housing Program and COVID-19 Economic Relief Mainstream Program, respectively. A corresponding unearned revenue liability is included in the accompanying financial statements.

- **Tenant Security Deposits –** Upon moving into 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 September 30, 2020, the Authority's security deposits in the amount of $217,187 held in the AMPs are included in the accompanying financial statements.

- **Other Restricted Deposits –** At September 30, 2020, the Authority maintains restricted deposits in the amount of $33,386 held for its Disaster Housing Assistance Program.

- **Deposits and Funded Reserves Held With Discretely Presented Component Units -** The discretely presented component units hold restricted cash and cash equivalents for escrow deposits, funded replacement and other reserves, and tenant deposits. At September 30, 2020, the total restricted cash and cash equivalents was $2,217,215.

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET

The Authority has entered into four limited partnerships under its Hope VI program for the purpose of developing low-income and mixed income housing financed by HUD and private tax credit investors. As part of the project financing structure, the four limited partnerships received HUD Hope VI funds through the Authority or its component units and issued seven promissory notes payable to the Authority. In addition, other related parties entered into long-term leases on the Authority's low-income land sites (see Note 12). All notes receivable are secured by deeds of trust on the respective property.

The following is a summary of the transactions of the notes receivable:

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Current Portion
Notes receivable:					
From component units:					
Hayes Valley I	$ 1,600,000	$ -	$ -	$ 1,600,000	$ -
Hayes Valley II	3,110,990	-	(3,110,990)	-	-
Bernal Housing	20,122,140	-	(20,122,140)	-	-
Plaza East	13,464,813	-	-	13,464,813	-
From others:					
Hunters View	8,087,723	-	-	8,087,723	-
North Beach	13,848,535	-	-	13,848,535	-
Valencia Gardens	15,558,466	-	(56,144)	15,502,322	-
Related to RAD Phase I	266,801,477	-	-	266,801,477	210,000
Related to RAD Phase II	455,768,646	-	-	455,768,646	210,000
Related to RAD 2020 Conversion	-	74,374,518	-	74,374,518	30,000
Total notes receivable	$ 798,362,790	$ 74,374,518	$ (23,289,274)	$ 849,448,034	$ 450,000
Accrued interest receivable:					
From component units:					
Hayes Valley I	$ 3,981,071	$ 391,791	$ -	$ 4,372,862	$ -
Hayes Valley II	6,674,588	408,547	(7,083,135)	-	-
Bernal Housing	299,695	5,098	(304,793)	-	-
Plaza East	5,506,439	476,616	-	5,983,055	-
From others:					
Hunters View	176,773	20,219	-	196,992	-
North Beach	6,535,757	415,459	-	6,951,216	-
Related to RAD Phase I	21,424,990	6,769,544	(4,089,460)	24,105,074	-
Related to RAD Phase II	27,075,246	9,143,955	(2,706,462)	33,512,739	-
Related to RAD 2020 Conversion	-	962,007	-	962,007	-
Subtotal	71,674,559	18,593,236	(14,183,850)	76,083,945	-
Less allowance	(23,174,329)	(1,717,724)	7,387,928	(17,504,125)	-
Total accrued interest, net	$ 48,500,230	$ 16,875,512	$ (6,795,922)	$ 58,579,820	$ -

Terms and descriptions of the notes receivable are as follows:

Hayes Valley I - The Authority issued a 57-year, $1,600,000 promissory note, also referred to as the second mortgage loan, dated November 25, 1996, and maturing on November 24, 2053 to Hayes Valley I. Based on the note's simple interest rate of 12% per annum through December 31, 1997 and compound interest rate of 7.02% per annum thereafter, the Authority has accrued interest of $4,372,862 as of September 30, 2020. The principal and accrued interest is payable only from net available cash flow, net proceeds or condemnation proceeds, as defined in the promissory note. The Authority fully allowed for the accrued interest as of September 30, 2020.

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

Hayes Valley II - The Authority issued a 57-year, $3,250,000 promissory note, also referred to as the second mortgage loan, dated December 1, 1997 and maturing on December 1, 2054 to Hayes Valley II. The note bore simple interest rate of 12% per annum through December 31, 1998 and compound interest rate of 6.31% per annum thereafter. The principal and interest is payable only from net available cash flows, net proceeds or condemnation proceeds, as defined in the promissory note. The Authority fully allowed for the accrued interest. During the year ended September 30, 2020, upon the RAD 2020 Conversion, the note was converted and deemed to be retired.

Bernal Housing - The Authority issued a 55-year, $2,465,501 promissory note, also referred to as the predevelopment loan, dated November 23, 1999 and maturing on November 23, 2054 to Bernal Housing. Due to a partial early repayment of $2,380,861 on the loan and an adjustment increase of $250,000, the principal balance was reduced to $334,640. The note bore compound interest rate of 0.1% per annum. The principal and accrued interest is payable only from net available cash flows, net proceeds or condemnation proceeds, as defined in the promissory note. The Authority fully allowed for the accrued interest. During the year ended September 30, 2020, upon the RAD 2020 Conversion, the note was converted and deemed to be retired.

The Authority issued a 55-year, $4,287,500 promissory note, also referred to as the construction/permanent loan, dated November 23, 1999 and maturing on November 23, 2054 to Bernal Housing. The note bore compound interest rate of 0.1% per annum. The principal and accrued interest is payable only from net available project cash flow, net proceeds or condemnation proceeds, as defined in the promissory note. The Authority fully allowed for the accrued interest. During the year ended September 30, 2020, upon the RAD 2020 Conversion, the note was converted and deemed to be retired.

The Authority issued a 55-year, $15,500,000 promissory note, also referred to as the permanent loan, dated November 23, 1999 and maturing on November 23, 2054 to Bernal Housing. The note bore compound interest rate of 0.1% per annum. The principal and accrued interest is payable only from net available project cash flows, net project proceeds or project condemnation proceeds, as defined in the promissory note. The Authority fully allowed for the accrued interest. During the year ended September 30, 2020, upon the RAD 2020 Conversion, the note was converted and deemed to be retired.

Plaza East – Plaza East Housing Corporation, a blended component unit, issued a 65-year, $2,700,000 Applicable Federal Rate (AFR) promissory note dated September 18, 2000 and maturing on September 17, 2065 to Plaza East. Based on the note’s simple interest rate of 10% per annum through December 31, 2001 and compound interest rate of 6.09% per annum thereafter, the Authority has accrued interest of $5,602,825 as of September 30, 2020. The principal and interest is payable only from net available cash flows, net proceeds or condemnation proceeds, as defined in the promissory note. The Authority fully allowed for the accrued interest as of September 30, 2020.

The Authority, through the SFHA Housing Corporation, provided construction and permanent financing under a loan commitment of $10,764,813. The nonrecourse loan is secured by a second leasehold deed of trust on the property and matures in September 2065. Interest accrued on the loan at an annual rate of 10% through December 31, 2001, which amounted to $380,230. No interest shall accrue on the loan thereafter. Interest and principal are payable only from net available cash flow of the project, or from net proceeds or condemnation proceeds as defined in the loan agreement. The Authority fully allowed for the accrued interest as of September 30, 2020.

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

Hunters View - The Authority issued a 55-year, $8,087,723 promissory note dated July 1, 2011 and maturing on April 1, 2068 to Hunters View to provide financing to Hunters View to assist in financing certain predevelopment and construction activities related to the Hunters View Rental Housing Development. Based on the note's compound interest rate of 0.25% per annum, the Authority has accrued interest of $196,992 as of September 30, 2020. The principal and accrued interest is payable from "Residual Receipts" as defined in the Loan Agreement. Such annual payments are due and payable in arrears no later than July 15th of each year, commencing on earlier of (i) July 15th of the first year after the issuance of a Certificate of Occupancy for the Improvements, or (ii) December 15, 2012 and shall be accompanied by the Hunters View's report of Residual Receipts. The Authority fully allowed for the accrued interest as of September 30, 2020.

North Beach - The Authority issued a 55-year, $13,848,535 promissory note dated December 1, 2002 and maturing on November 30, 2057 to North Beach Development Associates, LLC (North Beach). This note was an amendment of the residential promissory note for $4,911,097 and the commercial loan of $313,001, both dated November 28, 2001 to finance the development of the North Beach affordable rental property pursuant to the Hope VI construction/permanent loan agreement. Based on the note's simple interest rate of 3% per annum, the Authority has calculated a cumulative accrued interest amount of $6,951,216 as of September 30, 2020. The principal and accrued interest is payable only from net available project cash flows, net project proceeds or project condemnation proceeds, as defined in the promissory note. The Authority fully allowed for the accrued interest as of September 30, 2020.

Valencia Gardens - The Authority established a partnering agreement with Mission Housing Development Corporation (MHDC), a California not-for-profit public benefit corporation, which gives MHDC the exclusive right to develop and revitalize the Valencia Gardens development funded by the Hope VI grant agreement between the Authority and HUD. The Authority issued a 55-year, $15,716,275 permanent loan to finance the construction and development of the Valencia Gardens development, dated September 1, 2004 and maturing on August 31, 2059. This permanent loan does not provide for the payment of interest; however, if a default occurs, interest at 10% on the principal balance shall accrue. The principal and accrued interest, if any, is payable only from the net available project cash flows, net project proceeds or project condemnation proceeds, as defined in the promissory note. During the year ended September 30, 2020, the Authority received a payment in the amount of $56,144 which reduced the amount of the note. The principal balance for the year ended September 30, 2020 is $15,502,322.

RAD Phase I – In November 2015, the Authority converted 14 public housing sites to private developer teams to begin work on significant project rehabilitations through the RAD program. The RAD program permits the developer teams to leverage public and private debt and equity in order to reinvest in the public housing stock. Under the RAD program, all of the public housing units become permanently affordable units under the Section 8 platform with a long-term contract that must be renewed by law. The conversion to the RAD program is providing approximately $220 million in long-deferred property repairs needed to renovate a substantial number of the public housing units in San Francisco.

In order to ensure the long-term preservation of the properties disposed by the Authority under either the RAD program or Section 18 of the U.S. Housing Act of 1937, the Authority converted the form of federal funding that supports its properties from public housing subsidies provided to the Authority to Section 8 Project-Based Vouchers for the properties owned by private entities. The conversion of the public housing units under the RAD and Section 18 programs involves a transfer of ownership from the Authority to private ownership through a leasehold interest in each property and a fee interest in the improvements located

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

hereon (see Note 12). Upon such transfer, each developer of such transferred property will be rehabilitating and recapitalizing the applicable property. The private financing for the undertaking was provided by Bank of America as the construction lender and equity investor for all of the projects, in partnership with Freddie Mac as the permanent lender, as well as significant financing from the San Francisco Mayor's Office of Housing and Community Development (MOHCD) and the Authority. Phase I and Phase II of the RAD conversion include the rehabilitation of more than 2,800 units at a hard construction cost of $790 million. Construction of the Phase I properties was completed between June 2017 and January 2018.

In connection with RAD Phase I, the Authority entered into the following seller-financed and permanent notes:

Lessee	Project	AMP #	Seller-Financed	Permanent Notes
Holly Courts Housing Associates, L.P.	100 Appleton Street	AMP 966	$ 27,457,957	$ 2,500,000
Bay Street, L.P.	227 Bay Street	AMP 972	8,175,000	400,000
Pacific Avenue, L.P.	990 Pacific Street	AMP 976	17,940,000	-
1880 Pine, L.P.	1880 Pine Street	AMP 977	13,796,519	-
255 Woodside Housing Associates, L.P.	255 Woodside	AMP 979	20,100,000	4,900,000
666 Ellis, L.P.	666 Ellis Street	AMP 981	14,375,000	600,000
25 Sanchez Housing Associates, L.P.	25 Sanchez Street	AMP 986	16,000,000	5,000,000
462 Duboce Housing Associates, L.P.	462 Duboce Avenue	AMP 986	6,734,587	-
345 Arguello, L.P.	345 Arguello Street	AMP 986	10,780,000	800,000
491 31st Ave, L.P.	491 31st Avenue	AMP 986	10,026,095	-
939 & 951 Eddy Associates, L.P.	939-951 Eddy Street	AMP 987	7,400,000	500,000
430 Turk Associates, L.P.	430 Turk Street	AMP 987	12,925,000	2,500,000
Robert Pitts Housing Partners, L.P.	1150 Scott Street/1825 Eddy Street	AMP 988	32,054,517	-
Hunters Point East West LP	1065 Oakdale Ave. & 798 Jerrold Ave.	AMP 973	47,300,000	5,700,000
	Total		**$ 245,064,675**	**$ 22,900,000**

Seller-Financed Notes **-** In November 2015, the Authority (Lessor), and each of the partnerships listed above (Lessee) have entered into seller take-back notes totaling $245,064,675. Each of these notes is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property. These notes bear interest of 2.57% compounded annually. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years after the closing of the permanent financing, but in no event later than December 31, 2075; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicate notice and cure periods. Beginning on the first June 30th after the completion of the respective project and continuing each June 30th thereafter until the maturity date, each borrower shall make an annual payment to the Authority in the amount of $15,000 (the "Annual Payment"). In addition to the Annual Payment, beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make an additional payment in the amount equal to the Authority's share of its Residual Receipts as defined in each promissory note from the preceding year (the "Additional Payment"). Any unpaid principal and interest amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender's share of Residual Receipts. As of September 30, 2020, the outstanding seller-financed notes totaled $245,064,675 and related accrued interest is $24,105,074.

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

Permanent Notes - In November 2015, the Authority (Lessor), and each of the partnerships listed above (Lessee) have entered into permanent notes totaling $22,900,000. Each of these notes are secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property and does not bear interest. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years after the date of disbursement of the loan funds to borrower, but in no event later than December 31, 2075; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicable notice and cure periods. Beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make a payment in the amount equal to the Authority's share of its Residual Receipts as defined in each promissory note from the preceding year. Any unpaid principal amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender's share of Residual Receipts. As of September 30, 2020, the outstanding permanent notes totaled $21,736,802.

RAD Phase II - In October 2016, the Authority converted another 14 public housing sites with over 2,000 public housing units to private ownership through HUD's RAD program. In connection with RAD Phase II, the Authority entered into the following seller-financed and permanent notes:

Lessee	Project	AMP #	Seller-Financed Notes	Permanent Notes
Alemany Housing Associates, L.P.	938 Ellsworkth Street	AMP 966	$ 51,008,000	$ -
Westside Courts Housing Partners, L.P.	2501 Sutter Street	AMP 969	26,920,000	-
Westbrook Housing Partners, L.P.	40 Harbor Road	AMP 970	46,380,000	-
Ping Yuen, L.P.	655, 711-795 and 895 Pacific Avenue	AMP 972	67,240,000	920,000
North Ping Yuen, L.P.	838 Pacific Street	AMP 976	61,870,000	-
1760 Bush, L.P.	1760 Bush Street	AMP 977	18,783,707	875,000
RP Associates, L.P.	1251 Turk Street	AMP 978	32,404,142	-
Mission Dolores Housing Associates, L.P	1855 15th Street	AMP 980	19,655,011	-
Ellis 350 Associates, L.P.	350 Ellis Street	AMP 981	17,475,000	-
3850 18th Street Housing Associates, L.P	3840 & 3850 18th Street	AMP 982	21,145,473	1,400,000
Clementina Towers Associates, L.P.	320 & 330 Clementina Street	AMP 983	36,071,853	-
JFK Tower, L.P.	2451 Sacramento Street	AMP 984	21,129,147	-
2698 California, L.P.	2698 California Street	AMP 984	11,180,000	-
1750 McAllister, L.P.	1750 McAllister Street	AMP 985	21,661,312	1,000,000
	Total		**$ 452,923,645**	**$ 4,195,000**

Seller-Financed Notes - In October 2016, the Authority (Lessor), and each of the partnerships listed above (Lessee) have entered into seller take-back notes totaling $452,923,645. Each of these notes is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property. These notes bear interest of 1.95% compounded annually. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years after the closing of the permanent financing, but in no event later than December 31, 2076; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicate notice and cure periods. Beginning on the first June 30th after the completion of the respective project and continuing each June 30th thereafter until the maturity date, each borrower shall make an annual payment to the Authority in the amount of $15,000 (the "Annual Payment"). In addition to the Annual Payment, beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make an additional payment in the amount equal to the Authority's share of its Residual Receipts as defined in each promissory note from the preceding year (the "Additional Payment"). Any unpaid principal and interest amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender's share of Residual Receipts. As of September 30, 2020, the outstanding seller-financed notes totaled $452,073,646 and related accrued interest is $33,512,739.

NOTE 3 – NOTES RECEIVABLE AND ACCRUED INTEREST, NET (Continued)

Permanent Notes - In October 2016, the Authority (Lessor) and each of the partnerships listed above (Lessee) have entered into permanent notes totaling $4,195,000. Each of these notes is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property and does not bear interest. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years after the date of disbursement of the loan funds to borrower, but in no event later than December 31, 2076; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicate notice and cure periods. Beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make a payment in the amount equal to the Authority's share of its Residual Receipts as defined in each promissory note from the preceding year. Any unpaid principal amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender's share of Residual Receipts. In fiscal year 2019, the Authority received a payment in the amount of $500,000 which reduced the amount of these notes. As of September 30, 2020, the outstanding permanent notes totaled $3,695,000.

RAD 2020 Conversion - During the year ended September 30, 2020, the Authority converted another 2 public housing sites with 270 public housing units to private ownership through HUD's RAD program. In connection with RAD 2020 Conversion, the Authority entered into the following seller-financed notes:

Lessee	Project	AMP #	Seller-Financed Notes
Hayes Valley IV, L.P.	401 Rose Street	AMP 961	$ 32,010,154
Bernal Homes, L.P.	3138 Kamille Court	AMP 962	42,364,364
	Total		**$ 74,374,518**

Seller-Financed Notes - During the year ended September 30, 2020, the Authority (Lessor), and each of the partnerships listed above (Lessee) have entered into seller take-back notes totaling $74,374,518. Each of these notes is secured by a leasehold deed of trust and an assignment of rents and security agreement recorded against the property. These notes bear interest of 2.09% compounded annually. The term of each note commences on the date of each note and expires the earlier of (i) fifty-five (55) years after the closing of the permanent financing, but in no event later than December 31, 2075 for Hayes Valley IV, L.P. note and December 31, 2074 for Bernal Homes, L.P. note; (ii) the full repayment of each loan; or (iii) the date of a default, subject to all applicate notice and cure periods. Beginning on the first June 30th after the completion of the respective project and continuing each June 30th thereafter until the maturity date, each borrower shall make an annual payment to the Authority in the amount of $15,000 (the "Annual Payment"). In addition to the Annual Payment, beginning on the first June 30th after the completion of the respective and continuing each June 30th thereafter during the term of each note, each borrower shall also make an additional payment in the amount equal to the Authority's share of its Residual Receipts as defined in each promissory note from the preceding year (the "Additional Payment"). Any unpaid principal and interest amounts due under each note shall accrue and be due in subsequent year(s) to the extent of each lender's share of Residual Receipts. As of September 30, 2020, the outstanding seller-financed notes totaled $74,374,518 and related accrued interest is $962,007.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the business-type activity for the year ended September 30, 2020 was as follows:

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020
Capital assets, not being depreciated:				
Land	$ 11,392,003	$ -	$ -	$ 11,392,003
Capital assets, being depreciated:				
Building and improvements	49,676,646	6,902,033	-	56,578,679
Furniture and equipment	8,470,375	-	-	8,470,375
Total capital assets, being depreciated	58,147,021	6,902,033	-	65,049,054
Less accumulated depreciation				
Building and improvements	(21,014,866)	(1,325,358)	-	(22,340,224)
Furniture and equipment	(8,246,683)	(87,753)	-	(8,334,436)
Less accumulated depreciation	(29,261,549)	(1,413,111)	-	(30,674,660)
Total capital assets, being depreciated, net	28,885,472	5,488,922	-	34,374,394
Total capital assets, net	$ 40,277,475	$ 5,488,922	$ -	$ 45,766,397

The Authority's discretely presented component units' capital assets activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019
Capital assets, not being depreciated:				
Land	$ 6,930,396	$ -	$ (1,820,973)	$ 5,109,423
Capital assets, being depreciated:				
Buildings and improvements	75,122,531	163,654	(28,121,905)	47,164,280
Equipment and vehicles	3,640,194	62,570	(1,029,389)	2,673,375
Total capital assets, being depreciated	78,762,725	226,224	(29,151,294)	49,837,655
Less accumulated depreciation	(44,937,508)	(2,037,306)	15,563,348	(31,411,466)
Total capital assets, being depreciated, net	33,825,217	(1,811,082)	(13,587,946)	18,426,189
Component units capital assets, net	$ 40,755,613	$ (1,811,082)	$ (15,408,919)	$ 23,535,612

During the year ended December 31, 2019, upon the RAD 2020 Conversion, capital assets of Bernal Housing of $15.4 million was sold to a third party unrelated to the Authority in accordance with the Authority's RAD conversion efforts (See note 15).

NOTE 5 – LONG-TERM OBLIGATIONS

Changes to the business-type activities long-term obligations for the year ended September 30, 2020 are as follows:

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Amounts Due Within One Year
Loans payable:					
Bank of America	$ 20,000,000	$ -	$ -	$ 20,000,000	$ -
Payable to the City for HAP disbursements	17,018,391	-	-	17,018,391	-
Other loan payable to the City	4,789,390	-	(142,480)	4,646,910	-
Subtotal	41,807,781	-	(142,480)	41,665,301	-
Other noncurrent liabilities:					
Compensated absences	978,422	300,040	(788,857)	489,605	293,763
FSS liability	99,843	118,197	-	218,040	-
Unearned revenues - leases - Rosa Parks	4,248,351	-	(66,122)	4,182,229	66,122
Unearned revenues - leases - RAD Phase I	9,827,196	-	(103,350)	9,723,846	103,350
Unearned revenues - leases - RAD Phase II	23,778,199	-	(247,474)	23,530,725	247,474
Unearned revenues - leases - RAD 2020 Conversion	-	9,270,000	(89,623)	9,180,377	142,620
Total	$ 80,739,792	$ 9,688,237	$ (1,437,906)	$ 88,990,123	$ 853,329

Bank of America and Energy Performance Loans Payable – In October 28, 2015, the Authority entered into a loan agreement in the amount of $20,000,000 with Bank of America, N.A. for the purpose of the Affordable Housing Land Use Restriction agreement and ancillary documents to evidence the loan. The loan is due and payable on October 28, 2033, the final maturity of the promissory note, and bears 0% interest. Notwithstanding anything in the note or the other loan documents to the contrary, provided no event of default has occurred and is continuing, and provided further that the Property (Hunters Point East West) is and has during the entire term of the loan been in compliance with the Affordable Housing Land Use Restriction, the principal amount then unpaid shall be deemed paid in full on the earlier of the maturity date, sale of the Property to a bona fide third party not affiliated with the Authority, or refinance of the Property. The Property was transferred to a third party on November 13, 2015. As stated in the agreement, the Property must be in compliance with the affordable land-use restriction agreement until October 20, 2033, at which time the note will be forgiven and considered paid in full.

Payable to the City for HAP Disbursements – On October 19, 2018, the City's Citywide Affordable Housing Loan Committee approved a zero interest loan up to $20.0 million to the Authority to assist in covering projected future financial shortfalls. Under the provisions of the loan, the Authority was also expected to seek additional funding sources outside of the $20.0 million loan available from the City. This included obtaining permission from HUD to use existing unrestricted cash reserves for obligations under HAP contracts and requesting additional assistance from HUD in the amount of $10.0 million to cover a portion of the projected shortfalls. During November 2018 and June 2019, the Authority received $10.0 million and $6.2 million, respectively, of additional HAP revenue from HUD. In addition, on November 29, 2018, HUD approved the use of $4,950,000 of the Authority's reserves to offset the shortfall. The loan may be forgiven if the Authority has no proceeds to repay the loan at the end of the 55-year term (November 26, 2073). At this time, the City has the sole discretion to deem the loan forgiven.

Other Loan Payable to the City – On June 12, 2014, the Authority entered into a loan agreement with the City to borrow a maximum amount of $5,396,000 for the purpose of paying certain costs related to the modernization and/or repair of its elevators located at nine public housing locations. On November 1, 2015, the Authority and the City entered into an Amendment to Loan Agreement and Promissory Note to allow

NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

for forgiveness of the corresponding loan allocation on RAD conversion sites and the repayment of the remaining balance of the loan to the extent “Excess Proceeds” as defined in the loan agreement are received. The loan bears interest at an annual rate of 1%. The balances of principal and interest will be due and payable on the date that is the earlier of: (i) the 55th anniversary of the date of the loan agreement (June 12, 2069); or (ii) the date the Authority transfers ownership in any of the property sites other than in connection with a conversion of such property sites under the RAD Program. Notwithstanding anything to the contrary contained herein, for each site that: (i) converts to the RAD Program; and (ii) completes the rehabilitation work required in connection with the RAD Program conversion, the City shall forgive the corresponding loan allocation amount applicable to such site, along with all accrued and unpaid interest on that amount, upon completion of such work. Notwithstanding the foregoing, in the event that, prior to the date that the entire loan amount has been forgiven, the Authority is required to pay to the City a portion of “Excess Proceeds” as a partial repayment for the loan; but only to the extent such “Excess Proceeds” are received by the Authority. At September 30, 2020, the loan payable balance in the amount of $4,646,910 is reported as a component of the noncurrent portion of long-term debt to others. This loan is payable to the extent that the Authority receives excess proceeds from the RAD properties. Excess Proceeds are defined as the savings from the construction and are due from the developers upon the completion of construction. SFHA will pay 50% of those proceeds to pay down the City loan. When all RAD rehabilitation is completed and all excess proceeds have been received, the balance of the loan will be forgiven by the City.

Unearned Revenues – Leases – Rosa Parks - The balance consists of a $4,959,165 prepayment received from a tenant on a long-term ground lease entered into in January 2009 for land adjacent to a public housing property net of accumulated amortization of $776,936 at September 30, 2020. The unearned revenue is amortized over the initial lease ground term of 75 years.

Unearned Revenues – Leases – RAD Phase I - The balance is comprised of RAD Phase I capitalized ground lease in the amount of $10,232,000 net of accumulated amortization of $508,154 at September 30, 2020. This unearned revenue is amortized over the initial lease ground term of 99 years (see Note 12).

Unearned Revenues – Leases – RAD Phase II - The balance is comprised of RAD Phase II capitalized ground lease in the amount of $24,500,000 net of accumulated amortization of $969,275 at September 30, 2020. This unearned revenue is amortized over the initial lease ground term of 99 years (see Note 12).

Unearned Revenues – Leases – RAD 2020 Conversion - The balance is comprised of RAD 2020 Conversion capitalized ground lease in the amount of $9,270,000 net of accumulated amortization of $89,623 at September 30, 2020. This unearned revenue is amortized over the initial lease ground term of 65 years (see Note 12).

Conduit Debt – In October 1, 2004, the Authority issued tax-exempt Multifamily Housing Revenue Bonds, Series 2004 in the principal amount of $40,000,000 to provide funds for the construction of the Valencia Gardens Project. The bonds shall mature on September 1, 2049 and are secured by a deed of trust on the property and a direct-pay letter of credit issued by Citibank, N.A. Proceeds from the sale of the Permanent Bonds were not received by the Authority, but were deposited with a trustee in accordance with a loan agreement (dated October 1, 2004) between the Authority and Valencia Gardens Housing, L.P. The bonds are payable solely from payments made on the related secured loan. These bonds have maturity dates that are due at various dates through April 1, 2037. As of September 30, 2020, the outstanding conduit bonds issued by the Authority have a balance of $4,085,000.

NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

In the opinion of the Authority's officials, these bonds are not payable from any revenues or assets of the Authority. Neither the faith and credit nor the taxing power of the Authority or any political subdivision thereof are pledged for the payment of the principal or interest on the bonds.

Changes to the Authority's discretely presented component units' long-term obligations including accrued interest for the year ended December 31, 2019 are as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Amounts Due Within One Year
Due to primary government:					
Bernal Housing	$ 20,391,800	$ 20,095	$ (20,411,895)	$ -	$ -
Hayes Valley I	5,052,133	354,660	-	5,406,793	-
Hayes Valley I	9,081,359	573,034	-	9,654,393	-
Plaza East	18,623,708	455,451	-	19,079,159	-
Subtotal	53,149,000	1,403,240	(20,411,895)	34,140,345	-
Due to others:					
Hayes Valley I	1,295,016	54,175	(99,180)	1,250,011	46,956
Hayes Valley I	1,914,983	90,157	(149,892)	1,855,248	62,336
Total	$ 56,358,999	$ 1,547,572	$ (20,660,967)	$ 37,245,604	$ 109,292

See Note 13 for descriptions of the Authority's discretely presented component units' long-term obligations activities.

NOTE 6 – DEFINED CONTRIBUTION PENSION PLANS

Members in the trade unions (carpenters, electricians, floor layers, glaziers, laborers, painters and plumbers) are eligible for pension benefits in accordance with their respective contracts under defined contribution pension plans. Pension contributions are based on rates established by negotiated contracts. The Authority agreed to fund the unions' pension plans through union dues, which call for contributions ranging from $1.42 to $20.83 per work hour for the year ended September 30, 2020. The Authority's total pension costs for members in the trade unions were $2,278,652, $1,998,121, and $2,227,669 for the years ended September 30, 2020, 2019, and 2018, respectively.

Under ERISA, employers are liable for unfunded vested benefits if they withdraw from a multi-employer plan. Id. At 1089 (citing U.S.C. § 1381). "The notion underlying withdrawal liability is that employees of a contributing employer will have vested rights to annuity payments far into the future, and if the employer withdraws early, those future annuity payments will not be fully funded by that employer, from an actuarial standpoint. Withdrawal liability is intended to address that deficit." (3 ERISA Practice and Litigation § 12:7.). In general, a complete withdrawal triggers withdrawal liability where an employer "permanently ceases to have an obligation under the plan" or "permanently ceases all covered operations under the plan." Id. at 1089 (citing 29 U.S.C. § 1383(a)). A partial withdrawal triggers withdrawal liability when an employer has a "70-percent contribution decline" or "a partial cessation of the employer's contribution obligation." 29 U.S.C. § 1385(a).

In recent years, the Authority has significantly reduced its use of craft employees. While the formula for calculating partial withdraw is complex, based upon a rolling average of hours worked over many years, it is possible the Authority will incur partial withdrawal liability for one or more groups, even if no further staff reductions occur.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

(a) General Information

Plan Descriptions – All qualified permanent and probationary members in the San Francisco Municipal Employee's Association (MEA), SEIU Local 1021, SEIU Local 1877, and other unrepresented personnel hired after March 1, 1961 are eligible to participate in the Authority's Miscellaneous Plan and the Authority's former public safety employees were eligible to participate in the Authority's Safety Plan. The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan and the Safety Plan is a cost sharing multiple-employer defined benefit pension plan administered by the CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under each Plan are established by State statute and the Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website, http://calpers.ca.gov.

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

	Miscellaneous		Safety	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 yrs of service	5 yrs of service	5 yrs of service	5 yrs of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67	50 - 55	52 - 57
Monthly benefits, as a % of eligible compensation	1.4% - 2.4%	1% - 2.5%	2.4% - 3%	2% - 2.7%
Required employee contribution rates (10/1/19 - 6/30/20)	7%	6.5%	0.00%	0.00%
Required employee contribution rates (7/1/20 - 9/30/20)	7%	7.25%	0.00%	0.00%
Required employer contribution rates for normal cost (10/1/19 - 6/30/20)	9.728%	9.728%	0.00%	0.00%
Required monthly payment for unfunded liability (10/1/19 - 6/30/20) : $127,603				
Required employer contribution rates for normal cost (7/1/20 - 9/30/20)	10.310%	10.310%	0.00%	0.00%
Required monthly payment for unfunded liability (7/1/20 - 9/30/20): $132,629				

Employees Covered – As of June 30, 2019, the most recent information available, the following employees were covered by the benefit terms for the miscellaneous plan:

Inactive employees or beneficiaries currently receiving benefits	261
Inactive employees entitled to but not yet receiving benefits	251
Active employees	120
Total	632

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Authority's contribution rates may change if plan contracts are amended. Payments made by the Authority to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

(b) Net Pension Liability

At September 30, 2020, the Authority's net pension liability is comprised of the following:

Miscellaneous Plan	$ 17,320,092
Safety Plan	597,145
Total	$ 17,917,237

The Authority's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the Authority's fiduciary net position held by the pension plan and the Safety Plan is reported as the Authority's proportionate share of the CalPERS Public Safety Risk Pool's net pension liability. The Authority's proportion of the net pension liability was first determined at the rate plan level within the Safety Risk Pool and reflects the sum of the proportions of the Safety rate plans. The Authority's net pension liability for each plan is measured as of June 30, 2020, using an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures.

A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Services
Mortality Rate Table [1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS experience study report for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates includes 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on the table, refer to the 2017 CalPERS experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of the CalPERS 2017 experience study, including updates to salary increase, mortality and retirement rates. Further details of the experience study can be found on the CalPERS website.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2020 was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The long-term expected real rates of return by asset class and the target allocation adopted by the CalPERS Board for the actuarial valuation as of June 30, 2019 are as follows:

Asset Class:	Assumed Asset Allocation	Real Return Years 1 - 10 [1]	Real Return Years 11+ [2]
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

1 An expected inflation of 2.0 percent used for this period.
2 An expected inflation of 2.92 percent used for this period.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

(c) Changes in the Net Pension Liability

The following table shows the changes in net pension liability for the Miscellaneous Plan recognized over the measurement period.

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances calculated at July 1, 2019	$ 123,749,448	$ 107,841,551	$ 15,907,897
Changes recognized for the measurement period:			
Service cost	584,170	-	584,170
Interest on the total pension liability	8,575,052	-	8,575,052
Differences between expected and actual experience	(113,615)	-	(113,615)
Contributions from employer	-	2,077,400	(2,077,400)
Contributions from employees	-	406,228	(406,228)
Net investment income	-	5,301,814	(5,301,814)
Administrative expense	-	(152,030)	152,030
Benefit payments, including refunds of employee contributions	(7,994,275)	(7,994,275)	-
Net changes	1,051,332	(360,863)	1,412,195
Balances reported at June 30, 2020	$ 124,800,780	$ 107,480,688	$ 17,320,092

The Authority's proportionate share of the net pension liability for the Safety Plan was 0.00549% or $597,145 as of the June 30, 2020 measurement date, a decrease of 0.00024% and an increase of $9,550 when compared to the proportionate share as of June 30, 2019 measurement date of 0.00573% or $587,595.

Sensitivity of the Net Pension Liability to Changes in Discount Rate - The following presents the net pension liability of each Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate		
	-1% (6.15%)	Current (7.15%)	+1% (8.15%)
Miscellaneous Plan	$ 32,828,154	$ 17,320,092	$ 4,476,770
Safety Plan	801,770	597,145	429,230
Net Pension Liability	$ 33,629,924	$ 17,917,237	$ 4,906,000

Pension Plan Fiduciary Net Position - Detailed information about the pension plan fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

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

For the year ended September 30, 2020, pension expense recognized by the Authority for the measurement period ended June 30, 2020 for the Miscellaneous Plan and Safety Plan were $1,654,331 and $127, respectively.

At September 30, 2020, the Authority's deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 506,887	$ -
Change in assumptions	-	1,989
Differences between expected and actual experience	46,306	178,675
Net differences between projected and actual earnings on plan investments	880,005	-
Changes in employer's proportion	2,277	24,317
Difference between the employer's contributions and the employer's proportionate share of contributions	2,356	9,973
	$ 1,437,831	$ 214,954

The $506,887 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as future pension expense as follows.

Measurement Period Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2021	$ (634,767)
2022	326,345
2023	578,702
2024	445,710
	$ 715,990

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

(a) General Information

Plan Description – The Authority administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). Medical/prescription drug coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). Employees may choose from a variety of PPO and HMO options.

Benefits Provided – The Authority offers the same medical plans to its retirees as to its active employees, with the exception that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan under PEMHCA.

Employees become eligible to retire and receive Authority-paid healthcare benefits upon attainment of age 50 and 5 years of covered CalPERS service, or by qualifying disability retirement status. Benefits are paid for the lifetime of the retiree with continuation to eligible surviving spouses whose benefits continue under CalPERS.

Employees Covered – At September 30, 2018, the most recent information available, the following employees were covered by the Retiree Health Plan:

Inactive employees or beneficiaries currently receiving benefits	118
Active employees	112
Total	230

Contributions – The Authority currently finances benefits on a pay-as-you-go basis. The Authority's contribution on behalf of all eligible retirees and surviving spouses has been 80% of the premium since January 1, 2005. The Authority also pays a statutory percentage of premium administrative charge for all retirees. Benefit payments occur in the form of direct payments for premiums and taxes (explicit subsidies) and indirect payments to retirees in the form of higher premiums for active employees (implicit subsidies). For the year ended September 30, 2020, the Authority contributed $1,151,034 including implicit subsidies of $86,543.

(b) Total OPEB Liability

The Authority's total OPEB liability was measured as of September 30, 2020 using an actuarial valuation as of September 30, 2018 rolled forward to September 30, 2020 using standard actuarial update procedures to project/discount from valuation to measurement date.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

A summary of principal actuarial assumptions and methods used to determine the total OPEB liability is as follows:

Valuation Date	September 30, 2018
Measurement Date	September 30, 2020
Measurement Period	October 1, 2019 to September 30, 2020
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	2.41%
Salary Increases	3.00%
Inflation	3.00%
Healthcare Cost Trend Rate	5.25% for 2020; 5.00% for 2021 and later years

Actuarial assumptions used in the September 30, 2018 valuation were based on a review of plan experience during the period September 30, 2016 to September 30, 2018.

Changes in Assumptions – The discount rate reduced from 2.75 percent to 2.41 percent for the year ended September 30, 2020.

Discount Rate – GASB Statement No. 75 requires a discount rate that reflects a yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale.) The municipal bonds rate was used as the discount rate as the Authority has not established a qualified irrevocable trust for nor pre-funded the Retiree Health Plan.

The discount rate used to measure the Authority's total OPEB liability at September 30, 2020 is based on these requirements and the following information:

Long-Term Expected Return of Plan Investments (if any)	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
4.00%	2.41%	2.41%

The following table shows the changes in total OPEB liability for the year ended September 30, 2020:

	Total OPEB Liability
Balances calculated at October 1, 2019	$ 23,748,096
Changes for the year:	
Service cost	974,651
Interest on total OPEB liability	664,156
Changes in assumptions	1,211,664
Benefit payments (includes implicit subsidy)	(1,151,034)
Net change	1,699,437
Balances reported at September 30, 2020	$ 25,447,533

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

(c) Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the year ended September 30, 2020 is 2.41%. The impact of a 1-percentage-point increase or decrease in the discount rate assumption is shown below:

	Discount Rate -1% (1.41%)	Current Discount Rate (2.41%)	Discount Rate +1% (3.41%)
Total OPEB Liability	$ 29,590,739	$ 25,447,533	$ 22,122,572

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Heathcare Trend Rate (less 1%)	Current Trend Rate (5.25% decreasing to 5.00%)	Heathcare Trend Rate (plus 1%)
Total OPEB Liability	$ 21,446,886	$ 25,447,533	$ 30,550,872

(d) OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2020, OPEB expense recognized by the Authority was $2,623,597. At September 30, 2020, the Authority have deferred outflows of resources related to changes in assumptions of $2,757,705 that will be recognized as future OPEB expense as follows.

Year Ending September 30,	Deferred Outflows/ (Inflows) of Resources
2021	$ 984,790
2022	984,790
2023	703,589
2024	84,536
	$ 2,757,705

NOTE 9 – 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 which exceeded the Authority's insurance coverage in any of the past three years.

(a) General and Other Liabilities

The Authority purchased coverage with the Housing Authority Insurance Group, Inc. for property and commercial liabilities and losses incurred above its deductible limits. 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, newly 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.

The Authority's deductibles and maximum coverage follows:

Coverage	Deductible	Coverage	
Property coverage	$ 50,000	$ 100,000,000	(aggregate)
General liability	25,000	15,000,000	(aggregate)
Law enforcement liability	25,000	1,000,000	(per occurrence)
		1,000,000	(aggregate)
Public officials liability	25,000	1,000,000	(per occurrence)
		2,000,000	(aggregate)

(b) Workers' Compensation 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 of Oakland (OHA). BAHARMA does not provide pooling or sharing of risk between its two members. Its purpose is to provide administrative and risk management services to the two housing authorities' workers' 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 OHA. BAHARMA is considered to be a claims-servicing entity and each member's net assets are reported as due to members in the BAHARMA's statement of net position. At September 30, 2020, the Authority's deposit with BAHARMA is approximately $13.1 million and is reported as a component of the other noncurrent assets in the Authority's statement of net position.

NOTE 9 – RISK MANAGEMENT (Continued)

Condensed financial information for BAHARMA's most recently completed audit is presented below as of and for the year ended September 30, 2020:

Statement of Net Position
September 30, 2020

Assets:	
Cash and equivalents	$ 36,774,578
Prepaid and other	676,559
Investments	5,642,530
Total assets	43,093,667
Liabilities:	
Claims liability	12,559,867
Due to members	30,297,235
Other	236,565
Total liabilities	43,093,667
Net position	$ -

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2020

Operating revenues:	
Claims servicing revenues	$ 1,285,020
Total operating revenues	1,285,020
Operating expenses:	
Claims administration	207,916
General and administration	1,077,104
Total operating expenses	1,285,020
Change in net position	-
Net position, beginning of year	-
Net position, end of year	$ -

Complete financial statements of BAHARMA can be obtained from the Treasurer at 1619 Harrison Street, Oakland, California 94612.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grants and Contracts - The Authority participates in various federally and locally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and other regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the Authority and as of the date of this no liabilities are reflected in the accompanying basic financial statements. See Note 11 related to the Authority's status on recent HUD reviews and audits.

Payment In Lieu Of Taxes (PILOT) – A cooperative agreement between the Authority and the City dated January 21, 1965 exempts all public housing developments of the Authority from all real and personal property taxes and special assessments collected by the local tax collector. During the period of this exemption, the Authority agrees to make alternate payments to the City. Such payments are referred to as payments in lieu of taxes (PILOT). As specified in the agreement, the Authority's PILOT equals total rent charged less utilities multiplied by 10%. In November 2013, the Board of Supervisors approved a waiver of the PILOT beginning with the year ended September 30, 1992.

Impacts of COVID-19 Outbreak– In March of 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and related adverse public health developments have adversely affected workforces, customers, economies, and financial markets globally, leading to economic downturn. It has also disrupted the normal operations of many governments, including the Authority. The Authority expects this outbreak to impact the Authority's operations for future reporting periods. It is not possible for the Authority to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Authority's operations.

NOTE 11 – CONCENTRATIONS WITH HUD AND DEFAULTS

For the year ended September 30, 2020, approximately 96% of operating revenues reflected in the basic 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. From 2011 to 2015, the Authority was declared "Troubled" – the lowest classification prior to placing an agency under Federal receivership – under the HUD's Public Housing Assessment System (PHAS). On September 4, 2013, HUD and the Authority entered into a Recovery Agreement to correct all HUD-identified deficiencies through the implementation of an Action Plan. The Authority entered into a second Public Housing Agency Recovery and Sustainability Agreement (PHARS) with HUD on June 22, 2017. This agreement included the four remaining goals from the initial agreement of September 4, 2013 and established June 30, 2019 as the target completion date. While the Authority is still on the HUD Troubled list for Public Housing, it has made progress by improving and transforming the operational platform and administration of the organization. In accordance with the goals set out in the initial agreement, the Authority's HCV Program achieved standard performance status in fiscal years 2016, 2017 and 2018 in Section 8 Management Assessment Program (SEMAP). During this time, the Authority has been engaged in the re-envisioning process with portfolio wide re-positioning and restructuring of public housing properties and expansion of the leased housing programs. The re-envisioning process is more than two thirds complete.

On March 7, 2019, HUD determined that the Authority defaulted on its HCV Consolidated Annual Contributions Contract (ACC-Section 8) and Low Rent Public Housing (LRPH) Consolidated Annual Contributions Contract (ACC-LRPH) executed by and between the Authority and HUD on August 12, 1998 and April 29, 1996, respectively. The letter requested that the Authority and the City enter a Memorandum of Understanding (MOU) with HUD. To cure the current defaults, the Authority and the City must agree to and complete the following:

1. The Authority and the City must submit to HUD for its review and approval a MOU outlining a scheduled plan of action for the City's assumption of all programmatic and financial functions of the Authority's HCV and LRPH Programs, including but not limited to financial management, program management, wait list and admissions, inspections, eligibility determinations, and lease and grievances procedures. The MOU must also include plans for outsourcing financial and programmatic services for the HCV and LRPH programs to third party experts and implementing all corrective actions from the 2019 Quality Assurance Division (QAD) Report.

2. HUD reserves the right to seek any appropriate remedy, including without limitation taking possession of any or all of the Authority's properties, the Authority's rights or interests in connection with the programs, including funds held by a depositary, program receipts, and rights or interests under the Authority's HAP contracts.

3. Failure to meet any of the scheduled deadlines, unless otherwise agreed to in advance by HUD in writing, shall terminate the Authority's opportunity to cure its default, and HUD will reinstate the default.

4. HUD's exercise of its option to allow the Authority to cure its default does not preclude HUD from mandating that the Authority cure any breach or default of either ACC or finding related to the Authority's HCV (Section 8) Program or Low Rent Public Housing Program (Section 9) as HUD deems appropriate.

NOTE 11 – CONCENTRATIONS WITH HUD AND DEFAULTS (Continued)

On September 30, 2020, HUD issued a letter to the Authority stating that the Authority and the City have worked diligently through a MOU in partnership with HUD and the Authority has successfully cured the default by completing the following actions:

1. The Authority successfully provided an MOU to HUD outlining a scheduled plan for the City's assumption of all programmatic and financial functions of the Authority's HCV and LRPH programs. The MOU also identified plans for outsourcing financial and programmatic services for the HCV and LRPH programs to third-party entities.

2. The Authority successfully outsourced its finances to a third-party entity in order to implement all corrective actions identified in the report that resulted from the 2019 Financial Management Review conducted by HUD's QAD.

3. The Authority successfully outsourced its HCV program to a third-party entity that has assumed all responsibilities pertaining but not limited to financial management, program management, waitlist admissions, inspections, eligibility determinations, and lease and grievance procedures.

4. The Authority successfully outsourced its LRPH division to a third-party entity that has assumed all responsibilities pertaining but not limited to financial management, program management, waitlist admissions, inspections, eligibility determinations, and lease and grievance procedures.

5. The Authority, in partnership with the City's and third-party entities, is implementing all corrective actions and continues to close findings identified in the 2019 QAD report. This includes implementing controls to ensure accurate reporting and accounting practices.

This letter also recommends the following actions to remain in compliance:

1. The City and Authority continue to retain an MOU between them to operate the Authority daily. Any updates to this MOU should continue daily management oversight by the City to the Authority, including, but not limited to financial, operational, and technical assistance.

2. The City and Authority continue to outsource the operations of the HCV Program.

3. The City and Authority continue to complete actions identified in the 2020 High Performer Plan but not limited to repositioning efforts of the LRPH portfolio.

4. The Authority continues to work with its third-party financial division to support the Authority in the timely completion of the FY 2020 financial reporting to REAC.

5. The City and Authority continue working with the QAD to implement the corrective action plan resulting from the 2019 QAD report to improve the operations of the HCV program.

NOTE 12 – GROUND LEASES WITH OTHERS

North Beach Housing Associates Limited Partnership - The Authority leased the land for 75 years to the North Beach Housing Associates Limited Partnership on which the North Beach Place project, a 341 unit rental apartment complex, was built. The lease will expire in December 2077. The annual rent amount of $800,000 (base rent) began on January 1, 2005 and is payable in arrears on July 1 of each succeeding year, to the extent of 70% of residual receipts generated from the previous year by the Section 8 Housing Authority Units. Additional base rent is also payable from the remaining 30% of residual receipts if such amount exceeds $114,500, which is to be increased by 3% annually, and from 57% of the excess development proceeds. Additional base rent is also deemed to be paid upon the funding of the initial operating period reserve, the affordability reserve, and the performance reserve held by the Authority.

Any rent payment is to be applied first toward the base rent, and then as a rent prepayment for the following years. For the year ended September 30, 2020, the Authority received $1,365,190 in ground lease rent. An option to acquire the North Beach Place project has been provided to the Authority during the period from January 1, 2016 to June 30, 2021. The option price is the greater of the project's fair market value, or the assumption of all outstanding debt and taxes. The Authority has not exercised the option during the period, and the partnership's managing general partner has the option to acquire the project during the period from July 1, 2021 to December 31, 2024.

In addition, the Authority has a ground lease receivable in the amount of $5,481,127 from North Beach Housing Associates Limited Partnership payable from residual receipts as defined in the Agreement. In accordance with the Authority's policies for recognizing lease revenues (see Note 1(m)), revenues are recognized when payments are received. Thus, the amount is not accrued and is not recorded as a receivable as of September 30, 2020.

Valencia Gardens Housing Limited Partnership - The Authority leased the land for 65 years to the Valencia Gardens Housing Limited Partnership on which the Valencia Gardens project, an apartment complex of 260 units for low-income housing, was built. The annual lease payments consist of annual base rent of $200,000. The rent is payable in arrears starting on July 1, 2006 and on July 1 of each succeeding year until the termination of the lease to the extent of 33% of residual receipts from the preceding year. Additional base rent is also payable of the lesser of $100,000 from residual receipts or such amounts as may be permissible under Multifamily Housing Program regulations. Any unpaid base rent shall not accrue. For the year ended September 30, 2020, the Authority did not receive any ground lease rent for this lease.

The Partnership has granted the Authority, and the General Partner, if such rights are not exercised by the Authority, an option to purchase the property commencing on the first day after the credit period, January 1, 2017, and expiring on the last day of the end of the compliance period, December 31, 2020. The option agreement further allows an additional option term that commences the day after the end of the compliance period, January 1, 2021 and expires eighteen months thereafter, June 30, 2022. The purchase price of the property shall be the greater of the following amounts: (a) the amount of any outstanding indebtedness of the Property plus the amount of any federal, state and local tax of the Partnership or, (b) the fair market value of the Property.

Hunters View Associates L.P. and HV Partners 1, L.P. (Hunters View) - The Authority entered into three agreements to lease three parcels of land on which the three phases of the Hunters View complex have been built, located in San Francisco, California, for an annual rent amount of $1 per parcel. The leases commenced during January 2011 and terminate after 88 years for one parcel (Rental Housing) and 5 years for each of the remaining two parcels. The Hunters View complex will replace 267 low-income public housing units and add affordable housing to the community under the HOPE SF program. The rent is

NOTE 12 – GROUND LEASES WITH OTHERS (Continued)

payable on February 1, 2011 and on February 1 of each succeeding year until the termination of the lease. In addition, residual rent is payable from surplus cash flow and is determined to be $1,999 per year. For the year ended September 30, 2020, the Authority received $16,232 in ground lease rent.

RAD Phase I Lessees - The Authority leased the land related to the project for 99 years to the lessees listed below. In November 2015, the lessees capitalized their lease payments through seller-financed notes with the Authority as discussed in Note 3 as follows:

Lessee	Project	Amount
Holly Courts Housing Associates, L.P.	100 Appleton Street	$ 250,000
Bay Street, L.P.	227 Bay Street	375,000
Pacific Avenue, L.P.	990 Pacific Street	1,390,000
1880 Pine, L.P.	1880 Pine Street	1,640,000
255 Woodside Housing Associates, L.P.	255 Woodside	150,000
666 Ellis, L.P.	666 Ellis Street	350,000
25 Sanchez Housing Associates, L.P.	25 Sanchez Street	150,000
462 Duboce Housing Associates, L.P.	462 Duboce Avenue	150,000
345 Arguello, L.P.	345 Arguello Street	920,000
491 31st Ave, L.P.	491 31st Avenue	980,000
939 & 951 Eddy Associates, L.P.	939-951 Eddy Street	375,000
430 Turk Associates, L.P.	430 Turk Street	350,000
Robert Pitts Housing Partners, L.P.	1150 Scott Street/1825 Eddy Street	2,652,000
Hunters Point East West LP	1065 Oakdale Ave. & 798 Jerrold Ave.	500,000
	Total capitalized ground lease	10,232,000
	Less accumulated amortization	(508,154)
	Capitalized ground lease, net	**$ 9,723,846**

RAD Phase II Lessees - The Authority leased the land related to the project for 99 years to the lessees listed below. In October 2016, the lessees capitalized their lease payments through seller-financed notes with the Authority as discussed in Note 3 as follows:

Lessee	Project	Amount
Alemany Housing Associates, L.P.	938 Ellsworkth Street	$ 1,000,000
Westside Courts Housing Partners, L.P.	2501 Sutter Street	2,150,000
Westbrook Housing Partners, L.P.	40 Harbor Road	3,810,000
Ping Yuen, L.P.	655, 711-795 and 895 Pacific Avenue	5,110,000
North Ping Yuen, L.P.	838 Pacific Street	4,640,000
1760 Bush, L.P.	1760 Bush Street	1,670,000
RP Associates, L.P.	1251 Turk Street	350,000
Mission Dolores Housing Associates, L.P	1855 15th Street	150,000
Ellis 350 Associates, L.P.	350 Ellis Street	350,000
3850 18th Street Housing Associates, L.P	3840 & 3850 18th Street	150,000
Clementina Towers Associates, L.P.	320 & 330 Clementina Street	350,000
JFK Tower, L.P.	2451 Sacramento Street	1,930,000
2698 California, L.P.	2698 California Street	860,000
1750 McAllister, L.P.	1750 McAllister Street	1,980,000
	Total capitalized ground lease	24,500,000
	Less accumulated amortization	(969,275)
	Capitalized ground lease, net	**$ 23,530,725**

NOTE 12 – GROUND LEASES WITH OTHERS (Continued)

RAD 2020 Conversion Lessees - The Authority leased the land related to the project for 65 years to the lessees listed below. During the year ended September 30, 2020, the lessees capitalized their lease payments through seller-financed notes with the Authority as discussed in Note 3 as follows:

Lessee	Project	Amount
Hayes Valley IV, L.P.	401 Rose Street	$ 3,800,000
Bernal Homes, L.P.	3138 Kamille Court	5,470,000
	Total capitalized ground lease	9,270,000
	Less accumulated amortization	(89,623)
	Capitalized ground lease, net	**$ 9,180,377**

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS

The following partnerships are considered discretely presented component units of the Authority and are reported as of their respective financial year end, December 31, 2019. Certain items may have changed for presentation purposes from the separately issued audited financial statements to conform to the Authority's presentation. The following disclosures are those that are material to the Authority and are not meant to be a full representation of each component unit's required disclosures. A copy of each component unit's separately issued audited financial statements can be obtained from the Authority's management.

(a) Bernal Housing Associates, L.P. (Bernal Housing)

(i) RAD 2020 Conversion

In December 2019, the Authority sold all improvements and fixtures located on the land including the 160-unit apartments complex known as Bernal Dwellings and all tangible and intangible personal property to a third party unrelated to the Authority in accordance with the Authority's RAD conversion efforts (See note 15). Pursuant to the terms of the partnership agreement, Bernal Housing will dissolve during the year ending September 30, 2021.

(ii) Ground Lease

In November 1999, Bernal Housing has executed a 75-year ground lease agreement with the Authority. The lease is subject to various use restrictions and operating requirements, as defined in the agreement, including the requirement that all 160 of the units be continuously set aside during the term of the Regulatory and Operating Agreement for occupancy by public housing eligible households. The terms of the lease provide rent of $10 per year throughout the term of the Regulatory Agreement. Upon expiration of the lease, all improvements, alterations, additions, equipment and fixtures shall become the property of the Authority without cost or charge. Upon the RAD 2020 Conversion, the ground lease was terminated.

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(iii) Long-term Debt

Permanent Loan - A permanent loan of $15,500,000 was provided by the Authority. Under the terms of the loan, interest shall accrue at 0.1%, compounded annually. Interest and principal are payable from net available cash flow, as defined in the Hope VI permanent loan agreement dated November 23, 1999 (Hope VI Agreement). Pursuant to the Hope VI Agreement, the loan matures on November 23, 2054. The Authority and HUD have entered into an Urban Revitalization Demonstration Program Implementation Grant Agreement effective August 12, 1994 providing for a grant to be made by HUD to the Authority to assist in the financing of the construction of the project. Pursuant to the terms of the Hope VI Agreement, the Authority has loaned the funds to Bernal Housing as permanent financing for the project in order to repay the loan funded through the issuance of the bonds. The permanent loan is secured by a first leasehold deed of trust in favor of the Authority. Upon the RAD 2020 Conversion, the loan was converted and deemed to be retired.

Construction Loan - A construction/permanent loan of up to $4,287,500 was provided by the Authority. Under the terms of the loan, interest shall accrue at 0.1%, compounded annually. Interest and principal are payable from net available cash flow, net proceeds or condemnation proceeds as defined in the loan agreement. The loan is secured by a second deed of trust on the project, and matures on November 23, 2054. Upon the RAD 2020 Conversion, the loan was converted and deemed to be retired.

Predevelopment Loan - A predevelopment loan of $2,465,501 was provided by the Authority. Under the terms of the loan, interest shall accrue at 0.1%, compounded annually. Interest and principal are payable from net available cash flow, net proceeds or condemnation proceeds as defined in the loan agreement. The loan is secured by a third deed of trust on the project and matures on November 23, 2054. Upon the RAD 2020 Conversion, the loan was converted and deemed to be retired.

(b) Hayes Valley Apartments, L.P. (Hayes Valley I)

(i) Ground Lease

In November 1996, Hayes Valley I has executed a ground lease agreement with the Authority. The agreement is subject to various use restrictions and operating requirements, as defined in the agreement, including the requirements that 51 of the units be continuously set aside for occupancy by public housing eligible households and 33 units that will not be reserved as public housing units be restricted for occupancy by tax credit eligible households. The terms of the agreement provide rent of $10 per year throughout the 57-year term. Upon expiration of the agreement, all improvements, alterations, additions, equipment and fixtures shall become the property of the Authority without cost or charge.

(ii) Long-term Debt

Mortgage Note - Gershman Investment Corp. is providing a loan commitment of $1,601,300. The nonrecourse loan is insured by HUD under Section 221(d)(4) of the National Housing Act and is secured by a first deed of trust on the property. The loan interest rate was modified on November 1, 2015 decreasing the interest from 5.0% to 4.25%. Monthly principal and interest payments amount to $8,265. The balance of principal and interest, if any, remaining shall be due and payable January 1, 2038. As of December 31, 2019, the outstanding loan balance was $1,250,011.

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Second Mortgage Loan - Construction and permanent financing is provided by the Authority under a loan commitment of $1,600,000. The nonrecourse loan is secured by a second leasehold deed of trust on the property. The loan currently bears interest at an annual rate of 7.02%. At initial closing of the construction loan, Hayes Valley I paid the Authority, solely from syndication proceeds, $235,000 as prepaid interest. All further interest, and all principal, are payable only from net available cash flow of the project, or from net proceeds or condemnation proceeds, as defined in the loan agreement. Payments are applied first to accrued interest and then against outstanding principal. Unpaid accrued interest compounds annually and is added to principal at the end of each year. Accrued interest added for the year ended December 31, 2019 amounted to $354,660 and total accrued interest amounted to $3,806,793 at December 31, 2019. The loan matures on November 24, 2053. As of December 31, 2019, the outstanding loan balance including unpaid accrued interest added was $5,406,793.

(c) Hayes Valley Apartments II, L.P. (Hayes Valley II)

(i) RAD 2020 Conversion

On June 1, 2020, subsequent to Hayes Valley II's year-ended December 31, 2019, Hayes Valley II sold all improvements and fixtures located on the land including the 110-unit apartments complex known as Hayes Valley South and all tangible and intangible personal property to a third party unrelated to the Authority in accordance with the Authority's RAD conversion efforts.

(ii) Ground Lease

In December 1997, Hayes Valley II has executed a ground lease agreement with the Authority. The agreement is subject to various use restrictions and operating requirements, as defined in the agreement, including the requirements that 66 of the units be continuously set aside for occupancy by public housing eligible households and 44 units that will not be reserved as public housing units be restricted for occupancy by tax credit eligible households. The terms of the agreement provide rent of $10 per year throughout the 57-year term. Upon expiration of the agreement, all improvements, alterations, additions, equipment and fixtures shall become the property of the Authority without cost or charge. During June 2020, upon the RAD conversion and subsequent to Hayes Valley II's year ended December 31, 2019, the ground lease was terminated.

(iii) Long-term Debt

Mortgage Loan - Construction and permanent financing was originally provided by Midland Loan Services under a loan commitment of $2,324,500. The nonrecourse loan was insured by HUD under Section 221(d)(4) of the National Housing Act and is secured by a first deed of trust on the property. The loan bore interest at an annual rate of 8.2%. Interest alone was payable monthly on the first day of January 1998, and on the first day of each month thereafter to and including May 1, 1999. Monthly principal and interest payments of $16,512 began in June 1999. In May 2009, the mortgage note was refinanced with a new mortgage financing of $2,297,200, provided by Gershman Investment Corp. The mortgage note remains insured by HUD, bears interest at an annual rate of 6.5%, and is secured by a security deed to the property. Beginning July 1, 2009, monthly principal and interest payments of $14,520 are payable through June 1, 2039. On February 1, 2014, the loan was amended under a HUD Interest Rate Reduction program and bears interest at an annual rate of 4.95%. Commencing March 1, 2014, monthly principal and interest payments of $12,491 are payable through June 1, 2039. As of December 31, 2019, the outstanding loan balance was $1,855,248.

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Authority Loan - Construction and permanent financing is also provided by the Authority under a loan commitment of $3,250,000. The nonrecourse loan is secured by a second leasehold deed of trust on the property. The loan bore interest at an annual simple rate of 12% through December 31, 1998, and thereafter bears interest at an annual compound rate of 6.31%. At initial closing of the construction loan, Hayes Valley II paid the Authority, solely from syndication proceeds, $300,000 as prepaid interest. All further interest, and all principal, are payable only from net available cash flow of the project, or from net proceeds or condemnation proceeds, as defined in the loan agreement. Payments are applied first to accrued interest and then against outstanding principal; unpaid accrued interest compounds annually and is added to principal at the end of each year. Accrued interest added for the year ended December 31, 2019 amounted to $573,034 and total accrued interest amounted to $6,404,393. The loan matures on December 1, 2054. As of December 31, 2019, the outstanding loan balance including unpaid accrued interest added was $9,654,393. During June 2020, upon the RAD 2020 conversion and subsequent to Hayes Valley II's year ended December 31, 2019, the loan was converted and deemed to be retired.

(d) Plaza East Associates, L.P. (Plaza East)

(i) Uncertainty – Continuing Operations

Plaza East's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the partnership as a going concern. All of Plaza East's units are public housing units. As such, Plaza East relies heavily on the funding from the Authority, which as of December 31, 2019, the Authority owed $268,867 to the Plaza East. In addition, $289,836 of management fees were payable at December 31, 2019. Plaza East has no required principal and interest payments from operations. Payments of principal and interest are only required when there is Net Available Cash Flow, of which there was none in 2019. The first mortgage balance has continued to increase every year by accrued interest. In 2019, the balance increased by accrued interest of $455,451.

These financial difficulties raise substantial doubt about Plaza East's ability to continue as a going concern within one year after the date the financial statements are issued. Management has evaluated the performance of its operations and believes these conditions are significant in relation to the entity's ability to meet its obligations. Management's plans have been ongoing for a while. As of March 28, 2020, the date of the other auditor's report for the year ended December 31, 2019, Plaza East is working on a plan to secure alternate financing. In view of these matters, the continued operations of Plaza East are dependent on the ability to refinance its existing debt. However, there can be no assurance that Plaza East will be successful in achieving its objectives.

Plaza East's financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result should the Plaza East be unable to continue as a going concern.

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

(ii) Ground Lease

Plaza East has executed a 75-year ground lease agreement with the Authority. The agreement is subject to various use restrictions and operating requirements, as defined in the agreement, including the requirement that all 193 of the units be continuously set aside during the term of the Regulatory and Operating Agreement for occupancy be public housing eligible households. The terms of the agreement provide for rent of $10 per year throughout the term of the regulatory agreement. Upon expiration of the agreement, all improvements, alterations, additions, equipment and fixtures shall become the property of the Authority without cost or charge.

(iii) Long-Term Debt

Plaza East Housing Corporation Note - Construction and permanent financing is being provided by Plaza East Housing Corporation under a loan commitment of $2,700,000. The nonrecourse loan is secured by a first leasehold deed of trust on the property. Interest accrued on the loan at an annual rate of 10% through December 31, 2001. Thereafter, interest accrues at an annual rate of 6.09%. At initial closing of the construction loan, the Plaza East paid Plaza East Housing Corporation, solely from syndication proceeds, $270,000 as prepaid interest. All further interest, and all principal, are payable only from net available cash flow of the project, or from net proceeds or condemnation proceeds, as defined in the loan agreement. Payments are applied first to accrued interest and then against outstanding principal; unpaid accrued interest compounds annually. Unpaid accrued interest added to principal at December 31, 2019 was $5,234,116. The loan matures on September 2065. As of December 31, 2019, the outstanding loan balance including unpaid accrued interest added was $7,934,116.

SFHA Housing Corporation Note - Construction and permanent financing is also provided by SFHA Housing Corporation under a loan commitment of $10,764,813. The nonrecourse loan is secured by a second leasehold deed of trust on the property. Interest accrued on the loan at an annual rate of 10% through December 31, 2001. No interest shall accrue on the loan thereafter. In 2004, Plaza East paid SFHA Housing Corporation, from development sources other than public housing funds, $443,000 for interest through December 31, 2001. All further interest, and all principal, are payable only from net available cash flow of the project, or from net proceeds or condemnation proceeds, as defined in the SFHA Loan Agreement. Payments are applied first to unpaid accrued interest, if any, and then against outstanding principal. Unpaid accrued interest at December 31, 2019 was $380,230. The loan matures in September 2065. As of December 31, 2019, the outstanding loan balance including unpaid accrued interest was $11,145,043.

NOTE 13 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Condensed financial information for the discretely presented component units as of and for the year ended December 31, 2019 is as follows:

	Bernal Housing Associates, L.P.	Hayes Valley Apartments, L.P.	Hayes Valley Apartments II, L.P.	Plaza East Associates, L.P.	Total
Assets:					
Unrestricted cash and cash equivalents	$ -	$ 6,887	$ 85,321	$ 7,994	$ 100,202
Restricted cash and cash equivalents	-	878,123	1,189,983	149,109	2,217,215
Accounts receivable and other current assets	-	859,263	693,022	604,212	2,156,497
Other noncurrent assets	-	52,210	343,024	1,008,017	1,403,251
Capital assets, net	-	3,748,423	6,594,005	13,193,184	23,535,612
Total assets	-	5,544,906	8,905,355	14,962,516	29,412,777
Liabilities:					
Current liabilities	-	438,878	382,118	959,684	1,780,680
Long-term interest due to primary government	-	3,806,793	6,404,393	5,614,346	15,825,532
Long-term debt due to primary government	-	1,600,000	3,250,000	13,464,813	18,314,813
Long-term debt to others, net of current portion	-	1,203,055	1,792,912	-	2,995,967
Other noncurrent liabilities	-	288,165	-	672,033	960,198
Total liabilities	-	7,336,891	11,829,423	20,710,876	39,877,190
Total net position	$ -	$ (1,791,985)	$ (2,924,068)	$ (5,748,360)	$ (10,464,413)
Operating revenues	$ 1,665,960	$ 1,385,939	$ 1,610,154	$ 2,124,369	$ 6,786,422
Operating expenses	(2,684,040)	(1,519,430)	(1,669,860)	(2,940,468)	(8,813,798)
Operating loss	(1,018,080)	(133,491)	(59,706)	(816,099)	(2,027,376)
Nonoperating revenues	6,446	4,363	6,193	5,407	22,409
Nonoperating expenses	(20,358)	(414,656)	(656,545)	(473,401)	(1,564,960)
Loss before special items	(1,031,992)	(543,784)	(710,058)	(1,284,093)	(3,569,927)
Special items	4,260,364	-	-	-	4,260,364
Change in net position	3,228,372	(543,784)	(710,058)	(1,284,093)	690,437
Net position, beginning of year	(3,228,372)	(1,248,201)	(2,214,010)	(4,464,267)	(11,154,850)
Net position, end of year	$ -	$ (1,791,985)	$ (2,924,068)	$ (5,748,360)	$ (10,464,413)

NOTE 14 – SUMMARIZED FINANCIAL INFORMATION OF THE BLENDED COMPONENT UNITS

Condensed financial information for the blended component units is presented below as of and for the year ended September 30, 2020:

	SFHA Housing Corporation	Plaza East Housing Corporation	Total
Assets:			
Cash and cash equivalents	$ 222,011	$ 115,644	$ 337,655
Notes receivable	26,267,134	2,700,000	28,967,134
Total assets	26,489,145	2,815,644	29,304,789
Total net position	$ 26,489,145	$ 2,815,644	$ 29,304,789
Nonoperating revenue (expenses)	$ -	$ -	$ -
Net position, beginning of year	26,489,145	2,815,644	29,304,789
Net position, end of year	$ 26,489,145	$ 2,815,644	$ 29,304,789
Cash flows from noncapital financing activities	$ 222,011	$ -	$ 222,011
Cash and cash equivalents, beginning of year	-	115,644	115,644
Cash and cash equivalents, end of year	$ 222,011	$ 115,644	$ 337,655
Noncash noncapital financing activities:			
Write down of long-term receivables	$ -	$ 476,616	$ 476,616

NOTE 15 – SPECIAL ITEM – RAD 2020 CONVERSION

During the year ended September 30, 2020, the Authority completed the RAD 2020 Conversion ownership transfer of the following projects and recognized a gain from these dispositions as special item as follows:

	Book Value of Assets Received			Book Value of Assets Retired			
AMP Number	Notes Receivable	Capitalized Ground Lease	Total Assets Received, Net	Notes Receivable Converted/Retired	Affordability Reserve to Buyer	Total Assets Received	Gain on RAD Conversion
961	$ 32,010,154	$ (3,800,000)	$ 28,210,154	$ 3,110,990	$ 882,481	$ 3,993,471	$ 24,216,683
962	42,364,364	(5,470,000)	36,894,364	20,122,140	435,269	20,557,409	16,336,955
Total	**$ 74,374,518**	**$ (9,270,000)**	**$ 65,104,518**	**$ 23,233,130**	**$ 1,317,750**	**$ 24,550,880**	**$ 40,553,638**

During the year ended December 31, 2019, Bernal Housing completed the RAD 2020 Conversion ownership transfer and recognized a gain from the disposition as special item as follows:

Book Value of Assets Retired			Book Value of Liabilities Retired			
Assets Other than Capital Assets	Capital Assets	Total Assets Retired	Current Liabilities	Long-Term Liabilities	Total Liabiltiies Retired	Gain on RAD Conversion
$ 991,163	$ 15,408,919	$ 16,400,082	$ 248,551	$ 20,411,895	$ 20,660,446	$ 4,260,364

NOTE 16 – SUBSEQUENT EVENTS

Educational Revenue Augmentation Fund (ERAF) Loan Payable – On November 13, 2020, the Authority and the City entered into a loan agreement and the City agreed to lend to the Authority a maximum principal amount not to exceed $7,800,000 in order for the Authority to rehabilitate public housing units at Sunnydale-Velasco and Potrero Terrance and Potrero Annex HOPE SF sites to meet Housing Quality Standards, and to relocate residents as required by the scope of rehabilitation work or by HUD requirements. The loan bears no interest and matures on November 13, 2075. The loan may be forgiven subject to the terms and conditions of the loan agreement.

Sale of Hayes Valley North – On January 18, 2021, the Authority terminated the existing ground lease with Hayes Valley and entered into a new ground lease with Hayes Valley III, LP (Hayes Valley III). The ground lease is for 65 years from the commencement date with an option to extend the lease term for an additional 34 years. At the completion of the lease term, the property will be transferred back to the Authority. Hayes Valley III was required to prepay $3,200,000 of ground lease rent at the commencement date. The prepaid ground lease rent was funded from the seller note payable.

Hayes Valley III purchased all improvements and fixtures located on the land including the 84-units apartment complex known as Hayes Valley North and all tangible and intangible personal property. The Authority retained the land and does not have an equity interest in Hayes Valley III. The Authority provided a seller note in the amount of $27,672,262 for the purchase of the property and prepayment of the ground lease. The note accrues interest at the rate of 2.09% and compounded annually with maturity date of December 31, 2075.

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HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited)
Miscellaneous Plan
Last 10 Years*

Measurement Period	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total Pension Liability							
Service cost	$ 584,170	$ 1,733,503	$ 1,664,642	$ 1,879,432	$ 1,886,495	$ 1,854,872	$ 2,047,378
Interest on the total pension liability	8,575,052	8,420,829	8,279,655	8,331,076	8,399,765	8,244,228	8,217,837
Changes of assumptions	-	-	(3,134,268)	6,649,955	-	(1,918,301)	-
Differences between expected and actual experience	(113,615)	(1,373,425)	(890,029)	(3,426,181)	(1,672,545)	(3,948,271)	-
Benefit payments, including refunds of employee contributions	(7,994,275)	(6,623,925)	(6,637,754)	(6,958,195)	(6,619,492)	(6,198,883)	(6,012,848)
Net change in total pension liability during measurement period	1,051,332	2,156,982	(717,754)	6,476,087	1,994,223	(1,966,355)	4,252,367
Total pension liability, beginning	123,749,448	121,592,466	122,310,220	115,834,133	113,839,910	115,806,265	111,553,898
Total pension liability, ending	**$ 124,800,780**	**$ 123,749,448**	**$ 121,592,466**	**$ 122,310,220**	**$ 115,834,133**	**$ 113,839,910**	**$ 115,806,265**
Plan Fiduciary Net Position							
Contributions - employer	$ 2,077,400	$ 2,208,380	$ 1,931,093	$ 1,575,615	$ 1,549,425	$ 1,422,186	$ 1,268,058
Contributions - employees	406,228	695,026	719,348	696,542	771,266	829,354	981,140
Net investment income	5,301,814	6,708,752	8,327,107	10,462,029	483,088	2,214,386	15,277,147
Benefit payments, including refunds of employee contributions	(7,994,275)	(6,623,925)	(6,637,754)	(6,958,195)	(6,619,492)	(6,198,883)	(6,012,848)
Net plan to plan resource movement	-	-	(244)	-	-	-	-
Administrative expense	(152,030)	(74,879)	(157,456)	(140,866)	(60,510)	(111,804)	-
Other miscellaneous income (expense)	-	244	(299,011)	-	-	-	-
Net change in plan fiduciary net position	(360,863)	2,913,598	3,883,083	5,635,125	(3,876,223)	(1,844,761)	11,513,497
Plan fiduciary net position, beginning	107,841,551	104,927,953	101,044,870	95,409,745	99,285,968	101,130,729	89,617,232
Plan fiduciary net position, ending	**$ 107,480,688**	**$ 107,841,551**	**$ 104,927,953**	**$ 101,044,870**	**$ 95,409,745**	**$ 99,285,968**	**$ 101,130,729**
Plan Net Pension Liability, ending	**$ 17,320,092**	**$ 15,907,897**	**$ 16,664,513**	**$ 21,265,350**	**$ 20,424,388**	**$ 14,553,942**	**$ 14,675,536**
Plan fiduciary net position as a percentage of the total pension liability	86.12%	87.15%	86.29%	82.61%	82.37%	87.22%	87.33%
Covered payroll	$ 3,555,507	$ 10,530,969	$ 10,138,508	$ 11,194,425	$ 12,351,831	$ 11,924,600	$ 12,708,743
Plan net pension liability as a percentage of covered payroll	487.13%	151.06%	164.37%	189.96%	165.36%	122.05%	115.48%

* Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, therefore only seven years are shown.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:
Benefit changes: The figures above do not include any liability impact that may have resulted from the plan changes, which occurred after the June 30, 2019 valuation date. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Assumptions changes: During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50% to 7.65%. There was no change in assumptions during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65% to 7.15%. During measurement period 2018, the demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no change in assumptions during measurement periods 2019 and 2020.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios (Unaudited)
Safety Plan
Last 10 Years*

Measurement period	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Plan's proportion of the net pension liability	0.00549%	0.00573%	0.00591%	0.00564%	0.00570%	0.00669%	0.00696%
Plan's proportionate share of the net pension liability	$ 597,145	$ 587,595	$ 569,435	$ 559,738	$ 493,114	$ 459,172	$ 422,112
Plan's covered payroll (the Authority has no active members)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Plan's fiducary net pension as a percentage of the plan's total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	80.43%

* Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, therefore only seven years are shown.

Notes to Schedule of Proportionate Share of the Net Pension Liability and Related Ratios:
Benefit changes: The figures above do not include any liability impact that may have resulted from the plan changes, which occurred after the June 30, 2019 valuation date. This applies to voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Assumptions changes: During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50% to 7.65%. There was no change in assumptions during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65% to 7.15%. During measurement period 2018, the demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no change in assumptions during measurement periods 2019 and 2020.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Schedule of Pension Contributions (Unaudited)
For the Year Ended June 30 - Last 10 Years*

Fiscal Year	**2019-20**	**2018-19**	**2017-18**	**2016-17**	**2015-16**	**2014-15**	**2013-14**
Miscellaneous Plan							
Actuarially determined contribution	$ 2,077,400	$ 2,208,380	$ 1,931,093	$ 1,575,615	$ 1,549,425	$ 1,422,186	$ 1,268,058
Contributions in relation to the actuarially determined contribution	(2,077,400)	(2,208,380)	(1,931,093)	(1,575,615)	(1,549,425)	(1,422,186)	(1,268,058)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,555,507	$ 10,530,969	$ 10,138,508	$ 11,194,425	$ 12,351,831	$ 11,924,600	$ 12,708,743
Contributions as a Percentage of Covered Payroll	58.43%	20.97%	19.05%	14.07%	12.54%	11.93%	9.98%
Safety Plan							
Contractually required contribution	$ 34,278	$ 38,375	$ 51,896	$ 18,102	$ 4,459	$ 95,116	$ 89,845
Contributions in relation to the contractually required contribution	(34,278)	(38,375)	(51,896)	(18,102)	(4,459)	(95,116)	(89,845)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll (Authority has no active employees)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a percentage of covered payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, therefore only seven years are shown.

<table>
<tr><th>Fiscal Year</th><th>2019-20</th><th>2018-19</th><th>2017-18</th><th>2016-17</th><th>2015-16</th><th>2014-15</th><th>2013-14</th></tr>
<tr><td colspan="8">The actuarial methods and assumptions used are as follows:</td></tr>
<tr><td>Valuation dates</td><td>June 30, 2017</td><td>June 30, 2016</td><td>June 30, 2015</td><td>June 30, 2014</td><td>June 30, 2013</td><td>June 30, 2012</td><td>June 30, 2011</td></tr>
<tr><td>Actuarial cost method</td><td colspan="7">Entry-age normal cost method</td></tr>
<tr><td>Amortization method</td><td colspan="7">Level percent of payroll</td></tr>
<tr><td>Asset valuation method</td><td colspan="7">Actuarial value of assets</td></tr>
<tr><td>Inflation</td><td>2.625%</td><td colspan="6">2.75%</td></tr>
<tr><td>Payroll growth</td><td>2.875%</td><td colspan="6">3.00%</td></tr>
<tr><td>Projected salary increases</td><td colspan="7">Varies by Entry Age and Service</td></tr>
<tr><td>Investment rate of return</td><td>7.25%, net of pension plans' investment expenses, including inflation</td><td>7.375%, net of pension plans' investment expenses, including inflation</td><td colspan="5">7.50%, net of pension plans' investment expenses, including inflation</td></tr>
<tr><td>Retirement age</td><td>The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015</td><td colspan="3">The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.</td><td colspan="3">The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.</td></tr>
<tr><td>Mortality</td><td>probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.</td><td colspan="3">The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.</td><td colspan="3">The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.</td></tr>
</table>

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Schedule of Changes in the Total Other Postemployment Benefits Liability and Related Ratios (Unaudited)
Retiree Health Plan
Last 10 Years*

Measurement Period	**2020**	**2019**	**2018**
Total Other Postemployment Benefit (OPEB) Liability			
Service cost	$ 974,651	$ 744,076	$ 750,072
Interest on the total OPEB liability	664,156	773,662	723,233
Changes in assumptions	1,211,664	3,233,839	-
Benefit payments (includes implicit subsidy)	(1,151,034)	(910,368)	(891,179)
Net change in total OPEB liability during measurement period	1,699,437	3,841,209	582,126
Total OPEB liability, beginning	23,748,096	19,906,887	19,324,761
Total OPEB liability, ending	**$ 25,447,533**	**$ 23,748,096**	**$ 19,906,887**
Covered-employee payroll	$ 3,555,507	$ 10,530,969	$ 11,620,492
Plan total OPEB liability as a percentage of covered-employee payroll	715.72%	225.51%	171.31%

* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only three year are shown.

Notes to Schedule of Changes in Net OPEB Liability and Related Ratios
Assumptions changes: During measurement period 2019, the discount rate was decreased from 3.83% to 2.75%. During measurement period 2020, the discount rate was reduced to 2.41%.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Schedule of Other Postemployment Benefits Contributions (Unaudited)
For the Year Ended September 30 - Last 10 Years*

Fiscal Year	**2019-20**	**2018-19**	**2017-18**
Actuarially determined contribution	Not Applicable	Not Applicable	Not Applicable
Contributions in relation to the actuarially determined contribution	(1,151,034)	(910,368)	(891,179)
Contribution deficiency (excess)	Not Applicable	Not Applicable	Not Applicable
Covered payroll	$ 3,555,507	$ 10,530,969	$ 11,620,492
Contributions as a Percentage of Covered Payroll	32.37%	8.64%	7.67%

* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only three year are shown.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Schedule of Other Postemployment Benefits Contributions (Continued) (Unaudited)
For the Year Ended September 30 - Last 10 Years*

Fiscal Year	2019-20	2018-19	2017-18
The actuarial methods and assumptions used are as follows:			
Valuation dates	September 30, 2020	September 30, 2019	September 30, 2018
Actuarial cost method	Entry-age normal cost method		
Amortization method	Level percent of payroll		
Asset valuation method	Actuarial value of assets		
Inflation	3.00%		
Payroll growth	3.00%		
Projected salary increases	Varies by Entry Age and Service		
Investment rate of return	2.41%	2.75%	3.83%
Healthcare trend	5.50% for 2019; 5.25% for 2020; and 5.00% for 2021 and later years		
Mortality	Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for males or females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014. Health Annuitant Mortality Table for males or females, as appropriate, without projection.		

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Discretely Presented Component Units
Combining Statement of Net Position
December 31, 2019

	Bernal Housing Associates, L.P.	Hayes Valley Apartments, L.P.	Hayes Valley Apartments II, L.P	Plaza East Associates, L.P.	Total
Assets:					
Current assets:					
Unrestricted:					
Cash and cash equivalents	$ -	$ 6,887	$ 85,321	$ 7,994	$ 100,202
Tenants receivable, net	-	111,451	102,298	302,146	515,895
Accounts receivable from others	-	306,737	234,546	-	541,283
Due from primary government	-	417,585	328,051	268,867	1,014,503
Prepaid expenses	-	23,490	28,127	33,199	84,816
Total unrestricted current assets	-	866,150	778,343	612,206	2,256,699
Restricted:					
Cash and cash equivalents:					
Replacement and other reserves	-	818,413	1,115,022	76,897	2,010,332
Tenant security deposits	-	59,710	74,961	72,212	206,883
Total restricted cash and cash equivalents	-	878,123	1,189,983	149,109	2,217,215
Total current assets	-	1,744,273	1,968,326	761,315	4,473,914
Noncurrent assets:					
Other noncurrent assets	-	52,210	343,024	1,008,017	1,403,251
Capital assets:					
Nondepreciable	-	798,935	1,049,150	3,261,338	5,109,423
Depreciable, net	-	2,949,488	5,544,855	9,931,846	18,426,189
Total capital assets	-	3,748,423	6,594,005	13,193,184	23,535,612
Total noncurrent assets	-	3,800,633	6,937,029	14,201,201	24,938,863
Total assets	-	5,544,906	8,905,355	14,962,516	29,412,777
Liabilities:					
Current liabilities:					
Accounts payable	-	207,933	84,581	215,673	508,187
Accrued salaries and benefits	-	-	-	9,950	9,950
Unearned revenues	-	13,022	32,203	47,974	93,199
Other current liabilities	-	111,257	128,037	613,875	853,169
Tenant security deposits	-	59,710	74,961	72,212	206,883
Current portion of long-term debt to others	-	46,956	62,336	-	109,292
Total current liabilities	-	438,878	382,118	959,684	1,780,680
Noncurrent liabilities:					
Long-term interest payable due to primary government	-	3,806,793	6,404,393	5,614,346	15,825,532
Long-term debt due to primary government	-	1,600,000	3,250,000	13,464,813	18,314,813
Long-term debt to others, net of current portion	-	1,203,055	1,792,912	-	2,995,967
Other noncurrent liabilities	-	288,165	-	672,033	960,198
Total noncurrent liabilities	-	6,898,013	11,447,305	19,751,192	38,096,510
Total liabilities	-	7,336,891	11,829,423	20,710,876	39,877,190
Net position:					
Net investment in capital assets	-	(2,908,381)	(4,915,636)	(5,885,975)	(13,709,992)
Restricted	-	818,413	1,115,022	76,897	2,010,332
Unrestricted	-	297,983	876,546	60,718	1,235,247
Total net position	$ -	$ (1,791,985)	$ (2,924,068)	$ (5,748,360)	$ (10,464,413)

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Discretely Presented Component Units
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

	Bernal Housing Associates, L.P.	Hayes Valley Apartments, L.P.	Hayes Valley Apartments II, L.P	Plaza East Associates, L.P.	Total
Operating revenues:					
Tenant revenues, net	$ 982,195	$ 918,326	$ 1,154,215	$ 901,626	$ 3,956,362
Operating subsidy from primary government	683,254	410,015	422,048	1,191,254	2,706,571
Miscellaneous and other revenues	511	57,598	33,891	31,489	123,489
Total operating revenues	1,665,960	1,385,939	1,610,154	2,124,369	6,786,422
Operating expenses:					
Administrative	458,793	248,453	316,729	499,579	1,523,554
Utilities	398,783	378,009	448,385	744,946	1,970,123
Maintenance	735,651	514,115	417,916	742,268	2,409,950
Protective services	41,723	62,259	12,622	38,994	155,598
General	317,258	84,339	93,807	221,863	717,267
Depreciation	731,832	232,255	380,401	692,818	2,037,306
Total operating expenses	2,684,040	1,519,430	1,669,860	2,940,468	8,813,798
Operating loss	(1,018,080)	(133,491)	(59,706)	(816,099)	(2,027,376)
Nonoperating revenues (expenses):					
Investment income	6,446	4,363	6,193	5,407	22,409
Interest expense	(20,358)	(414,656)	(656,545)	(473,401)	(1,564,960)
Total nonoperating expenses	(13,912)	(410,293)	(650,352)	(467,994)	(1,542,551)
Special items	4,260,364	-	-	-	4,260,364
Change in net position	3,228,372	(543,784)	(710,058)	(1,284,093)	690,437
Net position, beginning of year	(3,228,372)	(1,248,201)	(2,214,010)	(4,464,267)	(11,154,850)
Net position, end of year	$ -	$ (1,791,985)	$ (2,924,068)	$ (5,748,360)	$ (10,464,413)

Housing Authority of the City and County of San Francisco, California
Entity-Wide Balance Sheet Summary
September 30, 2020 (With Discretely Presented Component Units as of December 31, 2019)

	Project Total	Business Activities	6.2 Component Unit - Blended	COCC	COVID-19 Economic Relief (CAREs Act) Public Housing	COVID-19 Economic Relief (CAREs Act) HCV	COVID-19 Economic Relief (CAREs Act) Mainstream	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	97.109 Disaster Housing Assistance Program	14.879 Mainstream 5 Vouchers	14.871 Housing Choice Vouchers	Elimination	Total Primary Government	6.1 Component Units - Discretely Presented	REAC Total (Primary Government and Component Units)
111 Cash - Unrestricted	5,216,188	7,974,057	222,011	-	-	-	-	2,576,541	-	2	81,308	13,060,527	-	29,130,634	100,202	29,230,836
113 Cash - Other Restricted	766,379	-	115,644	7,812,118	-	5,990,369	14,759	-	-	33,386	-	1,689,779	-	16,422,434	2,010,332	18,432,766
114 Cash - Tenant Security Deposits	217,187	-	-	-	-	-	-	-	-	-	-	-	-	217,187	206,883	424,070
100 Total Cash	**6,199,754**	**7,974,057**	**337,655**	**7,812,118**	**-**	**5,990,369**	**14,759**	**2,576,541**	**-**	**33,388**	**81,308**	**14,750,306**	**-**	**45,770,255**	**2,317,417**	**48,087,672**
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	2,058,477	-	2,058,477	-	2,058,477
122 Accounts Receivable - HUD Other Projects	103,411	-	-	-	1,732,544	-	-	-	-	-	44,688	116,813	-	1,997,456	-	1,997,456
124 Accounts Receivable - Other Government	3,917,935	-	-	780,081	-	-	-	-	-	-	-	-	-	4,698,016	1,014,503	5,712,519
125 Accounts Receivable - Miscellaneous	-	-	-	97,263	-	-	-	-	-	-	-	4,352	-	101,615	541,283	642,898
126 Accounts Receivable - Tenants	3,343,834	-	-	-	-	-	-	-	-	-	-	-	-	3,343,834	722,373	4,066,207
126.1 Allowance for Doubtful Accounts -Tenants	(2,936,419)	-	-	-	-	-	-	-	-	-	-	-	-	(2,936,419)	(206,478)	(3,142,897)
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-	(1,874,791)	-	(1,874,791)	-	(1,874,791)
127 Notes, Loans, & Mortgages Receivable - Current	120,000	330,000	-	-	-	-	-	-	-	-	-	-	-	450,000	-	450,000
128 Fraud Recovery	-	-	-	-	-	-	-	-	-	-	-	85,962	-	85,962	-	85,962
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-	-	-	-	-	(85,962)	-	(85,962)	-	(85,962)
120 Total Receivables, Net of Allowances for Doubtful Accounts	**4,548,761**	**330,000**	**-**	**877,344**	**1,732,544**	**-**	**-**	**-**	**-**	**-**	**44,688**	**304,851**	**-**	**7,838,188**	**2,071,681**	**9,909,869**
142 Prepaid Expenses and Other Assets	35,374	-	-	36,019	-	-	-	-	-	-	-	-	-	71,393	84,816	156,209
143 Inventories	127,580	-	-	-	-	-	-	-	-	-	-	-	-	127,580	-	127,580
144 Inter Program Due From	-	2,656,010	-	-	-	-	-	-	-	-	-	-	(2,656,010)	-	-	-
150 Total Current Assets	**10,911,469**	**10,960,067**	**337,655**	**8,725,481**	**1,732,544**	**5,990,369**	**14,759**	**2,576,541**	**-**	**33,388**	**125,996**	**15,055,157**	**(2,656,010)**	**53,807,416**	**4,473,914**	**58,281,330**
161 Land	8,160,231	3,056,186	-	175,586	-	-	-	-	-	-	-	-	-	11,392,003	5,109,423	16,501,426
162 Buildings	55,977,887	-	-	600,792	-	-	-	-	-	-	-	-	-	56,578,679	47,164,280	103,742,959
163 Furniture, Equipment & Machinery - Dwellings	44,139	-	-	-	-	-	-	-	-	-	-	-	-	44,139	-	44,139
164 Furniture, Equipment & Machinery - Administration	842,837	-	-	6,994,905	-	-	-	-	-	-	-	588,494	-	8,426,236	2,673,375	11,099,611
166 Accumulated Depreciation	(22,677,394)	-	-	(7,408,772)	-	-	-	-	-	-	-	(588,494)	-	(30,674,660)	(31,411,466)	(62,086,126)
160 Total Capital Assets, Net of Accumulated Depreciation	**42,347,700**	**3,056,186**	**-**	**362,511**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45,766,397**	**23,535,612**	**69,302,009**
171 Notes, Loans and Mortgages Receivable - Non-Current	379,783,400	440,247,500	28,967,134	-	-	-	-	-	-	-	-	-	-	848,998,034	-	848,998,034
174 Other Assets	28,548,727	30,031,093	-	13,145,528	-	-	-	-	-	-	-	-	-	71,725,348	1,403,251	73,128,599
176 Investments in Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180 Total Non-Current Assets	**450,679,827**	**473,334,779**	**28,967,134**	**13,508,039**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**966,489,779**	**24,938,863**	**991,428,642**
200 Deferred Outflow of Resources	**345,458**	-	-	1,291,886	-	-	-	18,000	-	-	-	2,540,192	-	**4,195,536**	**-**	**4,195,536**
290 Total Assets and Deferred Outflow of Resources	**461,936,754**	**484,294,846**	**29,304,789**	**23,525,406**	**1,732,544**	**5,990,369**	**14,759**	**2,594,541**	**-**	**33,388**	**125,996**	**17,595,349**	**(2,656,010)**	**1,024,492,731**	**29,412,777**	**1,053,905,508**
312 Accounts Payable <= 90 Days	19,837	-	-	3,913,697	1,123	-	-	23,529	-	-	134,449	2,578,352	-	6,670,987	508,187	7,179,174
321 Accrued Wage/Payroll Taxes Payable	108,611	-	-	872,581	-	-	-	-	-	-	-	-	-	981,192	9,950	991,142
322 Accrued Compensated Absences - Current Portion	63,784	-	-	229,979	-	-	-	-	-	-	-	-	-	293,763	-	293,763
325 Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,029	11,029
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	109,213	-	-	-	29,083	-	138,296	-	138,296
341 Tenant Security Deposits	217,187	-	-	-	-	-	-	-	-	-	-	-	-	217,187	206,883	424,070
342 Unearned Revenues	78,799	-	-	-	-	5,990,369	14,759	-	-	-	-	-	-	6,083,927	93,199	6,177,126
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109,292	109,292
345 Other Current Liabilities	803,264	312,535	-	328,441	-	-	-	-	-	-	-	-	-	1,444,240	842,140	2,286,380
346 Accrued Liabilities - Other	973,591	-	-	12,972	-	-	-	-	-	-	-	1,349	-	987,912	-	987,912
347 Inter Program - Due To	776,546	-	-	148,041	1,731,421	-	-	-	-	2	-	-	(2,656,010)	-	-	-
310 Total Current Liabilities	**3,041,619**	**312,535**	**-**	**5,505,711**	**1,732,544**	**5,990,369**	**14,759**	**132,742**	**-**	**2**	**134,449**	**2,608,784**	**(2,656,010)**	**16,817,504**	**1,780,680**	**18,598,184**
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,136,312	37,136,312
352 Long-term Debt, Net of Current - Operating Borrowings	24,646,910	-	-	-	-	-	-	-	-	-	-	17,018,391	-	41,665,301	-	41,665,301
353 Non-current Liabilities - Other	21,131,586	24,926,025	-	-	-	-	-	-	-	-	-	218,040	-	46,275,651	960,198	47,235,849
354 Accrued Compensated Absences - Non Current	42,348	-	-	153,494	-	-	-	-	-	-	-	-	-	195,842	-	195,842
357 Accrued OPEB Liabilities	4,051,169	-	-	6,793,572	-	-	-	329,879	-	-	-	14,272,913	-	25,447,533	-	25,447,533
358 Accrued Pension Liabilities	1,390,328	-	-	5,019,909	-	-	-	-	-	-	-	11,507,000	-	17,917,237	-	17,917,237
350 Total Non-Current Liabilities	**51,262,341**	**24,926,025**	**-**	**11,966,975**	**-**	**-**	**-**	**329,879**	**-**	**-**	**-**	**43,016,344**	**-**	**131,501,564**	**38,096,510**	**169,598,074**
300 Total Liabilities	**54,303,960**	**25,238,560**	**-**	**17,472,686**	**1,732,544**	**5,990,369**	**14,759**	**462,621**	**-**	**2**	**134,449**	**45,625,128**	**(2,656,010)**	**148,319,068**	**39,877,190**	**188,196,258**
400 Deferred Inflow of Resources	16,679	**-**	**-**	**60,224**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**138,051**	**-**	**214,954**	**-**	**214,954**
508.4 Net Investment in Capital Assets	42,347,700	3,056,186	-	362,511	-	-	-	-	-	-	-	-	-	45,766,397	(13,709,992)	32,056,405
511.4 Restricted Net Position	766,379	-	115,644	-	-	-	-	-	-	33,386	-	-	-	915,409	2,010,332	2,925,741
512.4 Unrestricted Net Position	364,502,036	456,000,100	29,189,145	5,629,985	-	-	-	2,131,920	-	-	(8,453)	(28,167,830)	-	829,276,903	1,235,247	830,512,150
513 Total Equity - Net Assets / Position	**407,616,115**	**459,056,286**	**29,304,789**	**5,992,496**	**-**	**-**	**-**	**2,131,920**	**-**	**33,386**	**(8,453)**	**(28,167,830)**	**-**	**875,958,709**	**(10,464,413)**	**865,494,296**
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	**461,936,754**	**484,294,846**	**29,304,789**	**23,525,406**	**1,732,544**	**5,990,369**	**14,759**	**2,594,541**	**-**	**33,388**	**125,996**	**17,595,349**	**(2,656,010)**	**1,024,492,731**	**29,412,777**	**1,053,905,508**

See accompanying notes to the financial data schedules.

Housing Authority of the City and County of San Francisco, California
Entity-Wide Revenue and Expense Summary
For the Year Ended September 30, 2020 (With Discretely Presented Component Units for the Year Ended December 31, 201

	Project Total	Business Activities	6.2 Component Unit - Blended	COCC	COVID-19 Economic Relief (CAREs Act) Public Housing	COVID-19 Economic Relief (CAREs Act) HCV	COVID-19 Economic Relief (CAREs Act) Mainstream	14.856 Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	97.109 Disaster Housing Assistance Program	14.879 Mainstream 5 Vouchers	14.871 Housing Choice Vouchers	Elimination	Total Primary Government	6.1 Component Units - Discretely Presented	REAC Total (Primary Government and Component Units)
70300 Net Tenant Rental Revenue	5,360,446	-	-	-	-	-	-	-	-	-	-	-	-	5,360,446	3,956,362	9,316,808
70400 Tenant Revenue - Other	27	-	-	-	-	-	-	-	-	-	-	-	-	27	-	27
70500 Total Tenant Revenue	**5,360,473**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,360,473**	**3,956,362**	**9,316,835**
70600 HUD PHA Operating Grants	17,691,521	-	-	-	1,732,544	590,603	-	1,081,557	964,592	-	1,143,308	320,368,730	-	343,572,855	-	343,572,855
70610 Capital Grants	3,521,642	-	-	-	-	-	-	-	-	-	-	-	-	3,521,642	-	3,521,642
70710 Management Fee	-	-	-	5,368,025	-	-	-	-	-	-	-	-	(5,368,025)	-	-	-
70730 Book Keeping Fee	-	-	-	1,258,929	-	-	-	-	-	-	-	-	(1,258,929)	-	-	-
70740 Front Line Service Fee	-	-	-	1,677,811	-	-	-	-	-	-	-	-	(1,677,811)	-	-	-
70700 Total Fee Revenue	**-**	**-**	**-**	**8,304,765**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,304,765)**	**-**	**-**	**-**
70800 Other Government Grants	4,093,955	-	-	609,605	-	-	-	-	-	-	-	-	-	4,703,560	-	4,703,560
71100 Investment Income - Unrestricted	174	-	-	1,680	-	-	-	47	26	2	-	2,701	-	4,630	820	5,450
71200 Mortgage Interest Income	8,695,619	9,476,774	476,616	-	-	-	-	-	-	-	-	-	-	18,649,009	-	18,649,009
71500 Other Revenue	1,411,193	259,537	-	2,896,366	-	-	-	-	-	-	-	4,182,692	-	8,749,788	2,830,060	11,579,848
72000 Investment Income - Restricted	4,257	-	-	-	-	-	-	-	-	-	-	-	-	4,257	21,589	25,846
70000 Total Revenue	**40,778,834**	**9,736,311**	**476,616**	**11,812,416**	**1,732,544**	**590,603**	**-**	**1,081,604**	**964,618**	**2**	**1,143,308**	**324,554,123**	**(8,304,765)**	**384,566,214**	**6,808,831**	**391,375,045**
91100 Administrative Salaries	1,431,500	-	-	3,128,546	-	-	-	-	-	-	-	-	-	4,560,046	614,282	5,174,328
91200 Auditing Fees	74,628	-	-	70,346	-	-	-	608	566	-	208	80,816	-	227,172	47,920	275,092
91300 Management Fee	2,007,174	-	-	-	-	-	-	24,672	25,531	-	-	3,310,648	(5,368,025)	-	-	-
91310 Bookkeeping Fee	96,240	-	-	-	-	-	-	8,633	8,033	-	-	1,146,023	(1,258,929)	-	-	-
91400 Advertising and Marketing	-	-	-	198	-	-	-	-	-	-	-	-	-	198	2,730	2,928
91500 Employee Benefit contributions - Administrative	355,540	-	-	2,785,882	-	-	-	-	-	-	-	120,712	-	3,262,134	55,601	3,317,735
91600 Office Expenses	1,129,879	-	-	3,061,500	-	-	-	713	663	-	244	94,712	-	4,287,711	137,738	4,425,449
91700 Legal Expense	39,467	-	-	215,545	-	-	-	7	7	-	3	983	-	256,012	28,206	284,218
91800 Travel	-	-	-	3,086	-	-	-	-	-	-	-	-	-	3,086	-	3,086
91900 Other	828	-	-	357,292	-	-	-	-	33,391	-	27,360	10,619,338	-	11,038,209	637,077	11,675,286
91000 Total Operating - Administrative	**5,135,256**	**-**	**-**	**9,622,395**	**-**	**-**	**-**	**34,633**	**68,191**	**-**	**27,815**	**15,373,232**	**(6,626,954)**	**23,634,568**	**1,523,554**	**25,158,122**
92100 Tenant Services - Salaries	-	-	-	50,394	908,856	125,461	-	-	-	-	-	-	-	1,084,711	-	1,084,711
92200 Relocation Costs	81,120	-	-	-	-	-	-	-	-	-	-	-	-	81,120	-	81,120
92300 Employee Benefit Contributions - Tenant Services	-	-	-	-	543,938	24,881	-	-	-	-	-	-	-	568,819	-	568,819
92400 Tenant Services - Other	25,292	-	-	557,722	279,750	440,261	-	-	-	-	-	-	-	1,303,025	-	1,303,025
92500 Total Tenant Services	**106,412**	**-**	**-**	**608,116**	**1,732,544**	**590,603**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,037,675**	**-**	**3,037,675**
93100 Water	1,223,864	-	-	4,830	-	-	-	21	19	-	7	3,081	-	1,231,822	716,527	1,948,349
93200 Electricity	997,704	-	-	77,400	-	-	-	715	665	-	245	94,932	-	1,171,661	91,791	1,263,452
93300 Gas	888,118	-	-	5,510	-	-	-	-	-	-	-	-	-	893,628	192,552	1,086,180
93400 Fuel	2,266	-	-	-	-	-	-	-	-	-	-	-	-	2,266	-	2,266
93600 Sewer	1,728,687	-	-	4,714	-	-	-	20	19	-	7	3,013	-	1,736,460	969,253	2,705,713
93000 Total Utilities	**4,840,639**	**-**	**-**	**92,454**	**-**	**-**	**-**	**756**	**703**	**-**	**259**	**101,026**	**-**	**5,035,837**	**1,970,123**	**7,005,960**
94100 Ordinary Maintenance and Operations - Labor	2,846,404	-	-	1,887,856	-	-	-	-	-	-	-	-	-	4,734,260	487,054	5,221,314
94200 Ordinary Maintenance and Operations - Materials and Other	716,952	-	-	213,576	-	-	-	5	4	-	2	637	-	931,176	106,344	1,037,520
94300 Ordinary Maintenance and Operations Contracts	4,038,135	-	-	79,403	-	-	-	154	143	-	53	20,447	(1,677,811)	2,460,524	1,786,557	4,247,081
94500 Employee Benefit Contributions - Ordinary Maintenance	1,687,912	-	-	1,123,456	-	-	-	-	-	-	-	-	-	2,811,368	29,995	2,841,363
94000 Total Maintenance	**9,289,403**	**-**	**-**	**3,304,291**	**-**	**-**	**-**	**159**	**147**	**-**	**55**	**21,084**	**(1,677,811)**	**10,937,328**	**2,409,950**	**13,347,278**
95200 Protective Services - Other Contract Costs	553,379	-	-	33,020	-	-	-	-	-	-	-	-	-	586,399	155,598	741,997
95000 Total Protective Services	**553,379**	**-**	**-**	**33,020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**586,399**	**155,598**	**741,997**
96110 Property Insurance	313,442	-	-	18,964	-	-	-	-	-	-	-	-	-	332,406	310,324	642,730
96120 Liability Insurance	410,874	-	-	275,891	-	-	-	98	92	-	34	13,076	-	700,065	-	700,065
96130 Workmen's Compensation	248,700	-	-	903,728	-	-	-	647	602	-	221	85,977	-	1,239,875	16,270	1,256,145
96140 All Other Insurance	28,442	-	-	126,594	-	-	-	8	7	-	2	1,038	-	156,091	-	156,091
96100 Total Insurance Premiums	**1,001,458**	**-**	**-**	**1,325,177**	**-**	**-**	**-**	**753**	**701**	**-**	**257**	**100,091**	**-**	**2,428,437**	**326,594**	**2,755,031**
96200 Other General Expenses	2,655,587	-	-	13,285	-	-	-	480	-	-	-	57,471	-	2,726,823	113,944	2,840,767
96210 Compensated Absences	78,410	-	-	221,629	-	-	-	-	-	-	-	-	-	300,039	-	300,039
96300 Payments in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44,427	44,427
96400 Bad debt - Tenant Rents	117,683	-	-	-	-	-	-	-	-	-	-	-	-	117,683	232,302	349,985
96500 Bad debt - Mortgages	1,241,111	-	476,616	-	-	-	-	-	-	-	-	-	-	1,717,727	-	1,717,727
96600 Bad debt - Other	-	-	-	-	-	-	-	-	-	-	-	418,558	-	418,558	-	418,558
96000 Total Other General Expenses	**4,092,791**	**-**	**476,616**	**234,914**	**-**	**-**	**-**	**480**	**-**	**-**	**-**	**476,029**	**-**	**5,280,830**	**390,673**	**5,671,503**
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,548,068	1,548,068
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,892	16,892
96700 Total Interest Expense and Amortization Cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,564,960**	**1,564,960**
96900 Total Operating Expenses	**25,019,338**	**-**	**476,616**	**15,220,367**	**1,732,544**	**590,603**	**-**	**36,781**	**69,742**	**-**	**28,386**	**16,071,462**	**(8,304,765)**	**50,941,074**	**8,341,452**	**59,282,526**
97000 Excess of Operating Revenue over Operating Expenses	**15,759,496**	**9,736,311**	**-**	**(3,407,951)**	**-**	**-**	**-**	**1,044,823**	**894,876**	**2**	**1,114,922**	**308,482,661**	**-**	**333,625,140**	**(1,532,621)**	**332,092,519**
97300 Housing Assistance Payments	27,723	-	-	-	-	-	-	943,241	794,387	-	1,130,355	304,897,082	-	307,792,788	-	307,792,788
97350 HAP Portability-In	-	-	-	-	-	-	-	-	-	-	-	3,939,533	-	3,939,533	-	3,939,533
97400 Depreciation Expense	1,396,937	-	-	16,174	-	-	-	-	-	-	-	-	-	1,413,111	2,037,306	3,450,417
90000 Total Expenses	**26,443,998**	**-**	**476,616**	**15,236,541**	**1,732,544**	**590,603**	**-**	**980,022**	**864,129**	**-**	**1,158,741**	**324,908,077**	**(8,304,765)**	**364,086,506**	**10,378,758**	**374,465,264**
10010 Operating Transfer In	2,943,790	-	-	-	-	-	-	-	-	-	-	-	(2,943,790)	-	-	-
10020 Operating transfer Out	(2,943,790)	-	-	-	-	-	-	-	-	-	-	-	2,943,790	-	-	-
10080 Special Items (Net Gain/Loss)	40,553,638	-	-	-	-	-	-	-	-	-	-	-	-	40,553,638	4,260,364	44,814,002
10091 Inter Project Excess Cash Transfer In	2,120,460	-	-	-	-	-	-	-	-	-	-	-	(2,120,460)	-	-	-
10092 Inter Project Excess Cash Transfer Out	(2,120,460)	-	-	-	-	-	-	-	-	-	-	-	2,120,460	-	-	-
10100 Total Other financing Sources (Uses)	**40,553,638**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,553,638**	**4,260,364**	**44,814,002**
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	**54,888,474**	**9,736,311**	**-**	**(3,424,125)**	**-**	**-**	**-**	**101,582**	**100,489**	**2**	**(15,433)**	**(353,954)**	**-**	**61,033,346**	**690,437**	**61,723,783**
11020 Required Annual Debt Principal Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,740	104,740
11030 Beginning Equity	418,591,342	383,841,274	29,304,789	15,443,360	-	-	-	1,989,357	(937,874)	33,384	6,980	(33,347,249)	-	814,925,363	(11,154,850)	803,770,513
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(65,863,701)	65,478,701	-	(6,026,739)	-	-	-	40,981	837,385	-	-	5,533,373	-	-	-	-
11170 Administrative Fee Equity	-	-	-	-	-	-	-	-	-	-	-	(28,167,830)	-	(28,167,830)	-	(28,167,830)
11190 Unit Months Available	17,821	-	-	-	-	-	-	1,340	1,179	-	1,188	194,733	-	216,261	5,163	221,424
11210 Number of Unit Months Leased	17,434	-	-	-	-	-	-	1,151	1,071	-	490	159,793	-	179,939	4,776	184,715
11270 Excess Cash	5,281,651	-	-	-	-	-	-	-	-	-	-	-	-	5,281,651	-	5,281,651
11620 Building Purchases	3,521,642	-	-	-	-	-	-	-	-	-	-	-	-	3,521,642	-	3,521,642

See accompanying notes to the financial data schedules.

NOTE 1 – GENERAL

As required by HUD, the Authority prepares its financial data schedules in accordance with HUD requirements in a prescribed format. The schedules' format excludes depreciation expense, HAPs and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants revenue, gains and losses on the disposal of capital assets and interest expense in operating activities, differs in classifications of current and noncurrent assets, and reflects tenant and interest revenue separate from bad debt expense, which differs from the presentation of the Authority's basic financial statements in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The schedules agree to or can be reconciled with the amounts reported in the Authority's basic financial statements.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Schedule of Modernization Costs for Completed Projects
For the Year Ended September 30, 2020

Modernization costs for completed projects are as follows for the year ended September 30, 2020:

Projects		**CA01P001501-17**
Funds approved	$	6,544,972
Funds expended		6,544,972
Excess (deficiency) of funds approved	$	-
HUD grants	$	6,544,972
Funds expended		6,544,972
Excess (deficiency) of funds approved	$	-

Notes to the Schedule of Modernization Costs for Completed Projects

1) The distribution of modernization costs by projects as shown on the Final Performance and Evaluation Report dated September 30, 2020 for projects CA01P001501-17, accompanying the Actual Modernization Cost Certification submitted to HUD agrees with the Authority's records.

2) All modernization costs have been paid and all related liabilities have been discharged through payments.

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Certified Public Accountants

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 and County of San Francisco, California
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the City and County of San Francisco, California (Authority) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 29, 2021.

Our report includes emphasis of matter paragraphs discussing the Authority's revenue concentration risk with the U.S. Department of Housing and Urban Development, defaults on the Authority's Housing Choice Voucher Consolidated and the Low Rent Public Housing Consolidated Annual Contribution Contracts and going concern related to the Plaza East Associates, L.P. Our report also includes a reference to other auditors who audited the financial statements of the Authority's discretely presented component units: Bernal Housing Associates, L.P.; Hayes Valley Apartments, L.P.; Hayes Valley Apartments II, L.P.; and Plaza East Associates, L.P., 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 Bernal Housing Associates, L.P. and Plaza East Associates, L.P. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

San Francisco, California
September 29, 2021

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

Members of the Board of Commissioners of the
Housing Authority of the City and County of San Francisco, California
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City and County of San Francisco, California's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Qualified Opinion on Major Federal Programs

As described in Findings 2020-002 through 2020-005 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the following:

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2020-002	14.871, 14.879	Housing Voucher Cluster	Eligibility and Special Tests and Provisions
2020-003	14.871, 14.879	Housing Voucher Cluster	Special Tests and Provisions
2020-004	14.249, 14.856	Section 8 Project-Based Cluster	Eligibility and Special Tests and Provisions
2020-005	14.850	Public & Indian Housing	Eligibility, Reporting and Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Qualified Opinion on Major Federal Programs

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 each of its major federal programs for the year ended September 30, 2020.

Other Matters

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

Report on Internal Control Over Compliance

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

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 have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-002 through 2020-005 to be material weaknesses.

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

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

Macias Gini & O'Connell LLP

San Francisco, California
September 29, 2021

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HOUSING AUTHORITY OF THE CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2020

Grantor/Pass-Through Grantor/Program Title	Grantor Identifying Number(s)	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:			
Direct:			
Public and Indian Housing	n/a	14.850	$ 13,865,576
COVID-19 Public and Indian Housing	n/a	14.850	1,732,544
Subtotal Public and Indian Housing			15,598,120
Section 8 Project-Based Cluster			
Section 8 Moderate Rehabilitation			
Single Room Occupancy	n/a	14.249	964,592
Lower Income Housing Assistance Program -			
Section 8 Moderate Rehabilitation	n/a	14.856	1,081,557
Subtotal Section 8 Project-Based Cluster			2,046,149
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	n/a	14.871	320,368,730
COVID-19 Section 8 Housing Choice Vouchers	n/a	14.871	590,603
Subtotal Section 8 Housing Choice Vouchers			320,959,333
Mainstream Vouchers	n/a	14.879	1,143,308
Subtotal Housing Voucher Cluster			322,102,641
Public Housing Capital Fund (CFP)	n/a	14.872	7,347,587
Total Expenditures of Federal Awards			$ 347,094,497

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Housing Authority of the City and County of San Francisco, California (Authority). The Authority's reporting entity is defined in Note 1 of the Authority's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOTE 2 – BASIS OF PRESENTATION

In accordance with U.S. Department of Housing and Urban Development (HUD) guidance, HUD considers the net Annual Contributions Contract subsidy for a public housing agency's (PHA) fiscal year under audit to be an expenditure for the purposes of the Schedule. Specifically, the net low rent operating subsidy received and the net Section 8 funds received, net of year-end adjustments, by the PHA would be the federal awards expended for the fiscal period under audit. Therefore, the amount in the Schedule is the total amount received directly from HUD for the Section 8 Moderate Rehabilitation Single Room Occupancy program (CFDA Number 14.249), Public and Indian Housing Program (CFDA Number 14.850), Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation program (CFDA Number 14.856), and the Housing Voucher Cluster (CFDA Numbers 14.871 and 14.879).

Expenditures of other federal awards are reported in the Authority's basic financial statements as expenses for non-capital expenditures and as additions to capital assets for capital-related expenditures. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in the basic financial statements.

The Authority did not elect to use the 10% de minimus cost rate as covered in Title 2 CFR §200.414 *Indirect (F&A) costs*.

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.

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficienc(ies) identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficienc(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Qualified for the Public and Indian Housing (CFDA Number 14.850), Section 8 Project-Based Cluster (CFDA Numbers 14.249 and 14.856), and Housing Voucher Cluster (CFDA Numbers 14.871 and 14.879)
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	Yes

Identification of major programs:

1. Public and Indian Housing (CFDA Number 14.850)
2. Section 8 Project-Based Cluster (CFDA Numbers 14.249 and 14.856)
3. Housing Voucher Cluster (CFDA Number 14.871 and 14.879)

Dollar threshold used to distinguish between type A and type B programs:	$3,000,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Finding

Comment 2020-001 Lack of Sufficient Controls Over Financial Reporting Processes
Significant Deficiency

Criteria
The Authority's financial records should be maintained in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Condition
The following significant errors in the Authority's accounts and balances were noted in our audit of the Authority's financial statements:

- Understatement in recording deferred outflows of resources of $0.7 million, overstatement in recording deferred inflows of resources of $1.0 million, understatement in recording the net pension liability of $1.4 million and overstatement of pension expense of $0.3 million resulting from the journal entry calculations performed under GASB Statement No. 68 for the year ended September 30, 2020.
- Reclassification of $3.5 million in accounts receivable to the Public Housing Program from the Central Office Cost Center, reversal of interfund balances of $3.5 million for the Central Office Cost Center payable to the Business Activities Program, and the recording of interfund balances of $0.8 million for the Public Housing Program payable to the Business Activities Program to adjust for balances incorrectly recorded in the Central Office Cost Center pertaining to HQS capital project activities for the Public Housing Program.
- Reclassification of $0.4 million to bad debt expenses connected to newly converted property loans, which were incorrectly recorded as part of special items.

Cause
The Authority has experienced a significant amount of turnover in past years and continued to be in the process of developing a consistent financial reporting unit during the year ended September 30, 2020. Although the process has improved since the prior year, misstatements were not detected and corrected during the year-end closing process.

Effect
Without adequate levels of staff sufficiently trained to perform year-end financial reporting, the Authority is susceptible to material misstatements presented in its financial statements, which are not detected and corrected on a timely basis.

Recommendation
Management has the responsibility to ensure each year's financial statements are presented fairly in accordance with GAAP. We recommend that the Authority continue to evaluate its Finance Department capacity to ensure that its personnel are technically proficient, adequately trained and have adequate resources to ensure that financial information is accurate and timely available to manage fiscal operations.

View of Responsible Officials and Planned Corrective Action
See separately prepared Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

Finding Reference:	**2020-002**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Section 8 Housing Choice Vouchers**
Federal Catalog Number:	**14.871**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Eligibility and Special Tests and Provisions – Reasonable Rent, Housing Quality Standards Inspections, and Housing Assistance Payment**
Classification of Finding:	**Material Weakness in Internal Control over Compliance** **Material Noncompliance**

Criteria

Pursuant to 24 CFR 982.516(a), the Authority is required to conduct a re-examination of family income and composition at least annually.

The Authority is also subject to the following special tests and provisions:

1. The Public Housing Agency (PHA) must maintain records to document the basis for the determination that rent to owner is reasonable in accordance with the PHA's administrative plan at initial leasing and during the term of the contract (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).
2. The PHA must inspect the unit leased to a family prior to the initial term of the lease, at least biennially during assisted occupancy, and at other times as needed, to determine if the unit meets Housing Quality Standards (HQS). The PHA must also conduct quality control re-inspections, and prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405).
3. The PHA must pay a monthly HAP on behalf of the family that corresponds with the amount on line 12u of the HUD-50058. This HAP amount must be reflected on the HAP contract and HAP register. (24 CFR section 982.158 and 24 CFR part 982, subpart K).

The Coronavirus Aid, Relief and Economic Security (CARES) Act provides the U.S. Department of Housing and Urban Development (HUD) with broad authority to waive or establish alternative requirements for numerous statutory and regulatory requirements for the Housing Choice Voucher program. HUD issued various PIH notices that provided various waivers and alternative requirements, including the flexibility to perform biennial HQS inspections as soon as reasonably possible, but no later than 1 year from the date on which the biennial inspection would have been required in the absence of a waiver.

Condition

During our audit, we selected a statistically valid sample of one monthly subsidy payment for the fiscal year ended September 30, 2020 for each of 60 selected participants out of a total population of 12,876 program participants and noted the following deficiencies:

1. For six participants, the third-party income verification did not agree to the income amount on the HUD-50058 form.
2. For one participant, the participant files did not contain third-party income verification to support the determination of tenant rent and housing assistance payment.
3. For one participant, annual re-examination eligibility documents, such as personal declaration, social security number, and declaration of section 214 status, were not maintained in the participant files.

4. For one participant, the rent reasonableness form was not maintained in the participant files.
5. For one participant, the HQS inspection support was not maintained in the participant files.
6. For six participants, the HQS inspections were not performed within the required timeframe.

Cause of Condition
The Authority's internal control procedures were not sufficient to ensure all related tenant records and documents are properly filed and that all re-examinations and HQS inspections are completed within the specified due dates.

Effect
The Authority is not in compliance with HUD requirements regarding eligibility, rent reasonableness, and housing assistance payments, which could result in incorrect housing assistance payments. HAP may be paid on dwelling units that do not meet safety and other requirements.

Questioned Costs
Known questioned costs of $141,175 represent HAPs for the months for which compliance with eligibility, rent reasonableness, or housing assistance payments are questioned. Projecting the known questioned costs from the sample of 60 participants that totaled $1,372,204 in HAPs to total HAPs of $309,823,317 for the year, the likely questioned costs were $31,875,222.

Known questioned costs for participants whose HQS inspections were not available for review or performed within the required timeframe totaled $129,427. Projected questioned costs were $29,222,728.

Identification of Repeat Findings
This is a repeat of finding number 2019-004 reported in the year ended September 30, 2019.

Recommendation
The Authority should correct the deficiencies noted in the sampled participant files and consider the impact of the audit results over the entire population. In addition, the Authority should revisit its procedures, systems and controls to ensure the annual re-examinations due are completed in a timely basis, and to strengthen its record retention and filing systems. Furthermore, staff need to be continually trained on the rules and regulations to properly administer eligibility determinations and re-examinations, rent and HAP calculations, and HQS inspections in accordance with HUD requirements.

View of Responsible Officials and Planned Corrective Action
See separately prepared Corrective Action Plan.

Finding Reference:	**2020-003**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Section 8 Housing Choice Vouchers**
Federal Catalog Number:	**14.871**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Special Tests and Provisions - HQS Enforcement**
Classification of Finding:	**Material Weakness in Internal Control over Compliance** **Material Noncompliance**

Criteria
Pursuant to 24 CFR 982.404(a)(3), the Authority must not make any housing assistance payments (HAP) for a dwelling unit that fails to meet the housing quality standard (HQS), unless the owner corrects the defect within the period specified by the Authority and the Authority verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension). Furthermore, 24 CFR 982.404(b)(2) states that if an HQS breach caused by the family is life threatening, the family must correct the defect within no more than 24 hours. For other family-caused defects, the family must correct the defect within no more than 30 calendar days (or any PHA-approved extension).

Condition
Of the total of 967 tenants with failed inspections during the fiscal year, we identified 17 cases in a statistically valid sample of 60 failed inspections in which the Authority did not perform follow-up inspections within the required timeframe to verify identified defects were corrected and/or did not abate HAPs for defects that were not corrected within the required timeframe.

Cause of Condition
The Authority does not have adequate controls in place to ensure that the HQS is being enforced or completed in a timely manner and that HAPs are being properly withheld.

Effect
The Authority is not in compliance with the HQS enforcement requirements, which may result in tenants living in unsafe housing units. In addition, the Authority may be paying HAPs to property owners whose units have inadequate housing quality and may be incorrectly withholding HAPs to landlords who have properly corrected the deficiencies within the required timeframe.

Questioned Costs
Known questioned costs totaled $110,628, which represents housing assistance payments (HAPs) made for months in which the required follow-up inspections were not performed or HAPs were not abated after failed re-inspections.

Identification of Repeat Finding
This is a repeat of finding number 2019-005 reported in the year ended September 30, 2019.

Recommendation
The Authority should develop procedures and strengthen its internal controls related to HQS enforcement. The Authority should also regularly review the list of failed inspections to verify that units with failed HQS inspections have the housing assistance payments properly withheld and that property owners whose units passed re-inspection are properly paid.

View of Responsible Officials and Planned Corrective Action
See separately prepared Corrective Action Plan.

Finding Reference:	**2020-004**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Section 8 Project Based Cluster**
Federal Catalog Number:	**14.249 and 14.856**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Eligibility and** **Special Tests and Provisions – Housing Quality Standards**
Classification of Finding:	**Material Weakness in in Internal Control over Compliance** **Material Noncompliance**

Criteria
Pursuant to 24 CFR 882.515(a) and 24 CFR 882.808(i), the Authority is required to conduct a re-examination of family income and composition at least once every 12 months. Upon verification of the information, the Authority must make appropriate adjustments in the total tenant payment in accordance with 24 CFR part 5, subpart F, and verify that only one individual is occupying the unit. The Authority must adjust tenant rent and the housing assistance payment (HAP) to reflect any change in total tenant payment.

Pursuant to 24 CFR 882.516(b), the Authority is required to perform periodic inspection on each dwelling unit under contract at least annually and at such other times as needed to ensure the owner is meeting the obligations to maintain the unit in decent, safe, and sanitary condition and to provide the agreed upon utilities and other services.

The Coronavirus Aid, Relief and Economic Security (CARES) Act provides the U.S. Department of Housing and Urban Development (HUD) with broad authority to waive or establish alternative requirements for the Section 8 Moderate Rehabilitation (Mod Rehab) Program administered by the Office of Housing Voucher Programs, Office of Public and Indian Housing (PIH). HUD waived the annual inspection requirement and allows public housing authorities to delay the annual inspections for Mod Rehab units by no later than 1 year from the date on which the annual inspection would have been required in the absence of a waiver.

Pursuant to 24 CFR 882.808, the Authority is required to keep records and make any reports that HUD may require within timeframe required.

Condition
During our audit we selected a statistically valid sample of 60 participants out of a total population of 262 active program participants and noted the following deficiencies:

1. The Authority did not conduct Housing Quality Standards (HQS) inspections within the required timeframe for 16 participants.
2. The third party income verification document could not be located for four participants.
3. The personal declaration form could not be located for one participant.

Cause of Condition
The Authority does not have adequate internal control procedures in place to ensure all related tenant records and documents are in properly filed and that all re-examinations are completed within the specified due dates.

Effect
The Authority is not in compliance with HUD requirements regarding eligibility and tenant re-certifications, which may result in incorrect housing assistance payments. HAP may be paid on dwelling units that do not meet safety and other requirements.

Questioned Costs
Known questioned costs include \$38,043 and \$108,453 of HAPs for the months for which compliance with eligibility and HQS requirements, respectively, are questioned. Projecting the known questioned costs from the sample of 60 participants that totaled \$581,679 in HAPs to total HAPs of \$1,737,628 for the year, the likely questioned costs were \$113,644 and \$323,976 for eligibility and HQS requirements, respectively.

Identification of Repeat Finding
This is a repeat of finding 2019-006 reported for the year ended September 30, 2019.

Recommendation
The Authority should correct the deficiencies noted in the sampled participant files and consider the impact of the audit results over the entire population. In addition, the Authority should develop procedures, systems and controls to ensure the annual re-examinations due are completed in a timely basis, and should take measures to improve its internal record retention and filing systems. Furthermore, staff needs to be continually trained and cross-trained on the rules and regulations to properly administer eligibility determinations and re-examinations, and HQS inspections in accordance with HUD requirements.

View of Responsible Officials and Planned Corrective Action
See separately prepared Corrective Action Plan.

Finding Reference:	**2020-005**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Public and Indian Housing**
Federal Catalog Number:	**14.850**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Eligibility, Reporting, and Special Tests and Provisions – Environmental Contaminates Testing and Remediation**
Classification of Finding:	**Material Weakness in Internal Control over Compliance Material Noncompliance**

Criteria

In accordance with 24 CFR 960.257, for families who pay an income-based rent, the Authority must conduct a re-examination of family income and composition at least annually and must make appropriate adjustments in the rent after consultation with the family and upon verification of the information. For families who choose flat rents, the PHA must conduct a re-examination of family composition at least annually, and must conduct a re-examination of family income at least one every three years.

Pursuant to Section 7-I.C.of the Authority's Proposed Admissions and Continued Occupancy Policy dated October 1, 2019, the Authority must use the U.S. Department of Housing and Urban Development's (HUD) Enterprise Income Verification (EIV) system in its entirely as a third-party source to verify tenant employment and income information during mandatory re-examinations or re-certifications of family composition and income in accordance with 24 CFR 5.236 and administrative guidance issued by HUD. EIV will be used to verify that families claiming zero income and are not receiving income from any of these sources.

The Authority is required to submit HUD 50058, *Family Report*, electronically to HUD each time the PHA completes an admission, annual re-examination, interim re-examination, portability move-in, or other change of unit for a family. In the report, the Authority should include the tenant rent at line 13k or 3x based on the result of the examination and collect the amount from tenant properly.

In addition, the Authority must test for and remediate environmental contaminates, such as lead-based paint, radon gas, and mold, to assure that public housing meets the physical condition standards for health and safety considerations set forth in 24 CFR section 5.703.

24 CFR 982.516 requires internal controls be in place to ensure compliance with HUD requirements, as well as, complete and accurate tenant records.

Condition

We tested a statistically valid sample of one month for each of 60 participants selected from a population of 1,103 program participants who received public housing during the fiscal year ended September 30, 2020. Identified issues are listed below:

1. For four participants, the Authority was not able to provide relevant documentation on eligibility redetermination and HUD 50058 reporting for our review.
2. For one participant, the third-party income verifications did not support the calculation of the wages on the EIV and HUD 50058 form.
3. For 23 participants, the Authority was not able to provide documentation on the testing or remediation of environmental contaminates.

Cause of Condition
The Authority does not have adequate internal control procedures in place to ensure all relevant tenant records and documents are properly filed.

Effect
The Authority is not in compliance with HUD requirements regarding eligibility, re-certifications and HUD-50058 reporting, which may result in assistance provided to ineligible participants.

Questioned Costs
Questioned costs cannot be determined as project costs are not directly assignable to participants.

Identification of Repeat Findings
This is a repeat of finding 2019-007 reported in the year ended September 30, 2019.

Recommendation
The Authority should correct the deficiencies noted in the tested files. In addition, the Authority should develop procedures, systems and controls to ensure documentation of proper compliance with tenant eligibility requirements, income calculations and third-party verifications.

View of Responsible Officials and Planned Corrective Action
See separately prepared Corrective Action Plan.

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SAN FRANCISCO HOUSING AUTHORITY
Executive Office
1815 Egbert Avenue • San Francisco CA • 94124
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The following is the current status of findings that were reported in the Authority's Schedule of Findings and Questioned Costs for the year ended September 30, 2019:

Prior Year Financial Statements Audit Findings

Reference Number:	**2019-001 - Internal Control Over Financial Reporting** Material Weakness
Condition:	As part of audit procedures, the auditors assessed an organization's environment, risk assessment and monitoring of controls to determine whether internal controls have been effective over financial reporting. During the audit, the auditors noted several internal control deficiencies.
General Recommendation:	The Authority should continue its comprehensive analysis on its financial reporting processes and document its risk assessment policies and procedures for each significant transaction cycle. As part of the Authority's risk assessment and monitoring efforts, the Authority should review its Finance Department to ensure its personnel has the resources, technical skills and training to effectively perform its fiscal functions.
General Current Status:	Corrective action has been implemented.
Reference Number:	**2019-002 - Lack of Sufficient Controls Over Financial Reporting Processes** Material Weakness
Condition:	The Authority did not maintain effective controls over the financial reporting process.
Recommendation:	The Authority should evaluate its Finance Department capacity to ensure that its personnel are technically proficient, adequately trained and have adequate resources to ensure that its financial information is accurate and timely available to fiscally manage fiscal operations.
Current Status:	Corrective action is in progress. See current year finding 2020-001.

Prior Year Financial Statements Audit Findings (Continued)

Reference Number:	**2019-003 – Inter-Program Balances and Activities** Material Weakness
Condition:	The Authority's general ledger system did not have a control in place to prevent imbalanced journal entries from being posted to the general ledger and the balances which accumulate as a result were not consistently evaluated and addressed in the general ledger.
Recommendation:	The Authority should evaluate its processes for managing interfund account balances and take steps to prevent large balances from accumulating in the interfund accounts over time. The Authority should also require manual journal entries to be balanced at the fund level when posted and should implement a regular review process over inter-program balances by which to identify and eliminate those balances that do not represent agreed-upon individual program receivables and obligations.
Current Status:	Corrective action has been implemented.

Prior Year Federal Audit Findings – Major Federal Award Programs

Reference Number:	**2019-004 – Eligibility and Special Tests and Provisions** Material Weakness in Internal Control over Compliance Material Noncompliance Housing Voucher Cluster, CFDA Number 14.871
Condition:	Certain eligibility documents were not contained in the participants' files to support the participants' eligibility or did not agree to the information in the HUD-50058 form. Documentation for housing quality standards inspections could not be located. Inspections were not performed within the required timeframe.
Recommendation:	The Authority should correct the deficiencies noted in the tested files and consider the impact of the audit results over the entire population. In addition, the Authority should develop procedures, systems and controls to ensure the annual re-examinations due are completed in a timely manner. Furthermore, staff need to be continually trained and cross-trained on the rules and regulations to properly administer eligibility in accordance with HUD requirements.
Current Status:	Corrective action is in progress. See current year finding 2020-002.

Prior Year's Audit Findings – Major Federal Award Programs (Continued)

Reference Number:	**2019-005 –Special Tests and Provisions (HQS Enforcement)** Material Weakness in Internal Control over Compliance Material Noncompliance Section 8 Housing Choice Vouchers Program CFDA Number 14.871
Condition:	Follow-up inspections were not performed within the required timeframe and housing assistance payments were not abated for uncorrected defects.
Recommendation:	The Authority should develop procedures and strengthen its internal controls related to HQS enforcement. The Authority should also regularly review the list of failed inspections to verify that the property owners whose units with failed HQS inspections have their payments properly withheld and that property owners whose units passed re-inspection are properly paid.
Current Status:	Corrective action is in progress. See current year finding 2020-003.

Reference Number:	**2019-006 – Eligibility and Special Tests and Provisions** Material Weakness in Internal Control over Compliance Material Noncompliance Section 8 Project-Based Cluster CFDA Numbers 14.249 and 14.856
Condition:	The required third-party income verification and personal declaration forms were not maintained in the participant files. Housing quality standards inspections were not performed within the required timeframe.
Recommendation:	The Authority should continue to improve its internal record retention and filing system.
Current Status:	Corrective action is in progress. See current year finding 2020-004.

Prior Year's Audit Findings – Major Federal Award Programs (Continued)

Reference Number:	**2019-007 – Eligibility and Reporting** Material Weakness in Internal Control over Compliance Material Noncompliance Public and Indian Housing CFDA Number 14.850
Condition:	Document to support participants' eligibility or rent calculation were not maintained in the participant files. The Authority does not have adequate internal control procedures in place to ensure all relevant tenant records and documents are properly filed and that all re-examinations are completed within the specified due dates.
Recommendation:	The Authority should correct the deficiencies noted in the tested files and perform a quality control review of a larger sample of the population. In addition, the Authority should develop procedures, systems and controls to ensure documentation of proper compliance with tenant eligibility requirements, income calculations and third-party verifications.
Current Status:	Corrective action is in progress. See current year finding 2020-005.

Reference Number:	**2019-008 – Reporting** Significant Deficiency in Internal Control over Compliance Instance of Noncompliance Section 8 Moderate Rehabilitation Single Room Occupancy CFDA Number 14.249
Condition:	The Authority submitted 7 HUD-52663 reports for FY 2019 41 days after the report due dates.
Recommendation:	The Authority should provide the instructions of the required report information to all single room occupancy properties owners who are responsible for gathering and submitting timely reports. Also, the Authority should develop a contingency plan to ensure timely submission of reports in the event of personnel turnover.
Current Status:	Corrective action has been implemented.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO
1815 Egbert Avenue, San Francisco, CA 94124

September 29, 2021

Macias Gini & O'Connell LLP
101 California Street, Suite 3910,
San Francisco, CA 94111

To the Partners of Macias Gini & O'Connell LLP:

The Housing Authority of the City and County of San Francisco (Authority) thanks the staff of Macias Gini & O'Connell LLP for the completion of the audit of financial statements and single audit for Fiscal Year 2019-20. We appreciate the dedication exhibited by your staff and the level of thoroughness and due professional care exercised in conducting this audit.

Thank you to the entire staff of the Authority for your unwavering commitment to ensuring that it continues its trajectory toward becoming a high-performing, financially viable and fiscally responsible agency. To the finance staff, your dedication, unwavering commitment, and due diligence in implementing appropriate financial processes and an effective internal controls system is greatly appreciated and commendable in such a short period of time.

To our Chief Financial Officer and Office of Excellence, your tireless leadership and expertise has significantly changed the Authority's financial position and operational structure through implementing a business framework that ensures adequate operational and financial reporting, resulting in mitigating several years of repeat or similar findings. Because of your leadership, the Authority has taken a holistic approach of how it works with its third-party Housing Choice Voucher (HCV) contractor, developers, and other program stakeholders. The Authority understands that all audit findings and implementation of recommendations are ultimately its responsibility, and I am certain these findings will be fully mitigated in the near future with this framework:

- Internal control environment
- Continuous monitoring and audit processes
- Integrity of data
- Assessment of operational risks
- Financial and operational reporting
- Staff financial acumen

We support the audit's findings and recommendations that will assist the Authority towards its goal of operating with financial excellence and complying with federal statutes and regulations, and the terms and conditions of the federal awards applicable to its HCV and Public Housing programs. To that end, the Authority presents its corrective action plans for each finding, including the contact person responsible and anticipated implementation date in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* and with the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Respectfully,

Tonia Lediju
Chief Executive Officer

Financial Statement Findings

Comment 2020-001: Significant Deficiency
Lack of Sufficient Controls Over Financial Reporting Processes

Authority's Response & Actions Taken
The City and County of San Francisco (City) now assumes responsibility for the Authority's essential functions, including of the Finance Department. Key financial personnel from the City have been put in place to oversee the day-to-day financial operations of the Authority, which has significantly improved the quality of reporting. The Authority acknowledges that work remains to ensure the organization is financially sound. The Authority continues to work closely with its external financial consultant to provide in-house trainings in areas such as the U.S. Department of Housing and Urban Development (HUD) Voucher Management System Reporting, HCV program utilization forecasting using the Two-Year tool, Financial Data Schedule submission, year-end close activities to the Authority's staff, and other as-needed finance and accounting services.

Anticipated Implementation Date
September 30, 2021

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action
Mamadou Gning, Chief Financial Officer

Federal Award Findings

Reference Number:	**2020-002**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Section 8 Housing Choice Vouchers**
Federal Catalog Number:	**14.871**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Eligibility and Special Tests and Provisions – Reasonable Rent, Housing Quality Standards Inspections, and Housing Assistance Payment**
Classification of Finding:	**Material Weakness in Internal Control over Compliance Material Noncompliance**

Authority's Response & Actions Taken
The Authority has made significant progress in addressing the backlog of annual recertifications since outsourcing the programmatic functions of the HCV program to a third-party contractor. The Authority acknowledges that more progress in this area is required and continues to work diligently with the third-party HCV contractor to ensure this occurs.

As a result of the COVID-19 health emergency, the Authority implemented the HUD waivers and suspended all biennial inspections. Under these waivers, the Authority has until June 30, 2022, to complete all 2020 inspections and until December 31, 2022, to complete delayed 2021 inspections. The third-party contractor, under the direction of the Authority, will schedule inspections due in January 2022, approximately 30 to 60 days prior to the due date. Additional quality control processes have been implemented to ensure that notices are properly sent and retained.

Some key strategies and controls in place are as follows:

- Ensure that solicitations are mailed per the Administrative Plan requirements.
- Follow-up with tenants out of compliance with Administrative Plan requirements by mailing the annual recertification notice three times, performing two calls, and if neither of these solicit a returned packet, sending an inspector to the tenant's address to physically deliver the packet and answer any questions.
- Implement weekly monitoring to ensure all Annual Recertification are processed correctly and tenants are given proper notice of any rent increase.
- Operate a robust Quality Control program (QC) and review files in compliance with HUD's Section Eight Management Assessment Program requirements. The QC team will review 50% of the transactions with financial impact.
- Implement quarterly trainings to provide refresher trainings based on error trends to all staff.

The Authority will continue to execute these sound procedures to prevent further findings related to annual recertifications and inspections. The Authority will continue an improved feedback mechanism for internal quality control review, including a new file audit process highlighted below.

Anticipated Implementation Date
September 30, 2021

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action
HCV Contractor
The Authority's Office of Program Excellence

Reference Number:	**2020-003**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Section 8 Housing Choice Vouchers**
Federal Catalog Number:	**14.871**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Special Tests and Provisions (HQS Enforcement)**
Classification of Finding:	**Material Weakness in Internal Control over Compliance** **Material Noncompliance**

Authority's Response & Actions Taken

The Authority has made significant progress in addressing the backlog of annual recertifications since outsourcing the programmatic and financial administration functions of the HCV program to a third-party contractor. The Authority acknowledges that more progress in this area is required and continues to work diligently with the third-party HCV contractor to ensure this occurs.

The Authority has developed a robust internal audit program. In the beginning of fiscal year 2020-21, the Authority audited a statistically significant random sample of 96 actions completed by the HCV contractor during the first year of the contract (October 2019 through September 2020) to ensure that all actions were completed appropriately and that files contain all required documents. As a result, the Authority provided 26 recommendations to the contractor to improve performance and compliance and will follow-up on the implementation of the recommendations.

While the HCV contractor is also implementing a quality control process, the Authority's internal audit program provides another layer of needed review. This will be an ongoing process of the continuous monitoring program. As the Authority closes fiscal year 2020-21, the Authority will again select a statistically significant random sample of actions completed in the second year of the contract.

Anticipated Implementation Date

September 30, 2021

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action

HCV Contractor

The Authority's Office of Program Excellence

Reference Number:	**2020-004**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Section 8 Project Based Cluster**
Federal Catalog Number:	**14.249 and 14.856**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Eligibility and** **Special Tests and Provisions – Housing Quality Standards**
Classification of Finding:	**Material Weakness in Internal Control over Compliance** **Material Noncompliance**

Authority's Response & Actions Taken

The Authority has made significant progress in addressing the backlog of annual recertifications since outsourcing the programmatic functions of the HCV program to a third-party contractor. The Authority acknowledges that more progress in this area is required and continues to work diligently with the third-party HCV contractor.

Some key strategies and controls in place are as follows:

- Ensure that solicitations are mailed per the Administrative Plan requirements.
- Follow up with tenants out of compliance with Administrative Plan requirements by mailing the notice three times, performing two calls, and if neither of these solicit a returned packet, sending an inspector to the tenant's address to physically deliver the packet and answer any questions.
- Implement weekly monitoring to ensure all units are properly abated, lifted timely when units pass inspections and contracts are properly terminated after being in abatement for 180 days without cure.

The Authority will continue to execute these sound procedures to prevent further findings related to annual recertifications and inspections. The Authority will continue an improved feedback mechanism for internal quality control review, including a file audit process highlighted above.

Anticipated Implementation Date

September 30, 2021

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action

HCV Contractor
The Authority's Office of Program Excellence

Public Housing

Reference Number:	**2020-005**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Public and Indian Housing**
Federal Catalog Number:	**14.850**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Eligibility, Reporting and Special Test and Provisions-Environmental Contanimates Testing and Remediation**
Classification of Finding:	**Material Weakness in Internal Control over Compliance Material Noncompliance**

Authority's Response & Actions Taken

The Authority has developed procedures, systems, and controls to ensure compliance with tenant eligibility requirements, income calculations, and third-party verifications, and will revisit these procedures regularly. The Authority has undergone significant personnel changes due to the transition of its HCV program to third-party management. As a result, property managers and eligibility workers transitioned from the HCV Department to the Agency's Public Housing Department. The Authority has provided comprehensive onboarding training and will implement an annual training plan that will increase the acumen of staff to prevent future findings in this area.

The Public Housing Department's current annual recertification rate is 86%, a decline that has been an ongoing during this pandemic as residents in our communities continue to shelter-in-place and avoid public spaces. The Authority is working closely with our property managers and eligibility workers to increase the recertification rate, despite the limitations placed on our residents and staff due to the impacts of the COVID-19 public health emergency. The Authority has been conducting interviews by phone or other remote options and have implemented the HUD COVID-19 waivers to complete as many annual recertifications as possible while ensuring residents remain safe.

After being closed for over one year, the property offices on our sites reopened to the public on August 2, 2021. We anticipate that our recertifications will be completed more timely and accurately now that residents can safely start meeting with property office staff again.

Currently, the Authority is expanding the internal audit program to include the Public Housing department. In the beginning of fiscal year 2021-22, the Authority will audit a random sample of actions completed by the public housing department to ensure that all actions were completed appropriately and that files contain all required documents. This will be an ongoing process of the continuous monitoring program. The Authority will continue to evaluate and improve its property performance according to HUD and the Authority's standards, identify non-performing properties, and track improvement of non-performing assets. The Authority will also continue to perform evaluations quarterly and revise its corrective action plans, as necessary.

Anticipated Implementation Date

December 31, 2021

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action

Kendra Crawford, Acting Director of Public Housing Operations