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

Annual Financial and
Compliance Report

For the Year Ended September 30, 2023

MGO. | Certified Public Accountants

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
For the Year Ended September 30, 2023

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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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Housing Authority of the City and County of San Francisco, California (Authority), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Authority, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of SFHA Housing Corporation, a blended component unit of the Authority, which represents 7.9% of assets, -0.4% of net position, and 3.2% of revenues of the business-type activities as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended. We did not audit the Authority's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included those component units, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The financial statements of SFHA Housing Corporation, a blended component unit of the Authority, and Plaza East Associates, L.P., a discretely presented component unit of the Authority, were not audited in accordance with *Government Auditing Standards.*

Emphasis of Matters

Revenue Concentrations

As discussed in Note 10 to the financial statements, the Authority is dependent on the U.S. Department of Housing and Urban Development (HUD) for 97% of its operating revenues. 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 12 to the financial statements, Plaza East Associates, L.P. has a working capital deficit and incurred losses for the year ended December 31, 2022. 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 12 to the financial statements. 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 July 10, 2023, the other auditors' opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary 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, financial data schedules as required by the U.S. Department of Housing and Urban Development, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 GAAS. 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, 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 June 28, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
June 28, 2024

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, 2023. 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 decreased by $12.6 million or 1.2% during the fiscal year.
- The Authority's total revenues increased by $27.1 million or 6.4% during the fiscal year.
- The Authority's total expenses increased by $4.6 million or 1.1% 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 $1.0 billion and the Authority's unrestricted net position is $938.1 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 the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All 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 may 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

Statement Net Position - A condensed summary of the statement of net position as of September 30, 2023, and as of September 30, 2022, is shown in the following table (in thousands).

	September 30,		Increase/(Decrease)	
	2023	**2022**	**Amount**	**%**
Assets:				
Current and other assets	$ 1,082,803	$ 1,151,978	$ (69,175)	(6.0)
Capital assets	64,116	11,547	52,569	455.3
Total assets	1,146,919	1,163,525	(16,606)	(1.4)
Deferred outflows of resources	10,715	15,068	(4,353)	(28.9)
Liabilities:				
Current liabilities	6,846	8,602	(1,756)	(20.4)
Net pension liability	19,011	17,853	1,158	6.5
Total OPEB liability	15,908	18,051	(2,143)	(11.9)
Other noncurrent liabilities	102,896	106,876	(3,980)	(3.7)
Total liabilities	144,661	151,382	(6,721)	(4.4)
Deferred inflows of resources	5,774	7,412	(1,638)	(22.1)
Net Position:				
Net investment in capital assets	64,116	11,547	52,569	455.3
Restricted	5,010	20,049	(15,039)	(75.0)
Unrestricted	938,073	988,203	(50,130)	(5.1)
Total net position	$ 1,007,199	$ 1,019,799	$ (12,600)	(1.2)

Current and other assets decreased by $69.2 million to $1,082.8 million as of September 30, 2023 from $1,152.0 million as of September 30, 2022. Significant balances with fluctuations compared to the prior year include:

- Cash and cash equivalents increased by $1.7 million to $63.0 million as of September 30, 2023 from $61.4 million as of September 30, 2022:
  - Unrestricted cash and cash equivalents increased by $17.0 million primarily due to (1) HUD operating subsidy received for converted public housing projects. These funds are obligated to pay off the remaining public housing liabilities, notably the Pension Withdrawal Liability; and (2) the HCV administrative fees increase due to higher vouchers utilization combined with the increased administrative fee rate per unit (6.4% in 2023) and funding proration factor (6.8% in 2023).
  - Restricted cash and cash equivalents decreased by $15.3 million due to the US Department of Housing and Urban Development's (HUD) cash management and funds control.

- Other receivables increased by $7.6 million mainly due to an increase of $9.7 million of subsidy receivables for the SFHA Housing Corporation offset by a decrease of $2.2 million of intra-entity receivables due to the difference in reporting period for the Authority and the SFHA Housing Corporation.
- Due to the difference in reporting period, notes receivable decreased by $90.5 million attributed to the elimination of intra-entity balances between the Authority and SFHA Housing Corporation starting current year.
- Interest receivable due from component units and others increased by $15.2 million due to the accrual of interest on notes receivable for properties participating in the Rental Assistance Demonstration (RAD) Program.
- Due to the difference in reporting period, net capital assets and net investment in capital assets increased by $52.6 million attributed to the addition of the public housing properties purchased by the SFHA Housing Corporation through RAD Program during current year.

The Authority's net decrease in total liabilities of $6.7 million is primarily due to the following:

- Total current liabilities decreased by $1.8 million to $6.8 million as of September 30, 2023 from $8.6 million as of September 30, 2022. This decrease is mainly due to the reduction in accounts payable of $1.9 million attributed to the timing of disbursements. The decrease of $1.2 million in unearned revenues represents advance funding for Emergency Housing Vouchers (EHV) service fees received from HUD in prior fiscal years that were earned in FY 2023. The EHV service fee revenues are earned when qualifying service fee expenses are incurred.
- Total other noncurrent liabilities decreased by $4.0 million to $102.9 million as of September 30, 2023 from $106.9 million as of September 30, 2022. This decrease is mainly due to a reduction in the pension withdrawal liability of $3.6 million associated with the withdrawal from multiemployer pension plans.

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, 2023, and September 30, 2022, is shown in the following table (in thousands).

	September 30,		Increase/(Decrease)	
	2023	**2022**	**Amount**	**%**
Revenues				
Operating revenues:				
Tenant revenues, net	$ 1,376	$ 861	$ 515	59.8
HUD revenue	416,942	377,266	39,676	10.5
Other	12,302	15,426	(3,124)	(20.3)
Nonoperating revenues:				
Investment income	18,501	19,594	(1,093)	(5.6)
Operating grants	-	6,951	(6,951)	(100.0)
Gain /(Loss) on disposal of capital assets	-	(333)	333	(100.0)
Capital contributions	-	2,237	(2,237)	(100.0)
Total revenues	449,121	422,002	27,119	6.4
Expenses				
Operating expenses:				
Housing assistance payments	385,534	338,373	47,161	13.9
Depreciation	457	1,865	(1,408)	(75.5)
Other operating expenses	37,272	78,427	(41,155)	(52.5)
Total expenses	423,263	418,665	4,598	1.1
Excess (deficiency) before special items	25,858	3,337	22,521	674.9
Special items	(38,458)	59,861	(98,319)	(164.2)
Change in net position	(12,600)	63,198	(75,798)	(119.9)
Net position, beginning of year	1,019,799	956,601	63,198	6.6
Net position, at end of year	$ 1,007,199	$ 1,019,799	$ (12,600)	(1.2)

Revenues: The Authority's operating revenues increased by $27.1 million with the following explanations:

- HUD revenue increased by $39.7 million primarily due to the following:
  - Operating subsidy for the Emergency Housing Voucher Program increased by $10.3 million.
  - Section 8 Program subsidy increased by $38.8 million due to an increase in voucher utilization.
  - Public housing subsidy decreased by $11.6 million due to the conversion of the Sunnydale and Potrero public housing projects.
- The decrease in Other Revenue of $3.1 million is mainly due to the Authority's absorption of Portability Vouchers.

Expenses: Total expenses in~~de~~creased by $4.6 million with the following explanations:

- Housing Assistance Payments increased by $47.2 million due to an increase in the unit months leased in the Housing Choice Voucher (HCV) program. Funding for Public Housing units converted to RAD is also transferred from the Public Housing Program to the HCV Program.
- Other operating expenses decreased by $41.2 million primarily due to the decrease in total compensation and related benefits due to the reduction in workforce related to the conversion of the remaining Public Housing Properties.

Economic Factors

The Authority serves over 15,000 households through its Housing Choice Voucher (HCV) and Emergency Housing Voucher (EHV) programs. To help residents with the burdening costs of everyday purchases, the Authority raised its Payment Standards to 110% over HUD Fair Market Rent standards. In addition, the Authority also lessened the rent burden of over 2,000 residents over the past two years by expediting their annual recertification.

Appropriation for the HCV program is funded through HUD in the form of HCV housing assistance payments (HAP), and other grants. The Authority receives most of its operating revenue from financial assistance from HUD. The Authority and its operations are significantly affected by the federal government's annual appropriation to HUD. Furthermore, local and national property rental markets that determine HAP payments, and local labor supply and demand (which can affect employment costs such as salary and wage rates) have a significant impact on the Authority's finances. Over the past year, inflationary factors have increased costs broadly, including the cost of labor and benefits, utilities, insurance, and goods and supplies.

The risk of a reduction in funding always looms over the Authority. The passage of the current debt ceiling will severely limit funding for domestic programs. Spending in fiscal year 2024 will be capped at fiscal year 2023 levels and will only increase by 1% in fiscal year 2025. Reduction of HUD funding may limit the number of households the Authority can serve and would strain the Authority's ability to meet its mission and programs. The future of housing affordability depends heavily upon multiple economic factors, including policy choices made at all levels of government.

Multiemployer Defined Benefit Pension Plans

The Authority contributes to several multiemployer defined benefit pension plans under the terms of various collective bargaining agreements that cover our union-represented employees. Certain events, such as the HUD mandate for the Authority to contract out all essential functions, including the administration of the Housing Choice Voucher and the Low-Income Public Housing Program, to third-party administrators and the accelerated conversion of the Public Housing units at Sunnydale- Velasco, Potrero Terrace ad Potrero Annex HOPE SF sites, resulted in withdrawals from multiemployer pension plans. These actions, along with the termination of covered employees and cessation of our obligation to contribute, have resulted in us estimating withdrawal liabilities to the respective plans for our proportionate share of any unfunded vested benefits.

Our multiemployer pension plan withdrawal liability was approximately $14.1 million as of September 30, 2023. This liability represents the estimate of the obligations related to complete withdrawals that have already occurred. For those plans that have yet to provide us with a demand letter, the actual liability will not be fully known until such plans complete a final assessment of the withdrawal liability and issue a demand to us. Therefore, the estimate of our multiemployer pension plan liability will be adjusted as more information becomes available that allows us to refine our estimates.

Additional liabilities in excess of the amounts we have recorded could have an adverse effect on the Authority's results of operations, financial condition, and cash flows.

Significant Factors that Contributed to the Authority's Stability in 2023

In recent years, the Authority shifted its efforts from property management to leased housing through the HUD program called Rental Assistance Demonstration (RAD), which allows for the transfer of public housing unit property management to third-party management companies while the Authority retains land ownership. The conversion to RAD was the largest in the country and shifted the Authority to a predominantly HCV program.

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 thirty 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 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.

To date, the Authority has repositioned its public housing portfolio, which just several years ago consisted of approximately 6,400 units. The Sunnydale and Potrero HOPE SF sites (approximately 1,300 total units combined) were the last two large public housing sites that converted to private management. These public housing units were converted to Project-Based Vouchers in 2022 as part of the Authority's Accelerated Disposition program. The HOPE SF sites will continue to be redeveloped to newly constructed mixed-income and thriving communities that will be built in phases in a decade-long process.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Statement of Net Position
September 30, 2023
(With Blended and Discretely Presented Component Units as of December 31, 2022)

	Primary Government - Business-Type Activities	Discretely Presented Component Unit - Plaza East Associate, L.P.
Assets:		
Current assets:		
Unrestricted cash and cash equivalents	$ 56,871,533	$ 189,211
Restricted cash and cash equivalents	6,251,962	71,735
Due from the U.S. Department of Housing and Urban Development	74,535	-
Due from other governments, net of allowance of $3,064,222 for primary government	4,538,917	-
Accounts receivable, net:		
Tenants, net of allowance of $1,211,497 and $918,506 for primary government and discretely presented component units, respectively	703,087	110,077
Others	9,950,901	-
Interest receivable due from component units and others	465,000	-
Due from primary government	-	393,727
Prepaid expenses	29,647	57,137
Total current assets	78,885,582	821,887
Noncurrent assets:		
Noncurrent interest receivable due from component units and others, net of allowance of $15,553,286 for primary government	94,373,666	-
Notes receivable from component units and others	898,955,044	-
Other noncurrent assets	10,587,859	954,169
Capital assets:		
Nondepreciable	11,392,003	4,958,321
Depreciable, net	52,724,167	8,094,311
Total capital assets	64,116,170	13,052,632
Total noncurrent assets	1,068,032,739	14,006,801
Total assets	1,146,918,321	14,828,688
Deferred outflows of resources:		
Pension items	10,573,057	-
OPEB items	142,136	-
Total deferred outflows of resources	10,715,193	-

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Statement of Net Position (Continued)
September 30, 2023
(With Blended and Discretely Presented Component Units as of December 31, 2022)

	Primary Government - Business-Type Activities	Discretely Presented Component Unit - Plaza East Associate, L.P.
Liabilities:		
Current liabilities:		
Accounts payable	$ 1,933,172	$ 994,441
Due to the U.S. Department of Housing and Urban Development	138,296	-
Accrued salaries and benefits	1,199	5,015
Unearned revenues	627,820	127,297
Other accrued liabilities	571,169	-
Tenant security deposits	49,785	71,458
Current portion of pension withdrawal liability	1,822,866	-
Current portion of compensated absences	116,048	-
Current portion of unearned revenues - leases	608,797	-
Other current liabilities	976,506	593,759
Total current liabilities	6,845,658	1,791,970
Noncurrent liabilities:		
Compensated absences, net of current portion	77,365	-
Long-term interest payable to primary government	-	7,153,980
Long-term debt due to primary government	-	13,464,813
Long-term debt to others, net of current portion	42,565,978	1,709,753
Pension withdrawal liability, net of current portion	12,243,737	-
Noncurrent unearned revenues - leases	47,394,298	-
Total other postemployment benefits liability	15,908,290	-
Net pension liability	19,011,000	-
Other noncurrent liabilities	614,536	904,709
Total noncurrent liabilities	137,815,204	23,233,255
Total liabilities	144,660,862	25,025,225
Deferred inflows of resources:		
Pension items	4,793,818	-
OPEB items	980,181	-
Total deferred inflows of resources	5,773,999	-
Net position:		
Net investment in capital assets	64,116,170	(9,275,914)
Restricted for:		
Escrow accounts and replacement reserves	-	277
Housing assistance payment reserves	4,860,640	-
Affordability reserves	115,644	-
Disaster Housing Assistance Program	33,390	-
Unrestricted net position	938,072,809	(920,900)
Total net position	$ 1,007,198,653	$ (10,196,537)

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, 2023
(With Blended and Discretely Presented Component Units for the Year Ended December 31, 2022)

	Primary Government - Business-Type Activities	Discretely Presented Component Unit - Plaza East Associate, L.P.
Operating revenues:		
Tenant revenues, net	$ 1,376,458	$ 2,439,410
Housing assistance payment revenues	416,942,256	-
Miscellaneous and other revenues	12,301,075	215
Total operating revenues	430,619,789	2,439,625
Operating expenses:		
Housing assistance payments	385,534,170	-
Administrative	25,982,648	504,315
Tenant services	1,356,141	-
Utilities	623,928	867,239
Maintenance	1,615,700	728,932
Protective services	123,785	127,103
General	7,569,895	395,259
Depreciation	457,184	696,245
Total operating expenses	423,263,451	3,319,093
Operating income (loss)	7,356,338	(879,468)
Nonoperating revenues (expenses):		
Investment income	52,903	-
Investment income - restricted	10,802	-
Interest income from notes and loans receivable	18,437,560	-
Interest expense	-	(584,386)
Total nonoperating revenues (expenses)	18,501,265	(584,386)
Income (loss) before capital contributions and special item	25,857,603	(1,463,854)
Special item	(38,458,110)	-
Change in net position	(12,600,507)	(1,463,854)
Net position, beginning of year	1,019,799,160	(8,732,683)
Net position, end of year	$ 1,007,198,653	$ (10,196,537)

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, 2023

	Primary Government - Business-Type Activities
Cash flows from operating activities:	
Receipts from tenants	$ 1,416,216
Receipts from others	2,266,343
Receipts from housing assistance programs	417,538,898
Payments to suppliers for goods and services	(27,389,011)
Payments to employees for services	(11,896,248)
Housing assistance payments on behalf of tenants	(385,534,170)
Net cash used in operating activities	(3,597,972)
Cash flows from noncapital financing activities:	
Intergovernmental revenues	2,043,641
Receipt of loan interest payments	3,277,345
Net cash provided by noncapital financing activities	5,320,986
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(978,816)
Proceeds of long-term debt	900,677
Net cash used in capital and related financing activities	(78,139)
Cash flows from investing activities:	
Interest received	63,705
Net change in cash and cash equivalents	1,708,580
Cash and cash equivalents, beginning of year	61,414,915
Cash and cash equivalents, end of year	$ 63,123,495
Cash and cash equivalents:	
Unrestricted cash and cash equivalents	$ 56,871,533
Restricted cash and cash equivalents	6,251,962
Total cash and cash equivalents	$ 63,123,495

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, 2023

	Primary Government - Business-Type Activities
Reconciliation of operating income to net cash used in operating activities:	
Operating income	$ 7,356,338
Adjustment to reconcile operating income to net cash used in operating activities:	
Depreciation	457,184
Changes in assets, liabilities and deferred outflows/inflows of resources:	
Due from the U.S. Department of Housing and Urban Development	596,642
Accounts receivables	(7,612,781)
Prepaid expenses	(25,625)
Other assets	537,584
Increase (decrease) in:	
Accounts payable	(1,853,455)
Accrued salaries and benefits	(134,583)
Unearned revenues	(951,803)
Other accrued liabilities	(229,127)
Tenant security deposits	49,785
Family self-sufficiency escrow	48,303
Compensated absences	(21,450)
Total other postemployment benefits liability	(2,143,104)
Net pension liability/asset	1,157,944
Pension and other postemployment benefits related deferred outflows/inflows of resources	2,715,288
Pension withdrawal liability	(3,577,644)
Other current and noncurrent liabilities	32,532
Net cash used in operating activities	$ (3,597,972)
Noncash noncapital and capital financing activities:	
Interest accrued on long-term receivables	$ 19,441,871
Allowance on interest accrued on long-term receivables	(1,004,311)
Inter-entity notes payable addition for RAD 2022 Conversion	(90,506,070)
Capital assets additions from RAD 2022 Conversion	52,047,960

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 following blended component unit's fiscal year ended on December 31, 2022, and their financial activities are reported as of and for the year ended December 31, 2022.

> 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Although legally separate from the Authority, the SFHA Housing Corporation is reported as if it were part of the primary government because it is governed by a separate eight-member board of directors appointed by the Authority's Board. Separately issued financial statements for the SFHA Housing Corporation can be obtained by contacting the Authority at 1815 Egbert Avenue, San Francisco, California 94124.

- 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 it is governed by a separate seven-member board of directors appointed by the Authority's Board. There was no separately issued financial statements for the Plaza East 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's discretely presented component unit is 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 unit's fiscal year ended on December 31, 2022, and their financial activities are reported as of and for the year ended December 31, 2022.

- **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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Plaza East 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 unit 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.

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 unit's 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Rental Assistance Demonstration (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 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. Since 2014, HUD approved the Authority's RAD application to convert public housing units to private ownership and management with attached project-based Housing Choice Vouchers.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

(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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - Leases

Noncurrent unearned revenues include rent received in advance for long-term ground leases that is amortized over the term of the agreements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Eliminations

- **Fee for service** - The Authority's COCC internally charges fees to the AMPs and HAP programs. These charges include management fees, bookkeeping fees, front line service fees, and asset management fees. $7,056,759 of fee for service charges have been eliminated for the year ended September 30, 2023.

- **Intra-entity balances and transactions** – For the year ended September 30, 2023, inter-entity balances and transactions between SFHA Housing Corporation, a blended component unit, and the primary government, were eliminated for the presentation of the Authority's basic financial statements including the following: notes payable and notes receivable of $90,506,070; interest payable and interest receivable of $1,262,861; current operational payable and current operational receivable of $2,190,686; operating revenue and operating expenses of $10,396,000; and interest expenses and interest revenue of $1,262,861.

(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 Revenues

Tenant 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 $1,698,190 for the business-type activities for the year ended September 30, 2023 and $48,460 for the discretely presented component units for the year ended December 31, 2022.

(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 land leases 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

During the year ended September 30, 2023, the Authority implemented the following GASB Statements:

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosure. Implementation of this statement did not have any significant impact on the Authority's financial statements for the year ended September 30, 2023.

- In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Implementation of this statement did not have any significant impact on the Authority's financial statements for the year ended September 30, 2023.

- In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of this statement did not have any significant impact on the Authority's financial statements for the year ended September 30, 2023.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirements related to leases, public-private partnerships, and SBITAs are effective for the Authority's year ended September 30, 2023. Implementation of these requirements did not have any significant impact on the Authority's financial statements for the year ended September 30, 2023.

The Authority is currently evaluating its accounting practices to determine the potential impact on the financial statements of the remaining requirements for GASB Statements No. 99, *Omnibus 2022*, No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, No. 101, *Compensated Absences,* No. 102, *Certain Risk Disclosures,* and No. 103 *Financial Reporting Model Improvements.*

(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 a special item (see Notes 3, 4, 12, and 14).

(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, 2023 (primary government) and December 31, 2022 (discretely presented component units) are reported as follows:

	Primary Government	Component Units	Total
Unrestricted cash and cash equivalents	$ 56,871,533	$ 189,211	$ 57,060,744
Restricted cash and cash equivalents	6,251,962	71,735	6,323,697
Total cash and cash equivalents	$ 63,123,495	$ 260,946	$ 63,384,441

(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

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

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:

- **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, 2023, the Authority held $614,536 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.

- **HAP Reserves -** The Authority received various federal funding with restricted spending requirements. At September 30, 2023, the Authority's HAP reserves totaled $5,438,607, which are included in the accompanying financial statements and comprised of $504,303 held in Mainstream 5 Vouchers Program, $4,356,337 in Housing Choices Voucher Program, and $577,967 in Emergency Housing Voucher Program. A corresponding unearned revenue liability of $577,967 is recorded in the Emergency Housing Voucher Program for unearned advance funding received.

- **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, 2023, the Authority's reserves of $115,644 is held in the Authority's blended component units.

- **Other Restricted Deposits –** At September 30, 2023, the Authority maintains restricted deposits in the amount of $49,785 in the Authority's blended component units and $33,390 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 December 31, 2022, the total restricted cash and cash equivalents was $71,735.

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 11). 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, 2022	Additions	Reductions	Balance September 30, 2023	Current Portion
Notes receivable:					
From component units:					
Plaza East	$ 13,464,813	$ -	$ -	$ 13,464,813	$ -
SFHA Housing Corporation *	90,506,070	-	-	90,506,070	-
From others:					
Hunters View	8,087,723	-	-	8,087,723	-
North Beach	13,848,535	-	-	13,848,535	-
Valencia Gardens	15,502,322	-	-	15,502,322	-
Related to RAD Phase I	266,801,477	-	-	266,801,477	-
Related to RAD Phase II	455,768,646	-	-	455,768,646	-
Related to RAD 2020 Conversion	75,809,266	-	-	75,809,266	-
Related to RAD 2021 Conversion	27,672,262	-	-	27,672,262	-
Related to RAD 2022 Conversion	22,000,000	-	-	22,000,000	-
Total notes receivable before elimination	989,461,114	-	-	989,461,114	-
Less: Intra-entity elimination *	-	(90,506,070)	-	(90,506,070)	-
Total notes receivable	$ 989,461,114	$ (90,506,070)	$ -	$ 898,955,044	$ -
Accrued interest receivable:					
From component units:					
Plaza East	$ 6,616,948	$ 568,636	$ -	$ 7,185,584	$ -
SFHA Housing Corporation *	634,775	2,482,450	-	3,117,225	-
From others:					
Hunters View	203,462	20,219	(53,563)	170,118	-
North Beach	7,782,128	415,456	-	8,197,584	-
Related to RAD Phase I	33,681,585	7,168,637	(2,360,421)	38,489,801	210,000
Related to RAD Phase II	39,922,910	7,380,597	(821,854)	46,481,653	210,000
Related to RAD 2020 Conversion	4,145,468	1,641,068	(80,070)	5,706,466	45,000
Related to RAD 2021 Conversion	1,012,113	599,693	(15,000)	1,596,806	-
Related to RAD 2022 Conversion	281,600	427,976	-	709,576	-
Subtotal	94,280,989	20,704,732	(3,330,908)	111,654,813	465,000
Less allowance	(14,602,538)	(1,004,311)	53,563	(15,553,286)	-
Total accrued interest, net, before elimination	79,678,451	19,700,421	(3,277,345)	96,101,527	465,000
Less: Intra-entity elimination *	-	(1,262,861)	-	(1,262,861)	-
Total accrued interest, net	$ 79,678,451	$ 18,437,560	$ (3,277,345)	$ 94,838,666	$ 465,000

* For the year ended September 30, 2022, the notes between the primary government and the SFHA Housing Corporation, a blended component unit, are not eliminated for the presentation of the Authority's basic financial statements as the parties entered into the notes subsequent to the SFHA Housing Corporation's year end of December 31, 2021 but before the Authority's primary government's year end of September 30, 2022. For the year ended September 30, 2023, the notes receivable and related interest receivable as of December 31, 2022, as well as the notes payable and related interest payable as of December 31, 2022, were eliminated.

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

Terms and descriptions of the notes receivable are as follows:

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 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 of $6,805,354 as of December 31, 2022.

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 of $380,230 as of December 31, 2022.

SFHA Housing Corporation – During the year ended September 30, 2022, the Authority converted 2 public housing sites with 952 public housing units to SFHA Housing Corporation (Accelerated Conversion). In connection with the conversion, the Authority entered into the following seller-financed notes:

Borrower	Project	AMP #	Seller-Financed Note
SFHA Housing Corporation	1095 Connecticut Street	AMP 967/971	$ 45,945,800
SFHA Housing Corporation	175 Brookdale Ave	AMP 968	44,560,270
	Total		**$ 90,506,070**

Seller-Financed Notes – The Authority and SFHA Housing Corporation have entered into seller take-back notes of $90,506,070, comprised of 4 notes for each project. 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 1.82% to 3.60% compounded annually. The term of the note commences on the date of the note and expires the earlier of (i) five year after the closing of the permanent financing, but in no event later than the stated date defined in the promissory note between March 31, 2027 to February 28, 2028; (ii) the full repayment of the loan; or (iii) the date of a default, subject to all applicate notice and cure periods. SFHA Housing Corporation shall make an annual payment to the Authority in the amount of $15,000 (the "Annual Payment"). In addition to the Annual Payment, SFHA Housing Corporation shall also make an additional payment in the amount equal to the Authority's share of its Residual Receipts as defined in the promissory note from the preceding year (the "Additional Payment"). Any unpaid principal and interest amounts due under the note shall accrue and be due in subsequent year(s) to the extent of the lender's share of Residual Receipts. As of September 30, 2023, the outstanding seller-financed notes totaled $90,506,070 and related accrued interest is $3,117,225 before intra-entity elimination.

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 $223,681 as of September 30, 2023. 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, 2023.

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 $8,197,584 as of September 30, 2023. 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, 2023.

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. The principal balance for the year ended September 30, 2023 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 hereon (see Note 11). 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

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

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:

Borrower	Project	AMP #	Seller-Financed Notes	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, and each of the partnerships listed above 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, 2023, the outstanding seller-financed notes totaled $245,064,675 and related accrued interest is $38,489,801.

Permanent Notes - In November 2015, the Authority and each of the partnerships listed above 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

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

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, 2023, 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:

Borrower	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 and each of the partnerships listed above 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, 2023, the outstanding seller-financed notes totaled $452,073,646 and related accrued interest is $46,481,653.

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

Permanent Notes - In October 2016, the Authority and each of the partnerships listed above 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, 2023, 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 and permanent notes:

Borrower	Project	AMP #	Seller-Financed Notes	Permanent Note
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	1,434,748
	Total		**$ 74,374,518**	**$ 1,434,748**

Seller-Financed Notes - During the year ended September 30, 2020, the Authority and each of the partnerships listed above 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, 2023, the outstanding seller-financed notes totaled $74,374,518 and related accrued interest is $5,706,466.

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

Permanent Note - In December 2019, the Authority and Bernal Homes, L.P. have entered into permanent notes totaling $1,434,748. The note is secured by a leasehold deed of trust and does not bear interest. The term of each note commences on the date of each note and expires the earlier of (i) December 31, 2074; (ii) the transfer of the project other than a transfer permitted or approved by the Authority; or (iii) the date of a default, subject to all applicate notice and cure periods. Beginning July 15, 2021 and continuing each July 15th thereafter during the term of the note, the borrower shall also make a payment in the amount equal to the Authority's share of its Residual Receipts as defined in the 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 the lender's share of Residual Receipts. As of September 30, 2023, the outstanding permanent note totaled $1,434,748.

RAD 2021 Conversion – In January 2021, the Authority converted another public housing site with 84 public housing units to private ownership through HUD's RAD program. In connection with RAD 2021 Conversion, the Authority entered into the following seller-financed notes:

Borrower	Project	AMP #	Seller-Financed Note
Hayes Valley III, L.P.	650 Linden Street	AMP 960	$ 27,672,262

Seller-Financed Note – In January 2021, the Authority and the partnership listed above have entered into seller take-back note of $27,672,262. The note 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 the note commences on the date of the 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 the 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, the 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 the note, the borrower shall also make an additional payment in the amount equal to the Authority's share of its Residual Receipts as defined in the promissory note from the preceding year (the "Additional Payment"). Any unpaid principal and interest amounts due under the note shall accrue and be due in subsequent year(s) to the extent of the lender's share of Residual Receipts. As of September 30, 2023, the outstanding seller-financed notes totaled $27,672,262 and related accrued interest is $1,596,806.

RAD 2022 Conversion - In February 2022, the Authority also converted 5 scattered public housing sites with 69 public housing units to private ownership through HUD's RAD program (RAD 2022 Conversion). In connection with the conversion, the Authority entered into the following seller-financed notes:

Borrower	Project	AMP #	Seller-Financed Note
MHDC NEW MAP, L.P.	Scattered Sites - Various	AMP 985	$ 22,000,000

Seller-Financed Note – In February 2022, the Authority and the partnership listed above have entered into seller take-back note of $22,000,000. The note 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 1.92% compounded annually. The term of the note commences on the date of the note and expires the earlier of (i) fifty-five

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

(55) years after the closing of the permanent financing, but in no event later than December 31, 2081; (ii) the full repayment of the 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, the 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 the note, the borrower shall also make an additional payment in the amount equal to the Authority's share of its Residual Receipts as defined in the promissory note from the preceding year (the "Additional Payment"). Any unpaid principal and interest amounts due under the note shall accrue and be due in subsequent year(s) to the extent of the lender's share of Residual Receipts. As of September 30, 2023, the outstanding seller-financed notes totaled $22,000,000 and related accrued interest is $709,576.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the business-type activity for the year ended September 30, 2023 was as follows:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023
Capital assets, not being depreciated:				
Land	$ 11,392,003	$ -	$ -	$ 11,392,003
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	11,392,003	-	-	11,392,003
Capital assets, being depreciated:				
Building and improvements	600,791	52,940,921	-	53,541,712
Furniture and equipment	7,583,399	85,855	-	7,669,254
Total capital assets, being depreciated	8,184,190	53,026,776	-	61,210,966
Less accumulated depreciation				
Building and improvements	(487,779)	(456,030)	-	(943,809)
Furniture and equipment	(7,541,836)	(1,154)	-	(7,542,990)
Less accumulated depreciation	(8,029,615)	(457,184)	-	(8,486,799)
Total capital assets, being depreciated, net	154,575	52,569,592	-	52,724,167
Total capital assets, net	$ 11,546,578	$ 52,569,592	$ -	$ 64,116,170

During the year ended September 30, 2022, upon the RAD 2022 and Accelerated Conversion, capital assets with net book value of $52.0 million was sold to SFHA Housing Corporation, a blended component unit, in accordance with the Authority's RAD conversion efforts. For the year ended September 30, 2022, the capital assets received by the SFHA Housing Corporation are not included in the Authority's basic financial statements as the conversion occurred subsequent to the SFHA Housing Corporation's year end of December 31, 2021. For the year ended September 30, 2023, the capital assets received by the SFHA Housing Corporation are reported as an addition to capital assets.

NOTE 4 – CAPITAL ASSETS (Continued)

The Authority's discretely presented component unit's capital assets activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022
Capital assets, not being depreciated:				
Land	$ 3,261,338	$ -	$ -	$ 3,261,338
Construction in progress	1,012,022	684,961	-	1,696,983
Total capital assets, not being depreciated	4,273,360	684,961	-	4,958,321
Capital assets, being depreciated:				
Buildings and improvements	26,224,186	18,963		26,243,149
Equipment and vehicles	1,513,651	-		1,513,651
Total capital assets, being depreciated	27,737,837	18,963	-	27,756,800
Less accumulated depreciation	(18,966,244)	(696,245)	-	(19,662,489)
Total capital assets, being depreciated, net	8,771,593	(677,282)	-	8,094,311
Component units capital assets, net	$ 13,044,953	$ 7,679	$ -	$ 13,052,632

NOTE 5 – LONG-TERM OBLIGATIONS

Changes to the business-type activities long-term obligations for the year ended September 30, 2023 are as follows:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	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	900,677	-	17,919,068	-
Other loan payable to the City	4,646,910	-	-	4,646,910	-
Subtotal	41,665,301	900,677	-	42,565,978	-
Other noncurrent liabilities:					
Unearned revenues - leases:					
Rosa Parks	4,049,985	-	(66,122)	3,983,863	66,122
RAD Phase I	9,517,138	-	(103,353)	9,413,785	103,354
RAD Phase II	23,035,774	-	(247,482)	22,788,292	247,475
RAD 2020 Conversion	8,895,146	-	(142,606)	8,752,540	142,615
RAD 2021 Conversion	3,113,846	-	(49,231)	3,064,615	49,231
Subtotal unearned revenues - leases	48,611,889	-	(608,794)	48,003,095	608,797
Pension withdrawal liability	17,644,247	-	(3,577,644)	14,066,603	1,822,866
Compensated absences	214,863	126,687	(148,137)	193,413	116,048
FSS liability	566,233	48,303	-	614,536	-
Total	$ 108,702,533	$ 1,075,667	$ (4,334,575)	$ 105,443,625	$ 2,547,711

The notes payable of $90.5 million from the SFHA Housing Corporation, a blended component unit, to the primary government were eliminated and not presented in the table above (see Note 3)

NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

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 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. The loan payable balance 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. The Authority 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.

NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

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 $975,302 at September 30, 2023. 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 $818,215 at September 30, 2023. This unearned revenue is amortized over the initial lease ground term of 99 years (see Note 11).

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 $1,711,708 at September 30, 2023. This unearned revenue is amortized over the initial lease ground term of 99 years (see Note 11).

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 $517,460 at September 30, 2023. This unearned revenue is amortized over the initial lease ground term of 65 years (see Note 11).

Unearned Revenues – Leases – RAD 2021 Conversion - The balance is comprised of RAD 2021 Conversion capitalized ground lease in the amount of $3,200,000 net of accumulated amortization of $135,385 at September 30, 2023. This unearned revenue is amortized over the initial lease ground term of 65 years (see Note 11).

Pension Withdrawal Liability - The Authority contributes to several multiple-employer defined contribution pension plans under the terms of various collective bargaining agreements that cover the Authority's union-represented employees. Certain events, such as HUD mandates for the Authority to contract out all essential functions, including the administration of the Housing Choice Voucher and the Public Housing programs, to third-party administrators, and the accelerated conversion of its remaining two public housing projects, resulted in withdrawals from these defined contribution pension plans. These actions, along with the termination of covered employees and cessation of the Authority's obligation to contribute, have resulted in the Authority estimating and recording pension withdrawal liability for the Authority's proportionate share of any unfunded vested benefits.

The estimated pension withdrawal liability was approximately $14.1 million as of September 30, 2023. The final liability for each plan is dependent on the completion of the final assessment of the withdrawal liability as stated in the respective demand letter provided to the Authority. Therefore, the pension withdrawal liability may be adjusted as more information becomes available.

NOTE 5 – LONG-TERM OBLIGATIONS (Continued)

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, 2023, the outstanding conduit bonds issued by the Authority have a balance of $2,865,000.

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 unit's long-term obligations including accrued interest for the year ended December 31, 2022 are as follows:

	Balance January 1, 2022	Additions	Reductions	Balance December 31, 2022	Amounts Due Within One Year
Due to primary government	$ 20,074,961	$ 543,832	$ -	$ 20,618,793	$ -
Due to others	1,019,828	689,925	-	1,709,753	-
Total	$ 21,094,789	$ 1,233,757	$ -	$ 22,328,546	$ -

See Note 12 for descriptions of the Authority's discretely presented component unit's long-term obligations activities.

NOTE 6 – 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 and Safety Plans are cost sharing multiple-employer defined benefit pension plans. The pension plans are administrated by 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. 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	7%	7.25%	0.00%	0.00%
Required employer contribution rates for normal cost (7/1/22 - 6/30/23)	10.08%	10.08%	0.00%	0.00%
Required monthly payment for unfunded liability (7/1/22 - 6/30/23)	$128,149		$5,402	
Required employer contribution rates for normal cost (7/1/23 - 9/30/23)	11.74%	11.74%	0.00%	0.00%
Required monthly payment for unfunded liability (7/1/23 - 9/30/23)	$15,478		$4,354	

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 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, 2023, the Authority's net pension liability is comprised of the following:

Miscellaneous Plan	$ 18,389,298
Safety Plan	621,702
Total	$ 19,011,000

The Authority's net pension liability for the Miscellaneous Plan and Safety Plan are reported as the Authority's proportionate share of the CalPERS Public Miscellaneous Risk Pool's and Safety Risk Pool's net pension liability, respectively. The Authority's proportion of the net pension liability was first

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

determined at the rate plan level within the risk pools and reflects the sum of the proportions of the rate plans. The Authority's net pension liability for each plan is measured as of June 30, 2023, using an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures.

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

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

[1] The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on the table, refer to the 2021 CalPERS experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the 2021 CalPERS Experience Study for the period from 2001 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the 2021 CalPERS Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2023 was 6.90 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expense of 10 basis points.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

The expected real rates of return by asset class are as follows:

Asset Class:	Assumed Asset Allocation	Real Return [1,2]
Global Equity - Cap-Weighted	30.0%	4.54%
Global Equity - Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-Backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

1 An expected inflation of 2.30 percent used for this period.
2 Figures are based on the 2021 Asset Liability Management study.

(c) Changes in the Net Pension Liability

The Authority's proportionate share of the net pension liability for the Miscellaneous Plan was 0.14741% or $18,389,298 as of the June 30, 2023 measurement date, a decrease of 0.00181% and an increase of $1,062,887, when compared to the proportionate share as of June 30, 2022 measurement date of 0.14922% or $17,326,411.

The Authority's proportionate share of the net pension liability for the Safety Plan was 0.00498% or $621,702 as of the June 30, 2023 measurement date, a decrease of 0.00036% and an increase of $5,057, when compared to the proportionate share as of June 30, 2022 measurement date of 0.00534% or $616,645.

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 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate		
	-1% (5.90%)	Current (6.90%)	+1% (7.90%)
Miscellaneous Plan	$ 35,731,666	$ 18,389,298	$ 4,115,041
Safety Plan	783,761	621,702	434,981
Net Pension Liability	$ 36,515,427	$ 19,011,000	$ 4,550,022

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

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

For the year ended September 30, 2023, pension expense recognized by the Authority for the measurement period ended June 30, 2023 for the Miscellaneous Plan and Safety Plan were $4,597,074 and $15,968, respectively.

At September 30, 2023, 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	$ 134,669	$ -
Change in assumptions	1,146,528	-
Differences between expected and actual experience	985,069	149,635
Net differences between projected and actual earnings on plan investments	3,062,473	-
Changes in employer's proportion	5,240,062	510,337
Difference between the employer's contributions and the employer's proportionate share of contributions	4,256	4,133,846
	$ 10,573,057	$ 4,793,818

The $134,669 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, 2024.

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
2024	$ 1,986,402
2025	1,785,572
2026	1,784,787
2027	87,809
	$ 5,644,570

NOTE 7 – 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, 2022, the most recent information available, the following employees were covered by the Retiree Health Plan:

Inactive employees or beneficiaries currently receiving benefits	133
Active employees	37
Total	170

The Authority's total OPEB liability was measured as of September 30, 2023 using an actuarial valuation as of September 30, 2022 rolled forward to September 30, 2023 using standard actuarial update procedures to project/discount from valuation to measurement date.

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, 2023, the Authority contributed $1,478,977 including implicit subsidies of $250,387.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

(b) Total OPEB Liability

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

Valuation Date	September 30, 2022
Measurement Date	September 30, 2023
Measurement Period	October 1, 2022 to September 30, 2023
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Discount Rate	4.63%
Salary Increases	3.00%
Inflation	2.50%
Healthcare Cost Trend Rate	6.00% for 2023 and decreasing to 4.00% by 2070
Mortality	Pre-retirement rates and post-retirement mortality rates for healthy recipients were based on CalPERS Experience Study for the period from 2000 to 2019.

Actuarial assumptions used in the September 30, 2022 valuation were based on a review of plan experience during the period September 30, 2020 to September 30, 2022.

Changes in Assumptions – For the measurement period ended September 30, 2023, the discount rate was increased from 4.40 percent to 4.63 percent, inflation rate was decreased from 2.75 percent to 2.50 percent, while healthcare cost trend rates were updated.

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, 2023 was 4.63%

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

The following table shows the changes in total OPEB liability for the year ended September 30, 2023:

	Total OPEB Liability
Balances reported at October 1, 2022	$ 18,051,394
Changes for the year:	
Service cost	251,133
Interest on total OPEB liability	716,999
Differences between expected and actual experiences	(1,734,166)
Changes in assumptions	101,907
Benefit payments (includes implicit subsidy)	(1,478,977)
Net change	(2,143,104)
Balances reported at September 30, 2023	$ 15,908,290

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The discount rate used for the year ended September 30, 2023 is 4.63%. The impact of a 1-percentage-point increase or decrease in the discount rate assumption is shown below:

	Discount Rate -1% (3.63%)	Current Discount Rate (4.63%)	Discount Rate +1% (5.63%)
Total OPEB Liability	$ 17,569,832	$ 15,908,290	$ 14,509,529

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	Heathcare Trend Rate (plus 1%)
Total OPEB Liability	$ 14,353,743	$ 15,908,290	$ 17,757,253

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

For the year ended September 30, 2023, OPEB expenses (revenue) recognized by the Authority was $(1,269,268). At September 30, 2023, the Authority's deferred outflows of resources and deferred inflows of resources related to OPEB are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 980,181
Change in assumptions	142,136	-
	$ 142,136	$ 980,181

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

Year Ending September 30,	Deferred Outflows/ (Inflows) of Resources
2024	$ (625,142)
2025	(212,903)
	$ (838,045)

NOTE 8 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no significant reductions in insurance coverage from the previous year. The Authority has not settled claims 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	Update to limit per policy	(per property)
General liability		25,000	$ 15,000,000	(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, 2023, the Authority's deposit with BAHARMA is approximately $10.6 million and is reported as a component of the other noncurrent assets in the Authority's statement of net position.

NOTE 8 – 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, 2023:

Statement of Net Position
September 30, 2023

Assets:	
Cash	$ 41,143,565
Prepaid and other	1,287,471
Investments	902,031
Total assets	43,333,067
Liabilities:	
Claims liability	13,705,571
Due to members	29,368,431
Other	259,065
Total liabilities	43,333,067
Net position	$ -

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2023

Operating revenues:	
Claims servicing revenues	$ 1,071,278
Total operating revenues	1,071,278
Operating expenses:	
Claims administration	191,846
General and administration	879,432
Total operating expenses	1,071,278
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 9 – 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.

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.

NOTE 10 – CONCENTRATIONS WITH HUD AND DEFAULTS

For the year ended September 30, 2023, approximately 97% 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.

NOTE 11 – 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, 2023, the Authority received $1,967,911 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 in which the Authority has not exercised the option. The option price is the greater of the project's fair market value, or the assumption of all outstanding debt and taxes. The partnership's managing general partner has the option to acquire the project during the period from July 1, 2021 to December 31, 2024 which has not been exercised as of September 30, 2023.

In addition, the Authority has a ground lease receivable in the amount of $3,128,056 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, 2023.

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, 2023, the Authority did not receive any ground lease rent for this lease.

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 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 $4,999 per year. For the year ended September 30, 2023, the Authority did not receive any ground lease rent for this lease.

NOTE 11 – GROUND LEASES WITH OTHERS (Continued)

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	(818,215)
	Capitalized ground lease, net	**$ 9,413,785**

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	(1,711,708)
	Capitalized ground lease, net	**$ 22,788,292**

NOTE 11 – 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	(517,460)
	Capitalized ground lease, net	**$ 8,752,540**

RAD 2021 Conversion Lessees - The Authority leased the land related to the project for 65 years to the lessees listed below. In January 2021, 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 III, L.P.	650 Linden Street	$ 3,200,000
	Less accumulated amortization	(135,385)
	Capitalized ground lease, net	**$ 3,064,615**

RAD 2022 Conversion and Accelerated Conversion Lessees - The Authority leased the land related to the Sunnydale-Velasco project and the Potrero Terrance and Potrero Annex project for 15 years to SFHA Housing Corporation with annual rent amount of $1 for each of the 4 phases of the projects. The Authority also leased the land related to the 5 scattered public housing sites for 99 years with annual rent amount of $3,000 payable on January 1 of each year commencing on January 1, 2024. For the year ended September 30, 2023, the Authority did not receive any ground lease rent for these leases.

NOTE 12 – DISCRETELY PRESENTED COMPONENT UNITS

Plaza East is considered a discretely presented component unit of the Authority and is reported at its financial year end of December 31, 2022. The following disclosures are those that are material to the Authority and are not meant to be a full representation of the component unit's required disclosures.

(i) Uncertainty – Continuing Operations

Plaza East's financial statements have been prepared in accordance 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. Plaza East relies heavily on the funding from the Authority, which as of December 31, 2022, the Authority owed $393,727 to Plaza East. In addition, $439,653 of management fees were payable at December 31, 2022. 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 2022. The first mortgage balance has continued to increase every year by accrued interest. In 2022, the balance increased by accrued interest of $543,832.

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

NOTE 12 – DISCRETELY PRESENTED COMPONENT UNITS (Continued)

to meet its obligations. Management's plans have been ongoing for a while. As of July 10, 2023, the date of the other auditor's report for the year ended December 31, 2022, 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.

(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.

(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, 2022 was $6,773,750. The loan matures on September 2065. As of December 31, 2022, the outstanding loan balance including unpaid accrued interest was $9,473,760.

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, 2022 was $380,230. The loan matures in September 2065. As of December 31, 2022, the outstanding loan balance including unpaid accrued interest was $11,145,043.

City and County of San Francisco Loan – Funding for emergency life-safety repairs associated with the property is being provided by the City and County of San Francisco up to an amount of $2,698,000 and is secured by the Pledge of Work Product. The loan bear simple interest at a rate of 3% per annum. The outstanding balance of the note, together with all accrued and unpaid interest, will be due and payable on the earlier of April 30, 2024 or the transfer of the property. Unpaid accrued interest at December 31, 2022 was $44,095. As of December 31, 2022, the outstanding loan balance including unpaid accrued interest was $1,709,753.

NOTE 13 – 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 December 31, 2022:

	SFHA Housing Corporation	Plaza East Housing Corporation	Total
Assets:			
Cash and cash equivalents	$ 1,111,153	$ 115,644	$ 1,226,797
Accounts receivable, net	10,396,772	-	10,396,772
Notes receivable	26,267,134	2,700,000	28,967,134
Capital assets, net	52,585,766	-	52,585,766
Total assets	90,360,825	2,815,644	93,176,469
Liabilities:			
Accounts payable and other liabilities	670,765	-	670,765
Related-party payable	2,190,686	-	2,190,686
Accrued interest	1,262,861	-	1,262,861
Notes payable, net	90,506,070	-	90,506,070
Total liabilities	94,630,382	-	94,630,382
Total net position	$ (4,269,557)	$ 2,815,644	$ (1,453,913)
Operating revenues	$ 13,647,647	$ -	$ 13,647,647
Operating expenses	5,947,609	-	5,947,609
Operating income	7,700,038	-	7,700,038
Special item	(38,458,740)	-	(38,458,740)
Change in net position	(30,758,702)	-	(30,758,702)
Net position, beginning of year	26,489,145	2,815,644	29,304,789
Net position, end of year	$ (4,269,557)	$ 2,815,644	$ (1,453,913)
Cash flows from operating activities	$ 1,738,908	$ -	$ 1,738,908
Cash flows from noncapital financing activities	(849,766)	-	(849,766)
Net change in cash and cash equivalents	889,142	-	889,142
Cash and cash equivalents, beginning of year	222,011	115,644	337,655
Cash and cash equivalents, end of year	$ 1,111,153	$ 115,644	$ 1,226,797
Noncash noncapital financing activities:			
Write down of long-term receivables	$ -	$ 568,636	$ 568,636

NOTE 14 – SPECIAL ITEM

During the year ended December 31, 2022, upon the RAD 2022 and Accelerated Conversion, capital assets was received by SFHA Housing Corporation, a blended component unit, from the Authority in exchange of notes payable to the Authority. For the year ended September 30, 2022, the transaction is not included in the Authority's basic financial statements as the conversion occurred subsequent to the SFHA Housing Corporation's year end of December 31, 2021. For the year ended December 31, 2022, SFHA Housing Corporation recognized a loss from the conversion as a special item as follows:

Capital Assets Received	Long-Term Liabilities Added	Loss on RAD Conversion
$ 52,047,330	$ 90,506,070	$ (38,458,740)

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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. During the year ended September 30, 2021, the Miscellaneous Plan was converted from an agent multiple-employer defined benefit pension plan to a cost sharing multiple-employer defined benefit pension plan as the number of active employees decreased. 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 (Unaudite
Last 10 Years*

Safety Plan

Measurement period	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Plan's proportion of the net pension liabilit	0.00498%	0.00534%	0.00838%	0.00549%	0.00573%	0.00591%	0.00564%	0.00570%	0.00669%	0.00696%
Plan's proportionate share of the net pension liabilit	$ 621,702	$ 616,645	$ 453,238	$ 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	n/a	n/a	n/a
Plan's proportionate share of the net pension liability as a percentage of its covered payrol	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Plan's fiduciary net pension as a percentage of th plan's total pension liabilit	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	80.43%

Miscellaneous Plan

Measurement period	**2023**	**2022**	**2021**
Plan's proportion of the net pension liability (asse	0.14741%	0.14922%	-0.06378%
Plan's proportionate share of the net pension liability (asse	$18,389,298	$17,236,411	#########
Plan's covered payrol	$ 2,162,095	$ 4,136,568	$ 3,944,389
Plan's proportionate share of the net pension liability (asse as a percentage of its covered payrol	850.53%	416.68%	-87.45%
Plan's fiduciary net pension as a percentage of th plan's total pension liabilit	76.21%	76.68%	88.29%

* For the Miscellaneous Plan, during the year ended September 30, 2021, the plan was converted from an agent multiple-employer defined benefit pension plan to a cost sharing multiple-employer defined benefit pension as the number of active employees decreased. Therefore only three year 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, 2022 valuation date. This applies to voluntary benefit changes as we 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 durin 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 assumption were changed in accordance to the 2017 CalPERS Experience Study. There were no change in assumptions during measurement periods 2019, 2020, and 2021During measurement period 2022, the discount rate was reduced from 7.15% to 6.90% and inflation rate was reduced from 2.50% to 2.30%. Demographic assumptions were changed in accordance with the 2021 CalPERS Experience Study. There were no changes in assumptions during the measurement period 2023.

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	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Miscellaneous Plan										
Actuarially determined contribution / contractually required contribution	$ 1,807,769	$ 2,160,947	$ 1,965,905	$ 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 / contractually required contribution	(1,807,769)	(2,160,947)	(1,965,905)	(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	$ 2,162,095	$ 4,136,568	$ 3,944,389	$ 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 payrol	83.61%	52.24%	49.84%	58.43%	20.97%	19.05%	14.07%	12.54%	11.93%	9.98%
Safety Plan										
Contractually required contribution	$ 33,907	$ 57,011	$ 55,183	$ 34,278	$ 38,375	$ 51,896	$ 18,102	$ 4,459	$ 95,116	$ 89,845
Contributions in relation to the contractually required contribution	(33,907)	(57,011)	(55,183)	(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	n/a	n/a	n/a
Contributions as a percentage of covered payrol	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

For the Miscellaneous Plan, during the year ended September 30, 2021, the plan was converted from an agent multiple-employer defined benefit pension plan to a cost sharing multiple-employer defined benefit pension plan as number of active employees decreased.

Fiscal Year	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14

The actuarial methods and assumptions used are as follows

Valuation dates	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**	**June 30, 2012**	**June 30, 2011**
Actuarial cost method	Entry-age normal cost method									
Amortization method	Level dollar amount		Level percent of payroll							
Asset valuation method	Actuarial value of assets									
Inflation	2.50%			2.625%	2.75%					
Payroll growth	2.75%			2.875%	3.00%					
Projected salary increases	Varies by Entry Age and Servic									
Investment rate of return	7.00%, net of pension plans' investment expenses, including inflation			7.25%, net of pension plans' investment expenses, including inflatior	7.375%, net of pension plans' investment expenses, including inflatior	7.50%, net of pension plans' investment expenses, including inflation				
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.				The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.			The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.		
Mortality	The probabilities of mortality are based on the 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.				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.			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.		

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)
Last 10 Years*

Measurement Period	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Total Other Postemployment Benefit (OPEB) Liability						
Service cost	$ 251,133	$ 337,576	$ 312,263	$ 974,651	$ 744,076	$ 750,072
Interest on the total OPEB liability	716,999	497,374	542,879	664,156	773,662	723,233
Differences between expected and actual experience	(1,734,166)	-	(1,382,284)	-	-	-
Changes in assumptions	101,907	(4,462,622)	(636,800)	1,211,664	3,233,839	-
Benefit payments (includes implicit subsidy)	(1,478,977)	(1,381,547)	(1,222,978)	(1,151,034)	(910,368)	(891,179)
Net change in total OPEB liability during measurement period	(2,143,104)	(5,009,219)	(2,386,920)	1,699,437	3,841,209	582,126
Total OPEB liability, beginning	18,051,394	23,060,613	25,447,533	23,748,096	19,906,887	19,324,761
Total OPEB liability, ending	**$ 15,908,290**	**$ 18,051,394**	**$ 23,060,613**	**$ 25,447,533**	**$ 23,748,096**	**$ 19,906,887**
Covered-employee payroll	$ 2,162,095	$ 4,136,568	$ 3,944,389	$ 3,555,507	$ 10,530,969	$ 11,620,492
Plan total OPEB liability as a percentage of covered-employee payroll	735.78%	436.39%	584.64%	715.72%	225.51%	171.31%

* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only six years 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%. During measurement 2021, the discount rate was reduced from 2.41% to 2.19%, the inflation rate was decreased from 3.00% to 2.75%, while healthcare cost trend rate and mortality assumptions were updated. During measurement period 2022, the discount rate was increased to 4.40%. During the measurement period 2023, the discount rate was increased from 4.40% to 4.63%, the inflation rate was decreased from 2.75% to 2.50%, while healthcare cost trend rates were updated.

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	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018-19**	**2017-18**
Actuarially determined contributior	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Contributions in relation to the actuarially determined contributior	$ (1,478,977)	$ (1,381,547)	$ (1,222,978)	$ (1,151,034)	$ (910,368)	$ (891,179)
Contribution deficiency (excess)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Covered payroll	$ 2,162,095	$ 4,136,568	$ 3,944,389	$ 3,555,507	$ 10,530,969	$ 11,620,492
Contributions as a Percentage of Covered Payroll	68.40%	33.40%	31.01%	32.37%	8.64%	7.67%

* Fiscal year 2018 was the first year of implementation of GASB Statement No. 75, therefore only six years 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	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018-19**	**2017-18**
The actuarial methods and assumptions used are as follows:						
Valuation dates	**September 30, 2022**	**September 30, 2020**	**September 30, 2020**	**September 30, 2018**	**September 30, 2018**	**September 30, 2018**
Actuarial cost method	Entry-age normal cost method					
Amortization method	Level percent of payroll					
Asset valuation method	Not applicable - Actuarial value of assets when applicable					
Inflation	2.50%	2.75%		3.00%		
Payroll growth	3.00%					
Projected salary increases	Varies by Entry Age and Service					
Investment rate of return	4.63%	4.40%	2.19%	2.41%	2.75%	3.83%
Healthcare trend	6.00% for 2023 and decreasing to 4.0% by 2070	5.80% for 2021, 5.60% for 2022, and decreasing to 4.00% by 2070		5.50% for 2019, 5.25% for 2020, and 5.00% for 2021 and later years		
Mortality	Pre-retirement rates and post-retirement mortality rates for healthy recipients were based on CalPERS Experience Study for the period from 2000 to 2019.			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.		

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

Housing Authority of the City and County of San Francisco, California
Entity-Wide Balance Sheet Summary
September 30, 2023 (With Discretely Presented Component Units as of December 31, 2022)

	Project Total	Business Activities	6.2 Component Unit - Blended	COCC	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	14.EHV Emergency Housing Voucher	Elimination	Total Primary Government	6.1 Component Units - Discretely Presented	REAC Total (Primary Government and Component Units)
111 Cash - Unrestricted	7,880,150	19,713,966	1,061,368	3,956,746	3,178,580	31,258	-	97,746	20,923,958	27,761	-	56,871,533	189,211	57,060,744
113 Cash - Other Restricted	-	-	115,644	-	-	-	33,390	504,303	4,970,873	577,967	-	6,202,177	277	6,202,454
114 Cash - Tenant Security Deposits	-	-	49,785	-	-	-	-	-	-	-	-	49,785	71,458	121,243
100 Total Cash	**7,880,150**	**19,713,966**	**1,226,797**	**3,956,746**	**3,178,580**	**31,258**	**33,390**	**602,049**	**25,894,831**	**605,728**	**-**	**63,123,495**	**260,946**	**63,384,441**
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-	2,999,035	47,264	-	3,046,299	-	3,046,299
122 Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	-	-	74,535	-	-	74,535	-	74,535
124 Accounts Receivable - Other Government	4,548,460	-	-	8,380	-	-	-	-	-	-	-	4,556,840	393,727	4,950,567
125 Accounts Receivable - Miscellaneous	-	-	9,738,716	2,372,961	-	-	-	-	4,352	25,558	(2,190,686)	9,950,901	-	9,950,901
126 Accounts Receivable - Tenants	343	-	1,869,553	-	-	-	-	44,688	-	-	-	1,914,584	1,028,583	2,943,167
126.1 Allowance for Doubtful Accounts -Tenants	-	-	(1,211,497)	-	-	-	-	-	-	-	-	(1,211,497)	(918,506)	(2,130,003)
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	(3,064,222)	-	-	(3,064,222)	-	(3,064,222)
127 Notes, Loans, & Mortgages Receivable - Current	120,000	345,000	-	-	-	-	-	-	-	-	-	465,000	-	465,000
120 Total Receivables, Net of Allowances for Doubtful Accounts	**4,668,803**	**345,000**	**10,396,772**	**2,381,341**	**-**	**-**	**-**	**44,688**	**13,700**	**72,822**	**(2,190,686)**	**15,732,440**	**503,804**	**16,236,244**
142 Prepaid Expenses and Other Assets	-	-	-	29,647	-	-	-	-	-	-	-	29,647	57,137	86,784
150 Total Current Assets	**12,548,953**	**20,058,966**	**11,623,569**	**6,367,734**	**3,178,580**	**31,258**	**33,390**	**646,737**	**25,908,531**	**678,550**	**(2,190,686)**	**78,885,582**	**821,887**	**79,707,469**
161 Land	6,405,615	4,810,801	-	175,587	-	-	-	-	-	-	-	11,392,003	3,261,338	14,653,341
162 Buildings	-	-	52,940,921	600,791	-	-	-	-	-	-	-	53,541,712	26,243,149	79,784,861
163 Furniture, Equipment & Machinery - Dwellings	-	-	85,855	-	-	-	-	-	-	-	-	85,855	1,513,651	1,599,506
164 Furniture, Equipment & Machinery - Administration	-	-	-	6,994,905	-	-	-	-	588,494	-	-	7,583,399	-	7,583,399
166 Accumulated Depreciation	-	-	(441,010)	(7,457,295)	-	-	-	-	(588,494)	-	-	(8,486,799)	(19,662,489)	(28,149,288)
167 Construction in Progress	-	-	-	-	-	-	-	-	-	-	-	-	1,696,983	1,696,983
160 Total Capital Assets, Net of Accumulated Depreciation	**6,405,615**	**4,810,801**	**52,585,766**	**313,988**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64,116,170**	**13,052,632**	**77,168,802**
171 Notes, Loans and Mortgages Receivable - Non-Current	378,303,400	582,190,580	28,967,134	-	-	-	-	-	-	-	(90,506,070)	898,955,044	-	898,955,044
174 Other Assets	40,172,882	55,463,645	-	10,587,859	-	-	-	-	-	-	(1,262,861)	104,961,525	954,169	105,915,694
180 Total Non-Current Assets	**424,881,897**	**642,465,026**	**81,552,900**	**10,901,847**	**-**	**-**	**-**	**-**	**-**	**-**	**(91,768,931)**	**1,068,032,739**	**14,006,801**	**1,082,039,540**
200 Deferred Outflow of Resources	**2,143,038**	**-**	**-**	**5,357,597**	**-**	**-**	**-**	**-**	**3,214,558**	**-**	**-**	**10,715,193**	**-**	**10,715,193**
290 Total Assets and Deferred Outflow of Resources	**439,573,888**	**662,523,992**	**93,176,469**	**22,627,178**	**3,178,580**	**31,258**	**33,390**	**646,737**	**29,123,089**	**678,550**	**(93,959,617)**	**1,157,633,514**	**14,828,688**	**1,172,462,202**
312 Accounts Payable <= 90 Days	128,888	-	571,127	1,233,157	-	-	-	-	-	-	-	1,933,172	994,441	2,927,613
321 Accrued Wage/Payroll Taxes Payable	-	-	-	-	-	-	-	-	596	603	-	1,199	5,015	6,214
322 Accrued Compensated Absences - Current Portion	-	-	-	113,693	-	-	-	-	2,355	-	-	116,048	-	116,048
331 Accounts Payable - HUD PHA Programs	-	-	-	-	109,213	-	-	-	29,083	-	-	138,296	-	138,296
341 Tenant Security Deposits	-	-	49,785	-	-	-	-	-	-	-	-	49,785	71,458	121,243
342 Unearned Revenues	-	-	49,853	-	-	-	-	-	-	577,967	-	627,820	127,297	755,117
345 Other Current Liabilities	2,318,165	361,766	2,190,686	728,238	-	-	-	-	-	-	(2,190,686)	3,408,169	6,606	3,414,775
346 Accrued Liabilities - Other	639	-	-	17,135	-	-	-	586	539,613	13,196	-	571,169	587,153	1,158,322
310 Total Current Liabilities	**2,447,692**	**361,766**	**2,861,451**	**2,092,223**	**109,213**	**-**	**-**	**586**	**571,647**	**591,766**	**(2,190,686)**	**6,845,658**	**1,791,970**	**8,637,628**
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	90,506,070	-	-	-	-	-	-	-	(90,506,070)	-	22,328,546	22,328,546
352 Long-term Debt, Net of Current - Operating Borrowings	24,646,910	-	-	-	-	-	-	-	17,919,068	-	-	42,565,978	-	42,565,978
353 Non-current Liabilities - Other	32,634,231	27,003,804	1,262,861	-	-	-	-	-	614,536	-	(1,262,861)	60,252,571	904,709	61,157,280
354 Accrued Compensated Absences - Non Current	-	-	-	75,795	-	-	-	-	1,570	-	-	77,365	-	77,365
357 Accrued OPEB Liabilities	3,115,682	-	-	7,789,206	329,879	-	-	-	4,673,523	-	-	15,908,290	-	15,908,290
358 Accrued Pension Liabilities	3,802,200	-	-	9,505,500	-	-	-	-	5,703,300	-	-	19,011,000	-	19,011,000
350 Total Non-Current Liabilities	**64,199,023**	**27,003,804**	**91,768,931**	**17,370,501**	**329,879**	**-**	**-**	**-**	**28,911,997**	**-**	**(91,768,931)**	**137,815,204**	**23,233,255**	**161,048,459**
300 Total Liabilities	**66,646,715**	**27,365,570**	**94,630,382**	**19,462,724**	**439,092**	**-**	**-**	**586**	**29,483,644**	**591,766**	**(93,959,617)**	**144,660,862**	**25,025,225**	**169,686,087**
400 Deferred Inflow of Resources	**1,154,800**	**-**	**-**	**2,887,000**	**-**	**-**	**-**	**-**	**1,732,199**	**-**	**-**	**5,773,999**	**-**	**5,773,999**
508.4 Net Investment in Capital Assets	6,405,615	4,810,801	(37,920,304)	313,988	-	-	-	-	-	-	90,506,070	64,116,170	(9,275,914)	54,840,256
511.4 Restricted Net Position	-	-	115,644	-	-	-	33,390	504,303	4,356,337	-	-	5,009,674	277	5,009,951
512.4 Unrestricted Net Position	365,366,758	630,347,621	36,350,747	(36,534)	2,739,488	31,258	-	141,848	(6,449,091)	86,784	(90,506,070)	938,072,809	(920,900)	937,151,909
513 Total Equity - Net Assets / Position	**371,772,373**	**635,158,422**	**(1,453,913)**	**277,454**	**2,739,488**	**31,258**	**33,390**	**646,151**	**(2,092,754)**	**86,784**	**-**	**1,007,198,653**	**(10,196,537)**	**997,002,116**
600 Total Liabilities, Deferred Inflows of Resources and Equity - Ne	**439,573,888**	**662,523,992**	**93,176,469**	**22,627,178**	**3,178,580**	**31,258**	**33,390**	**646,737**	**29,123,089**	**678,550**	**(93,959,617)**	**1,157,633,514**	**14,828,688**	**1,172,462,202**

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, 2023 (With Blended and Discretely Presented Component Units for the Year Ended December 31, 2022)

	Project Total	Business Activities	6.2 Component Unit - Blended	COCC	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	14.EHV Emergency Housing Voucher	Elimination	Total Primary Government	6.1 Component Units - Discretely Presented	REAC Total (Primary Government and Component Units)
70300 Net Tenant Rental Revenue	-	-	13,470,648	-	-	-	-	-	-	-	(10,396,000)	3,074,648	2,439,410	5,514,058
70500 Total Tenant Revenue	**-**	**-**	**13,470,648**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,396,000)**	**3,074,648**	**2,439,410**	**5,514,058**
70600 HUD PHA Operating Grants	7,276,056	-	-	-	1,019,757	-	-	6,044,764	387,616,789	14,984,890	-	416,942,256	-	416,942,256
70710 Management Fee	-	-	-	5,766,721	-	-	-	-	-	-	(5,766,721)	-	-	-
70730 Book Keeping Fee	-	-	-	1,290,038	-	-	-	-	-	-	(1,290,038)	-	-	-
70700 Total Fee Revenue	**-**	**-**	**-**	**7,056,759**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,056,759)**	**-**	**-**	**-**
71100 Investment Income - Unrestricted	-	-	-	4,638	-	-	-	-	48,265	-	-	52,903	-	52,903
71200 Mortgage Interest Income	8,275,228	11,860,868	568,636	-	-	-	-	-	-	-	(1,262,861)	19,441,871	-	19,441,871
71500 Other Revenue	4,058,964	361,763	176,369	6,274,717	-	-	-	-	1,379,105	50,157	-	12,301,075	215	12,301,290
72000 Investment Income - Restricted	-	-	-	-	-	-	-	-	10,802	-	-	10,802	-	10,802
70000 Total Revenue	**19,610,248**	**12,222,631**	**14,215,653**	**13,336,114**	**1,019,757**	**-**	**-**	**6,044,764**	**389,054,961**	**15,035,047**	**(18,715,620)**	**451,823,555**	**2,439,625**	**454,263,180**
91100 Administrative Salaries	-	-	199,298	1,652,416	-	-	-	-	122,616	132,350	-	2,106,680	135,603	2,242,283
91200 Auditing Fees	-	-	-	108,301	-	-	-	-	111,744	4,470	-	224,515	14,700	239,215
91300 Management Fee	144,214	-	288,572	-	22,372	-	-	47,374	5,259,987	292,775	(5,766,721)	288,573	112,326	400,899
91310 Bookkeeping Fee	-	-	-	-	5,918	-	-	15,780	1,221,540	46,800	(1,290,038)	-	-	-
91400 Advertising and Marketing	-	-	4,420	4,545	-	-	-	-	6,197	-	-	15,162	-	15,162
91500 Employee Benefit contributions - Administrative	895,674	-	60,035	4,623,155	-	-	-	-	1,423,586	80,950	-	7,083,400	-	7,083,400
91600 Office Expenses	147,104	-	80,973	1,590,673	-	-	-	80,467	610,389	88,795	-	2,598,401	47,677	2,646,078
91700 Legal Expense	3,548	-	-	585,319	-	-	-	-	-	-	-	588,867	152,488	741,355
91800 Travel	-	-	-	7,144	-	-	-	-	-	-	-	7,144	93	7,237
91900 Other	79,816	-	43,281	138,180	-	-	-	-	12,650,893	157,736	-	13,069,906	41,428	13,111,334
91000 Total Operating - Administrative	**1,270,356**	**-**	**676,579**	**8,709,733**	**28,290**	**-**	**-**	**143,621**	**21,406,952**	**803,876**	**(7,056,759)**	**25,982,648**	**504,315**	**26,486,963**
92200 Relocation Costs	96,121	-	-	-	-	-	-	-	-	-	-	96,121	-	96,121
92400 Tenant Services - Other	22,666	-	-	-	-	-	-	-	51,741	1,185,613	-	1,260,020	-	1,260,020
92500 Total Tenant Services	**118,787**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51,741**	**1,185,613**	**-**	**1,356,141**	**-**	**1,356,141**
93100 Water	-	-	-	4,926	-	-	-	-	1,447	1,447	-	7,820	307,472	315,292
93200 Electricity	-	-	284,396	125,822	-	-	-	-	30,010	31,677	-	471,905	42,182	514,087
93300 Gas	-	-	-	3,625	-	-	-	-	680	680	-	4,985	88,771	93,756
93500 Labor	130,185	-	-	-	-	-	-	-	-	-	-	130,185	-	130,185
93600 Sewer	-	-	-	5,691	-	-	-	-	1,671	1,671	-	9,033	428,814	437,847
93000 Total Utilities	**130,185**	**-**	**284,396**	**140,064**	**-**	**-**	**-**	**-**	**33,808**	**35,475**	**-**	**623,928**	**867,239**	**1,491,167**
94100 Ordinary Maintenance and Operations - Labor	-	-	467,802	103,723	-	-	-	-	-	-	-	571,525	111,943	683,468
94200 Ordinary Maintenance and Operations - Materials and Other	44,523	-	25,231	2,431	-	-	-	-	-	-	-	72,185	50,174	122,359
94300 Ordinary Maintenance and Operations Contracts	330,674	-	555,890	76,331	-	-	-	-	4,412	3,774	-	971,081	566,815	1,537,896
94500 Employee Benefit Contributions - Ordinary Maintenance	-	-	-	909	-	-	-	-	-	-	-	909	-	909
94000 Total Maintenance	**375,197**	**-**	**1,048,923**	**183,394**	**-**	**-**	**-**	**-**	**4,412**	**3,774**	**-**	**1,615,700**	**728,932**	**2,344,632**
95200 Protective Services - Other Contract Costs	-	-	123,785	-	-	-	-	-	-	-	-	123,785	127,103	250,888
95000 Total Protective Services	**-**	**-**	**123,785**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**123,785**	**127,103**	**250,888**
96110 Property Insurance	-	-	257,586	2,671	-	-	-	-	-	-	-	260,257	174,897	435,154
96120 Liability Insurance	-	-	-	9,770	-	-	-	-	-	-	-	9,770	-	9,770
96130 Workmen's Compensation	-	-	19,808	763,630	-	-	-	-	-	-	-	783,438	55,036	838,474
96140 All Other Insurance	-	-	558	64,030	-	-	-	-	16,586	16,753	-	97,927	1,116	99,043
96100 Total Insurance Premiums	**-**	**-**	**277,952**	**840,101**	**-**	**-**	**-**	**-**	**16,586**	**16,753**	**-**	**1,151,392**	**231,049**	**1,382,441**
96200 Other General Expenses	2,649,414	-	8	1,599,252	-	-	-	-	20,753	-	-	4,269,427	38,205	4,307,632
96300 Payments in Lieu of Taxes	-	-	612,792	-	-	-	-	-	-	-	-	612,792	77,545	690,337
96400 Bad debt - Tenant Rents	486,693	-	1,211,497	-	-	-	-	-	-	-	-	1,698,190	48,460	1,746,650
96500 Bad debt - Mortgages	435,675	-	568,636	-	-	-	-	-	-	-	-	1,004,311	-	1,004,311
96600 Bad debt - Other	1,528,458	-	-	-	-	-	-	-	20	-	-	1,528,478	-	1,528,478
96800 Severance Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96000 Total Other General Expenses	**5,100,240**	**-**	**2,392,933**	**1,599,252**	**-**	**-**	**-**	**-**	**20,773**	**-**	**-**	**9,113,198**	**164,210**	**9,277,408**
96710 Interest of Mortgage (or Bonds) Payable	-	-	1,262,861	-	-	-	-	-	-	-	(1,262,861)	-	584,386	584,386
96730 Amortization of Bond Issue Costs	-	-	7,806	-	-	-	-	-	-	-	-	7,806	-	7,806
96700 Total Interest Expense and Amortization Cost	**-**	**-**	**1,270,667**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,262,861)**	**7,806**	**584,386**	**592,192**
96900 Total Operating Expenses	**6,994,765**	**-**	**6,075,235**	**11,472,544**	**28,290**	**-**	**-**	**143,621**	**21,534,272**	**2,045,491**	**(8,319,620)**	**39,974,598**	**3,207,234**	**43,181,832**
97000 Excess of Operating Revenue over Operating Expenses	**12,615,483**	**12,222,631**	**8,140,418**	**1,863,570**	**991,467**	**-**	**-**	**5,901,143**	**367,520,689**	**12,989,556**	**(10,396,000)**	**411,848,957**	**(767,609)**	**411,081,348**
97300 Housing Assistance Payments	-	-	-	-	606,434	32,554	-	5,422,473	371,182,371	18,198,506	(10,396,000)	385,046,338	-	385,046,338
97350 HAP Portability-In	-	-	-	-	-	-	-	-	487,832	-	-	487,832	-	487,832
97400 Depreciation Expense	-	-	441,010	16,174	-	-	-	-	-	-	-	457,184	696,245	1,153,429
90000 Total Expenses	**6,994,765**	**-**	**6,516,245**	**11,488,718**	**634,724**	**32,554**	**-**	**5,566,094**	**393,204,475**	**20,243,997**	**(18,715,620)**	**425,965,952**	**3,903,479**	**429,869,431**
10010 Operating Transfer In	452,222	-	-	-	-	-	-	-	-	-	(452,222)	-	-	-
10020 Operating Transfer Out	(452,222)	-	-	-	-	-	-	-	-	-	452,222	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	(38,458,110)	-	-	-	-	-	-	-	-	(38,458,110)	-	(38,458,110)
10100 Total Other financing Sources (Uses)	**-**	**-**	**(38,458,110)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38,458,110)**	**-**	**(38,458,110)**
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	**12,615,483**	**12,222,631**	**(30,758,702)**	**1,847,396**	**385,033**	**(32,554)**	**-**	**478,670**	**(4,149,514)**	**(5,208,950)**	**-**	**(12,600,507)**	**(1,463,854)**	**(14,064,361)**
11030 Beginning Equity	359,156,890	622,935,791	29,304,789	(1,569,942)	2,354,455	63,812	33,390	167,481	2,056,760	5,295,734	-	1,019,799,160	(8,732,683)	1,011,066,477
11170 Administrative Fee Equity	-	-	-	-	-	-	-	-	(6,449,091)	-	-	(6,449,091)	-	(6,449,091)
11180 Housing Assistance Payments Equity	-	-	-	-	-	-	-	-	4,356,337	-	-	4,356,337	-	4,356,337
11190 Unit Months Available	3,972	-	11,424	-	1,296	1,296	-	2,748	187,260	10,872	-	218,868	2,316	221,184
11210 Number of Unit Months Leased	3,669	-	7,186	-	719	-	-	2,062	165,201	6,173	-	185,010	2,052	187,062
11270 Excess Cash	9,528,295	-	-	-	-	-	-	-	-	-	-	9,528,295	-	9,528,295

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.

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 (*Government Auditing Standards*), the 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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 28, 2024.

Our report includes emphasis of matter paragraphs discussing the Authority's revenue concentration risk with the U.S. Department of Housing and Urban Development 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 blended component unit, SFHA Housing Corporation, and the Authority's discretely presented component unit, 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 SFHA Housing Corporation and Plaza East Associates, L.P. were not audited in accordance with *Government Auditing Standards*.

Report on 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 were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, as described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Walnut Creek, California
June 28, 2024

Certified Public Accountants

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

Qualified and Unmodified Opinions

We have audited the Housing Authority of the City and County of San Francisco, California's (Authority) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

Qualified Opinion on Housing Voucher Cluster (Assistance Listing Numbers 14.871 and 14.879)

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Housing Voucher Cluster for the year ended September 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Housing Voucher Cluster (Assistance Listing Numbers 14.871 and 14.879)

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with the requirements regarding the following:

Finding Number	Assistance Listing Number	Program (or Cluster) Name	Compliance Requirement
2023-002	14.871, 14.879	Housing Voucher Cluster	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.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Macias Gini & O'Connell LLP

Walnut Creek, California
June 28, 2024

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Grantor/Program Title	Grantor Identifying Number	Assistance Listing Number	Expenditures
U.S. Department of Housing and Urban Development:			
Direct:			
Public and Indian Housing	n/a	14.850	$ 5,457,745
Lower Income Housing Assistance Program -			
Section 8 Moderate Rehabilitation	n/a	14.856	1,019,757
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	n/a	14.871	387,616,789
Section 8 Housing Choice Vouchers - COVID-19	n/a	14.871	14,984,890
Subtotal Section 8 Housing Choice Vouchers			402,601,679
Mainstream Vouchers	n/a	14.879	6,044,764
Subtotal Housing Voucher Cluster			408,646,443
Public Housing Capital Fund	n/a	14.872	1,818,311
Total Expenditures of Federal Awards			$ 416,942,256

HOUSING AUTHORITY OF THE
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

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*. Federal programs are listed by their Assistance Listing Numbers (ALN).

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 Public and Indian Housing Program (ALN 14.850), Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation program (ALN 14.856), and the Housing Voucher Cluster (ALN 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*.

As a result of the COVID-19 pandemic, many new federal programs have been established and funding has been added to existing federal programs. Expenditures funded from the following acts are denoted by the prefix COVID-19 in the federal program title in the Schedule (as applicable):

- Coronavirus Preparedness and Response Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA)
- American Rescue Plan Act (ARP)

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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 U.S. 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?	Yes

Type of auditor's report issued on compliance for major programs:

Qualified for:

- Housing Voucher Cluster (ALN 14.871 and 14.879) – Special Tests and Provisions (Housing Quality Standards)

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 (ALN 14.850)
2. Housing Voucher Cluster (ALN 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 2023-001 — Lack of Sufficient Controls Over Financial Reporting Processes
Significant Deficiency

Criteria
The Authority has a fiduciary responsibility as a steward of public funds and, as a recipient of federal awards, must comply with the internal control requirements established in the Uniform Guidance. In order to fulfill this responsibility, the Authority has implemented internal controls that serve as the first line of defense in safeguarding assets. Additionally, these controls are designed to ensure: (1) effective and efficient operations, (2) reliable financial reporting and (3) compliance with applicable laws and regulations. The Committee on Sponsoring Organizations of the Treadway Commission (COSO) has established a nationally recognized framework for internal control in its *Internal Control – Integrated Framework* and its related *Guidance for Smaller Public Companies: Reporting on Internal Controls over Financial Reporting*. The COSO framework establishes five elements of internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring.

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

- Overstatement of pension expenses of $2.1 million and misstatements of net pension liability and related deferred outflows/inflows of resources resulting from calculation errors.
- Understatement of $5.4 million of expenses and cash and cash equivalents resulting from reconciliation errors.

The Authority has recorded audit adjustments to correct these identified misstatements.

Cause of Condition
The Authority experienced significant loss of Finance Department staffing during the past years. The Authority was not adequately prepared for the decrease in staffing to perform the year-end financial reporting process. Although the process has improved when compared to prior year, misstatements were not detected and corrected during the year-end closing process.

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

Identification of Repeat Finding
This is a repeat of finding 2022-001 reported for the year ended September 30, 2022.

Recommendation
Management has the responsibility to ensure the financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America. We recommend the Authority to continue to reevaluate the sufficiency of the staffing of its Finance Department and ensure that its personnel are technically proficient and adequately trained to ensure that financial information is accurate and available timely 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:	**2023-002**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Housing Voucher Cluster**
Assistance Listing Number:	**14.871 and 14.879**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Special Tests and Provisions (Housing Quality Standards Inspections)**
Classification of Finding:	**Material Weakness in Internal Control over Compliance** **Material Noncompliance**

Criteria
Pursuant to 24 CFR 982.158 and 982.405, the Authority must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and must also conduct quality control re-inspections. The PHA must prepare and maintain a unit inspection report for at least three years. To provide relief during the coronavirus pandemic, HUD waived the biennial inspections through December 31, 2021. The Authority was required to resume biennial inspections by December 31, 2021. The Authority was required to conduct all delayed biennial inspections from calendar year 2020 as soon as reasonably possible but no later than June 30, 2022 and was required to conduct all delayed biennial inspections from calendar year 2021 as soon as reasonably possible but no later than December 31, 2022.

Condition
From a total population of about 15,410 tenants for the fiscal year ended September 30, 2023, we selected a statistically valid sample of one monthly subsidy payment for each of 60 selected tenants, and identified fifteen tenants whose HQS inspections were completed past the due dates and seven tenants whose HQS inspection reports were not provided for review.

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

Effect
The Authority is not in compliance with the HQS inspection requirements. The Authority may be paying Housing Assistance Payments (HAPs) to property owners whose units have inadequate housing quality.

Questioned Costs
Known questioned costs of $179,377 represent HAPs for the months for which compliance with housing assistance payments are questioned. Projecting the known questioned costs from the sample of 60 participants that totaled $1,550,585 in HAPs to the total HAPs of $385,748,113 for the year, results in likely questioned costs of $44,624,677.

Identification of Repeat Finding
This is a repeat of finding 2022-003 reported for the year ended September 30, 2022.

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 required HQS inspections are completed in a timely manner, and to strengthen its record retention and filing systems.

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

Finding Reference:	**2023-003**
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:	**Significant Deficiency in Internal Control over Compliance** **Instance of 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 3,515 tenants with failed inspections during the fiscal year, we identified three 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 are 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 $10,770, which represents 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 not a repeat finding in the immediate prior audit period.

Recommendation
The Authority should continue to 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.

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SAN FRANCISCO HOUSING AUTHORITY
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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, 2022:

Prior Year's Audit Findings – Financial Statements

Reference Number:	**2022-001 – Lack of Sufficient Controls Over Financial Reporting Processes** Significant Deficiency
Condition:	During our current year audit, we noted the following: • Multiple versions of updated financial statements are provided throughout the audit, in which significant changes are made to the account balances for each updated version provided. • Amounts reported on the financial statements do not agree to the general ledger for the earlier versions of the financial statements. • Errors in the recording of non-routine transactions such as the Rental Assistance Demonstration 2022 Conversion and Accelerated Conversion. • Numerous audit adjustments were recorded to adjust the unaudited balances to final reported balances.
Recommendation:	The Authority should reevaluate 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. The Authority should also evaluate the year-end financial reporting process and develop a reasonable timeline and milestones to ensure that financial information is timely available.
Current Status:	Corrective action is in progress.

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Prior Year's Audit Findings – Major Federal Award Programs

Reference Number:	**2022-002 – Eligibility** Material Weakness in Internal Control over Compliance Material Noncompliance Public and Indian Housing ALN 14.850
Condition:	Document to support participants' eligibility or rent calculation were not maintained in the participant files.
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.
Current Status:	There are no tenants during the fiscal year therefore this finding is considered not applicable.

Reference Number:	**2022-003 – Special Tests and Provisions (Housing Quality Standards Inspections)** Material Weakness in Internal Control over Compliance Material Noncompliance Section 8 Housing Choice Vouchers Program ALN 14.871 and 14.879
Condition:	Required inspections were not performed within the required timeframe and HQS inspection reports were not provided for review.
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 required HQS inspections are completed in a timely manner, and to strengthen its record retention and filing systems.
Current Status:	The implementation of the corrective action plan for finding 2022-003 is still in progress. The Authority has contracted the administration of its Housing Choice Voucher portfolio to a new vendor as of January 1, 2023, which extended the time necessary to fully implement corrective actions.

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

Reference Number:	**2022-004 – Special Tests and Provisions (Housing Quality Standards)** Significant Deficiency in Internal Control over Compliance Instance of Noncompliance Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation ALN 14.856
Condition:	During our audit we selected a statistically valid sample of 17 participants out of a total population of 77 active program participants and identified 1 participant for which the Authority did not complete the Housing Quality Standards (HQS) inspections by the due date.
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 required HQS inspections are conducted in a timely manner, 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 HQS inspections in accordance with HUD requirements.
Current Status:	The implementation of the corrective action plan for finding 2022-004 is still in progress. The Authority has contracted the administration of its project-based voucher (PBV) portfolio to a new vendor as of January 1, 2023. The Authority has implemented a 100% Annual Inspection requirement for all contracted PBV units starting with the 10/1/2023 HUD Section Eight Management Assessment Program (SEMAP) Year. The Authority acknowledges that more progress in this area is required and continues to work diligently with the third-party HCV contractor to ensure timely completion and enforcement of all required annual inspections.

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

June 28, 2024

Macias Gini & O'Connell LLP
2121 N California Blvd #750
Walnut Creek, CA 94596

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 2022-23. 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 team, your dedication, agility, grit and due diligence over the past five years in operationalizing appropriate financial processes and an effective internal controls system makes it possible for the Authority to achieve its goals. 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.

We support the audit's findings and recommendations which 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 plan 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, PhD
Chief Executive Officer

Financial Statement Finding

Comment 2023-001: **Lack of Sufficient Controls Over Financial Reporting Process Significant Deficiency**

Authority's Response & Actions Taken
The City and County of San Francisco (City) continues to assume responsibility for the Authority's essential functions, including 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.

The Finance department has made significant strides in the past five years resulting in this repeat finding being significantly improved with no misstatements detected or material impact on the financial statements. Thus, the finding this year has been downgraded because of the implementation of an effective internal controls system as illustrated by the mitigation of all the previous years' repeat financial findings. The Finance department will continue to enhance its processes and quality control measures to prevent inaccuracies in financial reporting. The Authority contracted a new financial consultant in February 2024, to help identify additional opportunities for improvement, assist with implementation of new accounting pronouncements and financial reporting. In this coming fiscal year, the Finance department, with the improved coordination and collaboration with the financial consultant, expects to address all outstanding financial reporting challenges.

The Authority acknowledges that continuous work is always required to ensure that it has an effective internal control environment. With that said, we remain committed to continue to review and refine our key internal reporting processes and controls that will result in the development of a solid Financial Close Governance and Metrics for financial closing processes. In fiscal year 2024, the Authority has implemented new internal controls to strengthen its financial reporting processes including:

- Financial Close Calendar – Rolled out a robust and streamlined month-end closing process in March 2024 to mitigate errors and ensure timely completion of all required reconciliations and journal entries, as well as implemented a mid-year soft close process to increase efficiency and prevent the risk of error during year-end processes.
- Review of system errors – The Authority continues to work with its vendors to iron out system legacy errors identified during the closing process and improve system operations to mitigate future errors.

The Authority has an ongoing process with its external financial consultant to provide in-house trainings in such areas as the U.S. Department of Housing and Urban Development (HUD) Financial Data Schedule Submission, year-end close activities to the Authority's staff, and other as-needed finance and accounting services. The Chief Financial Officer will continue the dialogue with the Board of Commissioners and the Chief Executive Officer to further strengthen the agency's financial management capacity.

Anticipated Implementation Date
September 30, 2024

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

Reference Number:	**2023-002**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Housing Choice Cluster**
Federal Catalog Number:	**14.871 and 14.879**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Special Tests and Provisions (Housing Quality Standards Inspections)**
Classification of Finding:	**Material Weakness in Internal Control over Compliance Material Noncompliance**

Authority's Response & Actions Taken

The Authority has made considerable progress in addressing the backlog of annual inspections that resulted from the implementation of HUD's waivers during the national pandemic. The Authority acknowledges that more progress in this area is required and continues to work diligently with its third-party HCV contractors to ensure completion of this ongoing work.

The Authority understands the importance of and is committed to ensuring all units under contract are beyond safe, sanitary, and decent in accordance with HQS requirements and the Authority's Administrative Plan. The Authority uses the Emphasys Elite software to check against HUD's PIH Information Center (PIC) system to identify units with outstanding Housing Quality Standards (HQS) Inspections. The Authority has scheduled HQS Inspections for the units identified to be out of compliance. Some key strategies and controls in place are as follows:

- Review the report of outstanding HQS Inspections on a weekly basis.
- Schedule outstanding HQS Inspections in order of aging date.
- Conduct HQS Inspections prior to anniversary date of previously completed inspection.
- Run a monthly report of failed inspections and compare them with future scheduled inspections to ensure that a second inspection has been scheduled.
- Run a monthly report to identify units with two failed inspections to ensure all have been abated correctly.
- Implement weekly monitoring to ensure all units are properly abated and lifted timely when units pass inspections and contracts are properly terminated after being in abatement for 180 days without a cure.

During the pandemic, units were not inspected and legally permitted based upon available HUD regulations. As a result, the Authority has implemented a 100% Annual Inspection requirement for all contracted project-based vouchers (PBVs) and tenant-based vouchers (TBVs) units starting with the 10/1/2023 HUD Section Eight Management Assessment Program (SEMAP) Year. To that end, the HCV contractors have implemented a daily review process for all failed inspections to ensure timely rescheduling and will accurately note inspection extension requests exceeding the 30-day HQS enforcement requirement to bring a unit up to standard.

Anticipated Implementation Date

September 30, 2024

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

HCV Contractors
Kendra Crawford, Director of Housing Operations

Reference Number:	**2023-003**
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:	**Significant Deficiency in Internal Control over Compliance** **Instance of Noncompliance**

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

The Authority uses the Emphasys Elite software to schedule, record, and enforce HQS inspections. The Authority also uses its Customer Relations Management (CRM) system to track units that have failed an HQS inspection. The HCV contractors have implemented a daily review process of units that have failed and/or no-showed two or more consecutive inspections. The inspection department will use this process to accurately review the letter generation and notification process for HQS deficiencies and notices of abatement. The inspection department will manually review and generate both letters to their respective parties (landlord/owner and tenant).

In addition to the daily morning review, at the close of business day, the HCV contractors will review the emergency failed inspections and will schedule any emergency re-inspections to ensure compliance with HQS enforcement rules and regulations.

Anticipated Implementation Date
September 30, 2024

Name(s) and Title(s) of Contact Person(s) Responsible for Correction Action
HCV Contractors
Kendra Crawford, Director of Housing Operations