

Other Post-Employment Benefits (OPEB)

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

Internal Activity and Balances

All transfers, intercompany charges and other interfund activity balances have been eliminated from the basic financial statements in accordance with GASB pronouncements.

Income Taxes

We are not subject to federal or state income taxes.

Subsequent Events

We have evaluated subsequent events through September 8, 2021, the date the consolidated financial statements were available to be issued.

**NOTE 03 - CASH AND INVESTMENTS**

Investments Authorized by US Department of Housing and Urban Development

All deposits of the Authority are made in board-designated official depositories and are secured in accordance with HUD regulations. The annual contribution contract authorizes the Authority to invest in the following types of securities:

- Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
- Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.
- Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Bank for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

Investments Authorized by California Government Code

The following table identifies the investment types that are authorized in accordance with Section 53601 of the California Government Code.

Authorized Investment Type	Maximum Maturity	Percentage of Portfolio	Investment in One Issuer
U.S. Treasury Bills, Notes and Bonds	5 years	100%	None
Government Agency Securities	5 years	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
California Local Agency Investment Fund	N/A	100%	\$ 65,000,000
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	5 years	20%	None
Collateralized Bank Deposits	5 years	100%	None
Investment Pools	N/A	100%	None

In accordance with GASB Statement No. 40, our exposure to deposit and investment risk is disclosed as follows:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Our policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio. As of December 31, 2020, our risk of changes in interest rates is minimal since the investments primarily consist of state sponsored investment pool funds which have stated interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is our policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America. As of December 31, 2020, we mitigated our exposure to credit risk by only investing in fully insured state investment pool funds.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, our deposits may not be returned. Our policy for custodial credit risk requires collateral to be held in our name by its agent or by the bank's trust department. As of December 31, 2020, none of our total bank balances were exposed to custodial credit risk.

Investment Policy

Our investment policy, HUD and the California Government Code do not address legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure such deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

We are a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. We may invest up to \$65 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

All investments with LAIF are secured by the full faith and credit of the State of California. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

Our investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities. LAIF's exposure to risk (credit, market or legal) is not currently available.

**NOTE 04 - RESTRICTED CASH**

The following schedule presents the breakdown of restricted cash as of year end:

Tenant security deposits	\$ 78,380
Restricted cash with offsetting liabilities	<u>78,380</u>
<b>Total Restricted Cash and Equivalents</b>	<b><u>\$ 78,380</u></b>

**NOTE 05 - ACCOUNTS RECEIVABLE**

Accounts receivable as of year end were comprised of the following:

Tenant receivables	\$ 108,244
Allowance for doubtful accounts - tenants	<u>(74,346)</u>
Net tenant receivables	33,898
Related party receivable	<u>7,980</u>
<b>Receivables, Net of Allowances</b>	<b><u>\$ 41,878</u></b>

**NOTE 06 - CAPITAL ASSETS**

A summary of the land, structures and equipment for the year is as follows:

	12/31/19	Additions	Deletions	12/31/20
<b>Non-Depreciable</b>				
Land	\$ 322,315	\$ -	\$ -	\$ 322,315
Construction in process	58,387	162,027	(203,622)	16,792
	<u>380,702</u>	162,027	(203,622)	<u>339,107</u>
<b>Depreciable</b>				
Buildings	8,328,343	203,622	-	8,531,965
Furniture & equipment - administration	333,190	-	-	333,190
	<u>8,661,533</u>	203,622	-	<u>8,865,155</u>
Total acquisition costs	9,042,235	365,649	(203,622)	9,204,262
Accumulated depreciation	<u>(7,022,804)</u>	<u>(220,477)</u>	-	<u>(7,243,281)</u>
<b>Capital Assets, Net</b>	<b><u>\$ 2,019,431</u></b>	<b><u>\$ 145,172</u></b>	<b><u>\$ (203,622)</u></b>	<b><u>\$ 1,960,981</u></b>

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

Construction-in-progress as of December 31, 2020 was comprised of various unit-turnaround costs that we deemed capitalizable in accordance with our capitalization policy.

**NOTE 07 - LONG-TERM LIABILITIES**

Changes in long-term liabilities are summarized below:

	2019	Additions	Reductions	2020	Current Portion
<b>Notes from Direct Borrowings</b>	<b>\$ 21,000</b>	<b>\$ -</b>	<b>\$ (7,200)</b>	<b>\$ 13,800</b>	<b>\$ 7,200</b>
Compensated absences	\$ 114,591	\$ -	\$ (52,960)	\$ 61,631	\$ 1,849
Net pension liability	1,431,717	150,798	-	1,582,515	-
Net OPEB obligation	598,642	71,617	-	670,259	-
<b>Accrued Employee Benefits</b>	<b>\$ 2,144,950</b>	<b>\$ 222,415</b>	<b>\$ (52,960)</b>	<b>\$ 2,314,405</b>	<b>\$ 1,849</b>

Notes from Direct Borrowings:

Notes from direct borrowings were comprised of the following as of year end:

	Principal	Interest Payable
In November 2017, we utilized \$36,000 of funds from the Housing Authority of the County of Humboldt (an affiliate) to purchase a vehicle. The note with the County is a five-year loan which bears no interest rate and is payable in monthly installments of \$600 which commenced December 2017. The note is unsecured and there are no acceleration clauses.	\$ 13,800	\$ -
<b>Total</b>	<b>\$ 13,800</b>	<b>\$ -</b>

Aggregate maturities of principal and interest due in future years as follows:

	Principal	Interest
2021	\$ 7,200	\$ -
2022	6,600	-
	<b>\$ 13,800</b>	<b>\$ -</b>

**NOTE 08 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The Authority offers other post-employment benefits in the form of a health care plan (OPEB Plan) to qualified retired employees. Medical insurance benefits are offered through CalPERS. The CalPERS Plan is an agent multiple-employer plan governed by the Public Employees’ Medical & Hospital Care Act (PEMHCA).

As of December 31, 2020, the Authority’s net OPEB obligation, OPEB expense and deferred inflows of resources and deferred outflows of resources for the above OPEB Plan is as follows:

	Net OPEB Obligation	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
OPEB Plan	\$ 670,259	\$ 206,371	\$ 88,027	\$ 65,313

Plan Description

The OPEB Plan is available to retired employees who have retired from the Authority and met the eligibility requirements under the Authority’s pension plan. Eligible retirees are entitled to statutory minimum employer contributions under Government Code Section 22892 of the PEMHCA, further subject to the unequal contribution provisions of Section 22892(c).

Benefits Provided

The OPEB Plan provisions and benefits in effect at December 31, 2020, are summarized as follows:

Benefit types	<u>All Employees</u>
provided	Medical only
Duration of	Lifetime
benefits Required	Pension eligibility
service Required	Pension eligibility
Minimum age	Surviving spouse only
Dependent coverage	100% to cap
Contribution	Govt. Code Section 22892 Statutory
Contribution cap	minimum

Contributions

The OPEB Plan and its contribution requirements are established by Board action and may be amended by Board action. The Authority contributes the statutory minimum per month per member of the cost of current-year premiums for eligible retired plan members and their dependents (pay-as-you-go) .For the fiscal year ended December 31, 2020, the Authority’s cash contributions were \$13,769 in payments to CalPERS.

Changes in the OPEB Liability

The changes in the net OPEB liability for the OPEB Plan are as follows:

	Measurement Date 12/31/2020		
	Financial Reporting Date 12/31/2020		
	(a) Total OPEB Liability	(b) Plan Fiduciary Net Position	(a) - (b) = (c) Net OPEB Liability
Balance at December 31, 2019	\$ 598,642	\$ -	\$ 598,642
<i>Changes recognized for measurement period:</i>			
Service cost	33,969	-	33,969
Interest	16,436	-	16,436
Contributions – employer	-	13,769	(13,769)
Actual benefit payments	(13,769)	(13,769)	-
Experience (gains)/losses	(95,969)	-	(95,969)
Changes in assumption	130,950	-	130,950
Net changes	<u>71,617</u>	<u>-</u>	<u>71,617</u>
Balance at December 31, 2020	<u>\$ 670,259</u>	<u>\$ -</u>	<u>\$ 670,259</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB liability	\$ 798,539	\$ 670,259	\$ 569,062

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

	Trend 1% Lower	Valuation Healthcare Cost Trend Rates	Trend 1% Higher
Net OPEB liability	\$ 555,520	\$ 670,259	\$ 820,769

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

At December 31, 2020, the Authority reported deferred outflows and inflows of resources related to the OPEB obligation from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 206,371	\$ -
Differences between expected and actual experience in the measurement of the total OPEB liability	-	88,027
Net difference between projected and actual earnings of OPEB plan investments	-	-
Contributions to OPEB plan after the measurement date	-	-
<b>Total</b>	<b><u>\$ 206,371</u></b>	<b><u>\$ 88,027</u></b>

The deferred inflows of resources and outflows of resources will be recognized in OPEB expense as follows:

**Fiscal Year Ended December 31:**

2021	\$ 14,908
2022	14,908
2023	14,908
2024	14,908
2025	14,908
Thereafter	43,804
	<b><u>\$ 118,344</u></b>



Actuarial Methods and Assumptions

The Authority's net OPEB obligation was measured and valued based on the following actuarial methods and assumptions:

Valuation date	December 31, 2020
Measurement date	December 31, 2020
Actuarial cost method	Entry age
Discount rate	2.10%
Inflation	2.75%
Salary increases	2.75%
Investment rate of return	2.70%
Mortality rate	2017 CalPERS Active Mortality for Miscellaneous Employees
Retirement rates	Hired before 2013: 2017 CalPERS 2%@55 Rates for Miscellaneous Employees  Hired after 2012: 2017 CalPERS 2%@60 Rates for Miscellaneous employees adjusted to reflect a minimum retirement age of 52
Service requirement	100% at 5 Years of Service
Healthcare trend rate	4.00%

The Authority does not presently fund an OPEB trust. Therefore, the net OPEB liability is equal to the total OPEB liability.

There was a change in the discount rate and investment rate of return assumptions from 2.70% to 2.10% for the measurement date December 31, 2020.

**NOTE 09 - PENSION PLAN**

The Authority participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees’ Retirement System (CalPERS) which covers substantially all regular full-time employees of the Authority. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to the Authority in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB).

As of December 31, 2020, the Authority’s proportionate share of the net pension liability, pension expense and deferred inflows of resources and deferred outflows of resources for the above plan is as follows:

	<b>Proportionate Share of Net Pension Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Proportionate Share of Pension Expense</b>
CalPERS	\$ 1,582,515	\$ 266,483	\$ 169,158	\$ 250,327

Plan Description

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety plan. The Authority sponsors two Miscellaneous Risk Pool plans, however, the information presented represents the sum of the allocated pension amounts for each of the Authority’s respective plans (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to eligible plan members. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. All members are eligible for employment related disability benefits regardless of length of service and non-duty disability benefits after 5 years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree’s designated survivor or estate upon the retiree’s death. The Basic Death Benefit is a lump sum paid to any member’s beneficiary if the member dies while actively employed. The spouse or registered domestic partner of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Option 2W Death Benefit in lieu of the Basic Death Benefit lump sum. The Pre-Retirement Option 2W Death Benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Option 2W, the highest monthly allowance a member can leave a spouse or domestic partner. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan provisions and benefits in effect at December 31, 2020, are summarized as follows:

Provisions and benefits	Miscellaneous risk pool	
	On or Before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2.7% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	2.0%-2.7%	1.0%-2.5%
Required employee contribution rate	8.0%	6.75%
Required employer contribution rate	14.194%	7.732%

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined annually through the 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 contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 are presented above and the total Authority contributions were \$118,619.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2020. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2020, the Authority’s proportion was 0.014545%.

For the year ended December 31, 2020, the Authority recognized pension expense of \$250,327.

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 81,552	\$ -
Differences between projected & actual investment earnings	47,011	-
Differences between actual & proportionate share of contributions	-	157,871
Effect of changes in assumptions	-	11,287
Effect of changes in proportion	80,208	-
Contributions subsequent to measurement date	57,712	-
	\$ 266,483	\$ 169,158

The deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability next year.

The net differences between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the Miscellaneous Plan for the June 30, 2018 measurement date is 3.8 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.8 years.

The deferred inflows of resources and outflows of resources will be recognized in pension expense as follows:

**Fiscal Year Ending December 31:**

2021	\$ (17,294)
2022	14,640
2023	19,720
2024	22,547
2025	-
Thereafter	-
	\$ 39,613

Actuarial Methods and Assumptions

The collective total pension liability for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The collective total pension liability was based on the following assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Experience study	07/01/1997 through 06/30/2015
Discount rate	7.15%
Consumer price index	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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

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

The target allocation and best estimates of long-term expected real rate of return by asset class are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Global Equity	50%	5.98%
Fixed Income	28%	2.62%
Private Equity	8%	7.23%
Real Estate	13%	4.93%
Inflation Assets	0%	1.81%
Liquidity	1%	-0.92%

Discount Rate and Changes of Assumptions

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that 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 Plan's 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 following presents the Authority's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
	<b>6.15%</b>	<b>7.15%</b>	<b>8.15%</b>
CalPERS	\$ 2,542,067	\$ 1,582,515	\$ 789,667

Plan Fiduciary Net Position

Detailed information about CalPERS Miscellaneous Risk Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**NOTE 10 - NET POSITION**

Net investment in capital assets was comprised of the following as of year end:

Net capital assets	\$ 1,960,981
Less: Capital debt obligations	<u>(13,800)</u>
<b>Net Investment in Capital Assets</b>	<b><u><u>\$ 1,947,181</u></u></b>

Restricted net position was comprised of the following as of year end:

Restricted cash and equivalents	\$ 78,380
Restricted investments	<u>-</u>
	78,380
Less: Tenant security deposit, contra	<u>(78,380)</u>
<b>Restricted Net Position</b>	<b><u><u>\$ -</u></u></b>

**NOTE 11 - INVESTMENTS IN DISCRETE COMPONENT UNITS AND JOINT VENTURES**

The Authority has equity interests in legally separate entities. The interests are Eureka Housing Associates, LP 0.01%, and Eureka Family Housing, LP 0.01%.