HOUSING AUTHORITY OF THE CITY OF EUREKA

Financial Statements and Independent Auditors' Report

Year Ended December 31, 2020

Table of Contents

The following table lists the Board Members as of December 31, 2020:

	Position
Kali Serotta	Chairperson
Kay Escarda	Vice-Chairperson
Renee Byers	Commissioner
James Matthias	Commissioner
Charles Bean	Commissioner

In addition to the above Commissioners, the Administrator of the Authority is Cheryl Churchill, who serves as the Executive Director.

INDEPENDENT AUDITORS' REPORT

To the Governing Body of
Housing Authority of the City of Eureka

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of business-type activities and aggregate discretely presented component units of the Housing Authority of the City of Eureka (Authority) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise our basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following discretely presented component units:

- Eureka Family Housing LP

Collectively, this entity represents 85 percent, (80) percent, and 74 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements, which were prepared in accordance with *Accounting Standards Codification* as issued by the Financial Accounting Standards Board, were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units, is based solely on the report of the other auditors. The financial statements of the discretely presented component units were not audited in accordance with G*overnment Auditing Standards*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the Authority, as of December 31, 2020, and the respective change in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements.

The schedule of expenditures of federal awards, required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

In addition, the accompanying statement and certification of actual costs, required by the U.S. Department of Housing and Urban Development, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

That information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2021, on our consideration of our internal control over financial reporting and 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 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.

Smith Marion & Co.

September 8, 2021
Redlands, CA

The Housing Authority of the City of Eureka’s (Authority, we, us, our) Management’s Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of our financial activity, (c) identify changes in our financial position and its resulting ability to address the next and subsequent year challenges, and (d) identify individual fund issues or concerns.

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with our financial statements.

FINANCIAL HIGHLIGHTS

Our net position decreased by $27,413 (0%) during 2020. Since we engage only in business-type activities, the decrease is all in the category of business-type net position. Net Position was $6,040,936 and $6,068,349 for 2020 and 2019, respectively.

Total revenues increased by $105,503 (6%) during 2020 and were $2,007,489 and $1,901,986 for 2020 and 2019, respectively.

Total expenses increased by $6,604 (0%) during 2020 and were $2,201,041 and $2,194,437 for 2020 and 2019, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of two parts: management's discussion and analysis and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. While detailed sub-fund information is not presented, separate accounts are maintained for each program of the Authority.

The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The statement of net position provides a record or snapshot of the assets and liabilities at the close of the fiscal year. It presents the financial position of the Authority on a full accrual historical cost basis. The statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year. The statement of cash flows is related to the other financial statements by the way it links changes in assets and liabilities to the effects on cash and cash equivalents over the course of the fiscal year. The notes to the financial statements provide useful information regarding the Authority's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies and subsequent events.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

The following table reflects the condensed Statement of Net Position compared to prior year.

			Change	
	2020	**2019**	**Dollar**	**Percentage**
Cash and equivalents	$ 765,869	$ 786,769	$ (20,900)	(3%)
Other current assets	56,842	28,387	28,455	>100%
Net capital assets	1,960,981	2,019,431	(58,450)	(3%)
Other assets	5,568,694	5,359,214	209,480	4%
Total assets	8,352,386	8,193,801	158,585	2%
Deferred outflows of resources	472,854	405,653	67,201	17%
Total Assets & Deferred Outflows	**$ 8,825,240**	**$ 8,599,454**	**$ 225,786**	**3%**
Current liabilities	$ 207,963	$ 207,553	$ 410	0%
Non-current liabilities	2,319,156	2,155,312	163,844	8%
Total liabilities	2,527,119	2,362,865	164,254	7%
Deferred inflows of resources	257,185	168,240	88,945	53%
Net investment in capital assets	1,947,181	1,998,431	(51,250)	(3%)
Restricted net position	-	-	-	0%
Unrestricted net position	4,093,755	4,069,918	23,837	1%
Total net position	6,040,936	6,068,349	(27,413)	0%
Total Liabilities, Deferred Inflows, & Net Position	**$ 8,825,240**	**$ 8,599,454**	**$ 225,786**	**3%**

Net Position decreased $27,413 (0%) as a result of the following major factors:

Cash and equivalents decreased $20,900 (3%) mostly due to lower-than-expected rental receipts related to the COVID-19 pandemic and payouts for employee retirements. Likewise, Other current assets increased $28,455 (>100%) as a result of increased tenant accounts receivable due to lower-than-expected rental receipts.

Net capital assets decreased $58,450 (3%) due to regular depreciation which was offset by an increase in capital assets due to unit renovations and planned maintenance projects.

Other assets increased $209,480 (4%) mostly due to an increase in interest receivable of $151,215 related to several loans and an increase in Pension and OPEB (Other Post-Employment Benefits) receivable of $45,240 and $21,485, respectively (See Note 15).

Deferred outflows of resources increased $67,201 (17%) due to an increase in deferred outflows related to OPEB of $107,120 (see Note 8) and a decrease in deferred outflows related to Pensions of $39,919 (see Note 9).

Non-current liabilities increased $163,844 (8%) mostly due to an increase in OPEB liability of $71,617 (see Note 8) and an increase in Pension liability of $150,798 (see Note 9) offset by a decrease in accrued compensated absences (employee paid-time-off) of $51,371 due to employee retirements.

Deferred inflows of resources increased $88,945 (53%) due to an increase in deferred inflows related to OPEB (See Note 8).

Revenues, Expenses, and Changes in Net Position

The following schedule compares the revenues and expenses for the current and previous fiscal year.

			Change	
	2020	**2019**	**Dollar**	**Percentage**
Operating revenues	$ 1,065,107	$ 1,022,617	$ 42,490	4%
Operating grants and subsidies	942,382	879,369	63,013	7%
Depreciation expense	(220,477)	(206,599)	(13,878)	7%
Housing assistance payments	-	-	-	0%
Other operating expenses	(1,980,564)	(1,987,838)	7,274	(0%)
Operating Income (Loss)	**(193,552)**	**(292,451)**	**98,899**	**34%**
Investment income	166,139	164,877	1,262	1%
Interest expense	-	-	-	0%
Other non-routine revenues (expenses)	-	-	-	0%
Income (Loss) Before Contributions and Other Items	**(27,413)**	**(127,574)**	**100,161**	**79%**
Special items	-	-	-	0%
Net operating transfers in (out)	-	-	-	0%
Capital contributions	-	-	-	0%
Change in Net Position	**$ (27,413)**	**$ (127,574)**	**$ 100,161**	**79%**

Beginning net position	$ 6,068,349	$ 6,195,923
Change in net position	(27,413)	(127,574)
Prior-period adjustments	-	-
Equity transfers	-	-
Ending Net Position	**$ 6,040,936**	**$ 6,068,349**

Our change in net position decreased $27,413 in 2020 compared to 2019's decrease of $127,574 in net position due to the following factors:

Revenues

Operating revenues increased $42,490 (4%) primarily due to receiving an insurance claim refund related to a unit flooding that occurred in 2019. Our tenant rental revenues were higher due to a change in mix of tenant income but was offset by higher bad-debt expense due to a lower collection rate related to the pandemic.

Operating grants and subsidies increased $63,013 (7%). The increase in funding was mostly a result of receiving an increase in our Capital Fund grant of $44,866 (8%) in addition to receiving CARES Act funds of $12,760.

Expenses

Depreciation expense increased $13,878 (7%) due to the completion of unit renovations and planned maintenance projects (See Note 6).

Other operating expenses were similar to the prior year with a decrease of $7,274 (0%) that was affected most by the following factors:

> Maintenance salary expense increased $26,412 (12%) due to requiring additional workers to support an increase in extensive unit turns.
>
> Utility expense increased $16,420 (8%) due to planned increases in City sewer and water rates.
>
> Tenant relocation expense increased $12,110 (>100%) due to tenant relocation needed for extensive maintenance work related to flood damage.
>
> Materials expense decreased $21,008 (18%) due to timing of water heater replacements needed in 2019.
>
> Building repairs expense decreased $25,018 (27%) due to less flood damage expense compared to 2019.

CAPITAL ASSETS

As of year-end, we had $1,960,981 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of $58,450 from the end of last year.

			Change	
	2020	**2019**	**Dollar**	**Percentage**
Land	$ 322,315	$ 322,315	$ -	0%
Construction in progress	16,792	58,387	(41,595)	(71%)
Buildings	8,531,965	8,328,343	203,622	2%
Furniture & equipment - dwellings	-	-	-	0%
Furniture & equipment - administration	333,190	333,190	-	0%
Accumulated depreciation	(7,243,281)	(7,022,804)	(220,477)	3%
Capital Assets, Net	**$ 1,960,981**	**$ 2,019,431**	**$ (58,450)**	**(3%)**

The change in Capital Assets is presented in detail in the Notes to Financial Statements.

DEBT ADMINISTRATION

The Authority had the following amounts of debt outstanding:

	2020	2019	Change: Dollar	Change: Percentage
Total Debt	$ 13,800	$ 21,000	$ (7,200)	(34%)

ECONOMIC FACTORS

Significant economic factors affecting us are as follows:

Federal funding by the Department of Housing and Urban Development.

Local labor supply and demand, which can affect salary and wage rates.

Local inflation, recession and employment trends, which can affect resident incomes and therefore the amount of rental income.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Cheryl Churchill, Executive Director for the Housing Authority of the City of Eureka, at (707) 443-4583. Specific requests may be submitted to Dustin Wiesner, Director of Finance, Housing Authority of the City of Eureka, 735 West Everding, Eureka, CA 95503.

Assets and Deferred Outflows of Resources	**Primary Government**	**Discretely Presented Component Units**
Current assets:		
Cash and equivalents - operating	$ 687,489	$ 79,276
Restricted cash and equivalents	78,380	482,646
Receivables, net of allowances	41,878	17,790
Accrued interest receivable	824	-
Prepaid expenses and other current assets	14,140	13,618
Total current assets	822,711	593,330
Non-current assets:		
Notes receivables, net of current	3,109,673	-
Investment in joint ventures	397,361	-
Other long-term assets	2,061,660	-
Capital assets, net of accumulated depreciation	1,960,981	6,677,746
Total non-current assets	7,529,675	6,677,746
Total assets	8,352,386	7,271,076
Total deferred outflows of resources	472,854	-
Total Assets and Deferred Outflows of Resources	**$ 8,825,240**	**$ 7,271,076**

See accompanying notes.

Liabilities, Deferred Inflows of Resources, and Net Position	**Primary Government**	**Discretely Presented Component Units**
Current liabilities:		
Accounts payable	$ 53,404	$ 10,698
Unearned revenues	16,192	6,663
Deposits held in trust, contra	78,380	31,390
Other current liabilities	50,938	65,907
Accrued wages payable	-	-
Accrued employee benefits payable	1,849	130
Debt, current portion	7,200	147,404
Total current liabilities	207,963	262,192
Non-current liabilities:		
Accrued employee benefits payable, net of current	2,312,556	4,199
Long-term accrued interest payable	-	687,939
Debt, net of current	6,600	5,165,930
Other long-term liabilities	-	1,568,221
Total non-current liabilities	2,319,156	7,426,289
Total liabilities	2,527,119	7,688,481
Total deferred inflows of resources	257,185	-
Net position:		
Net investment in capital assets	1,947,181	1,203,035
Restricted	-	-
Unrestricted	4,093,755	(1,620,440)
Total net position	6,040,936	(417,405)
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 8,825,240**	**$ 7,271,076**

See accompanying notes.

Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended December 31, 2020

	Primary Government	Discretely Presented Component Units
Operating revenues:		
Tenant rental revenue, net of collection losses	$ 869,330	$ 747,520
Operating grants and subsidies	942,382	-
Other revenue	195,777	2,210
Total operating revenues	2,007,489	749,730
Operating expenses:		
Administrative	808,959	98,259
Tenant services	59,357	15,769
Utilities	225,859	64,165
Ordinary maintenance and operations	696,892	190,475
Protective services	-	81
Insurance premiums	67,609	35,089
Other general expenses	121,888	51,783
Depreciation	220,477	252,344
Total operating expenses	2,201,041	707,965
Operating income (loss)	(193,552)	41,765
Non-operating revenues (expenses):		
Investment income	166,139	6,140
Interest expense	-	(275,811)
Gain (loss) on disposition of capital assets	-	(53,123)
Total non-operating revenues (expenses)	166,139	(269,671)
Income (loss) before contributions and other items	(27,413)	(227,906)
Special items gains (losses)	-	-
Capital contributions	-	-
Change in Net Position	**$ (27,413)**	**$ (281,029)**
Net position, beginning of year	$ 6,068,349	$ (136,376)
Change in net position	(27,413)	(281,029)
Prior-period restatements	-	-
Equity transfers	-	-
Net Position, End of Year	**$ 6,040,936**	**$ (417,405)**

Statement of Cash Flows
Year Ended December 31, 2020

		Primary Government
Cash flows from operating activities:		
Cash receipts from tenants	$	854,130
Cash receipts from grants		934,402
Cash payments to suppliers for goods and services		(882,563)
Cash payments for wages and benefits		(959,997)
Other cash payments and receipts		34,911
Net cash provided (used) by operating activies		(19,117)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(162,027)
Principal payments on debt		(7,200)
Net cash provided (used) by capital and related financing activities		(169,227)
Cash flows from investing activities:		
Interest on cash deposits		4,406
Interest on notes receivable		163,038
Net cash provided (used) by investing activities		167,444
Net change in cash and equivalents		(20,900)
Cash at beginning of period		786,769
Cash at End of Period	**$**	**765,869**
Reconciliation of cash to the Statement of Net Position:		
Cash and equivalents - operating	$	687,489
Restricted cash and equivalents		78,380
Total Cash and Equivalents	**$**	**765,869**

See accompanying notes.

		Primary Government
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating income (loss)	$	(193,552)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		220,477
Bad debt expense		49,813
Pension		121,777
Other post-employment benefits		71,617
Changes in operating assets and liabilities:		
Accounts receivable		(74,138)
Prepaid expenses and other assets		(164,150)
Accounts payable		(2,430)
Accrued wages and benefits		(52,960)
Deposits held in trust, contra		(422)
Unearned revenues		1,567
Other liabilities		3,284
Net Cash Provided (Used) by Operating Activities	**$**	**(19,117)**

NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION

The Housing Authority of the City of Eureka (Authority, we, us, our) was incorporated on August 6, 1946, under the California State Health and Safety Code, Section 34200. The Housing Authority was established to provide clean, decent, safe, sanitary and affordable housing to low-income families.

Commissioners are appointed by the mayor. Regular commissioners serve terms of four years and tenant commissioners serve two years. The Board consists of six commissioners.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with us to administer certain HUD funds.

Our primary operations are comprised of the Low Rent Housing Program. This program is designed to provide very low-income families with decent, safe, and sanitary rental housing. The Low Rent Housing Program operates the Authority's own rental housing units subsidized by HUD through an Annual Contributions Contract (ACC). This program has 196 units owned at twelve different sites as of December 31, 2020, as well as a community center and police annex. This program is operated by the Authority under HUD contract SF-216. Funding is provided by tenant rent payments and subsidies provided by HUD based upon a formula that takes into consideration factors such as: prior formula funding, population of the area, number of dwelling units, bedroom sizes, building height and building age, utility costs, and rental income.

The Low Rent Housing Program is supplemented by the Capital Fund Program. The purpose of this program is to utilize funds granted by HUD for remodeling and upgrading the facilities in the Low Rent Housing Program, as well as to support overall operations. These grant funds are authorized by HUD each year but can be spent over the course of several years.

In addition, the Authority operates other non-federal housing programs. Marine View Terrace was formed for the purpose of investing excess funds of the Authority and to loan other programs operating funds throughout the year when their funds require operating capital. Marine View Terrace also acts as manager for the dwelling units owned by Eureka Family Housing, LP and Eureka Housing Associates, LP and receives a management fee for its services. Funds from this program can be used as "seed" money for the development of low-income housing.

Reporting Entity

As described in GASB Statement No. 34, paragraph 134, the Authority is considered a primary government and meets the definition of a special purpose government ("SPG"). The Authority is a legally separate entity that is engaged in only business-type activities. Business-type activities are defined as activities that are financed in whole or in part by fees charged to external parties for goods or services. SPGs engaged only in business-type activities are required to present only the financial statements required for proprietary funds, which includes Management's Discussion and Analysis ("MD&A"), basic financial statements, and Required Supplemental Information ("RSI"). All inter-program activities have been eliminated in these financial statements.

We are an independent agency, with operations separate from those of the City of Eureka (City). Our obligations, including loans through direct borrowing or the sale of bonds, are not obligations of the City. The City provides us no funding. Additionally, the City does not hold title to any of our assets, nor does it have any right to our surpluses. The City does not have the ability to exercise influence over our daily operations or approve our budgets.

We are a separate entity from the Housing Authority of the County of Humboldt. Each Housing Authority has a separate Board of Commissioners and separate by-laws to adhere to. One executive director administers both housing authorities; staff, office space and equipment are shared. Costs associated with these shared resources are allocated based on actual time spent on programs, square footage, and other methods deemed appropriate by management.

Management applied the criteria of GASB Statement No. 14, *The Financial Reporting Entity,* Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14,* Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the Authority appoints the voting majority of the governing board, there is a financial benefit/burden relationship, the Authority is able to impose its will, the component unit is fiscally dependent on the Authority, the component unit's governing body is substantially the same as the Authority, and management of the Authority have operational responsibility for the activities of the component unit. These criteria were used to determine the following:

Blended Component Units:

Eureka Housing Development Corporation - This is a legally separate entity that is a 501 (c) (3) not-for-profit corporation. The board of the corporation is nearly identical to the board of the Authority. The purpose is to provide affordable housing for low-income persons and to serve as a general partner in Eureka Housing Associates, LP and as the single member of the Eureka Family Housing, LP. Eureka Housing Development Corporation shares the December 31st year-end with the Authority. There are no separately issued audited financial statements for this entity, however a copy of the most recent informational tax return (Form 990) can be obtained from staff at our office.

Discrete Component Units:

Eureka Family Housing, LP - This is a legally separate entity formed as a partnership between Eureka Housing Development Corporation and Merritt Community Capital Fund X, L.P. The purpose is to provide low-rent housing to qualifying residents of the City of Eureka in accordance with guidelines and requirements established by CalHFA. Funds to construct dwellings, subsidize rents and use for operating expenses are obtained through contracts with the Department of Housing and Urban Development (HUD) and the California Housing Finance Agency (CalHFA). At December 31, 2020, 50 units were contracted through CalHFA. This entity shares the December 31st year-end with the Authority.

Eureka Housing Associates, LP - This is a legally separate entity formed as a partnership between Eureka Housing Development Corporation and an investment partner. The purpose is to own and operate a 22-unit scattered-site multi-family project for the benefit of elderly low-income persons who need affordable, decent, safe and sanitary housing and related services. This entity shares the December 31st year-end with the Authority.

Reports for discrete component units are issued under separate cover. They may be obtained at the Housing Authority of the City of Eureka, 735 West Everding Street, Eureka, CA 95503.

NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis of Accounting

The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Agency has elected to apply all relevant Government Accounting Standards Board (GASB) pronouncements.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from grant agreements, providing services, and producing and delivering goods in connection with the ongoing principal operations. The principal operating revenues of the Authority include program specific grants, and rental income from tenants of the various housing projects. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds, and certificates of deposit.

Restricted Cash

Restricted cash consists of cash and investments that are held in trust, reserves and escrows, as well as other cash and investments that are restricted for specific purposes.

Accounts Receivable from Tenants

Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

In accordance with Governmental Accounting Standards Board Statement No. 34, revenues in proprietary funds should be reported as net of all related allowances, which include amounts pertaining to uncollectible accounts. Therefore, the increase and decrease in the estimate of uncollectible accounts should be reported net of revenue instead of bad debt expense. The Authority's bad debt expense charged against revenue was $49,813 for the year ended December 31, 2020.

Accounts Receivable from HUD and Other Governments.

The amounts reported as accounts receivable from HUD or due from other governments represent reimbursable costs or grant subsidies earned that have not been received as of year-end; these amounts are considered fully collectible.

Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the Statement of Net Position. The estimated useful lives for each major class of depreciable fixed assets range from 3 – 40 years.

Impairment of Capital Assets

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of December 31, 2020, there has been no impairment of the capital assets.

Provision for Uncollectible Notes

A note receivable is considered impaired when, based on current information, it is probable that all amounts of principal and interest due will not be collected according to the terms of the note agreement. Uncollectible notes are charged to the allowance account in the period such determination is made. Currently, management has deemed all notes receivable fully collectible and thus has not recorded any provision for uncollectible notes.

Tenant Security Deposits

Security deposits consist of amounts held in trust with Housing Authority of the City of Eureka for tenants to secure apartment leases.

Compensated Absences

Compensated absences are absences for which employees will be paid, e.g., sick leave, vacation, and other approved leave. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, we accrue the liability for those absences for which the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation and sick pay is recorded as an expense and related liability in the year earned by employees. Our policy is that annual vacation leave is limited to 320 hours at year-end, and sick leave is limited to 1,000 hours.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date, and/or rental subsidies received in advance of the period earned.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

The deferred outflows of resources related to the net pension liability resulted from Authority contributions to the employee pension plan subsequent to the measurement date of the actuarial valuation for the pension plan, the difference between actual and expected, the effect of changes in actuarial assumptions, and the effect of the Authority's change in proportion. The deferred outflows related to the net pension liability will be deferred and amortized as detailed in Note 9 to the financial statements.

The deferred outflows of resources related to the net OPEB obligation resulted from the effect of changes in actuarial assumptions. The deferred outflows related to the net pension obligation will be deferred and amortized as detailed in Note 8 to the financial statements.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then.

The deferred inflow of resources related to the net pension liability results from the difference between actual and expected experience and difference between projected and actual earnings on pension plan investments, the effect of changes in actuarial assumptions, the change in the Authority's proportionate share of pension contributions and the effect of the change in the Authority's proportion. These amounts are deferred and amortized as detailed in Note 9 to the financial statements.

The deferred inflows of resources related to the net OPEB obligation resulted from the differences between expected and actual experience in measurements. The deferred inflows related to the net pension obligation will be deferred and amortized as detailed in Note 8 to the financial statements.

Leasing Activities

We are the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. We may cancel the leases only for a cause. Revenues associated with these leases are reported in the accompanying financial statements and related schedules within dwelling rent revenue.

Pension Plan

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 California Public Employees' Retirement System ("CalPERS") plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by 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.

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 Unites 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.

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	**78,380**
Total Restricted Cash and Equivalents	**$ 78,380**

NOTE 05 - ACCOUNTS RECEIVABLE

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

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

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

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
Notes from Direct Borrowings	**$ 21,000**	**$ -**	**$ (7,200)**	**$ 13,800**	**$ 7,200**
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	-
Accrued Employee Benefits	**$ 2,144,950**	**$ 222,415**	**$ (52,960)**	**$ 2,314,405**	**$ 1,849**

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	$ -
Total	**$ 13,800**	**$ -**

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

	Principal	Interest
2021	$ 7,200	$ -
2022	6,600	-
	$ 13,800	**$ -**

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:

	All Employees
Benefit types	Medical only
provided Duration of	Lifetime
benefits Required	Pension eligibility
service Minimum age	Pension eligibility
Dependent coverage	Surviving spouse only
Contribution	100% to cap
Contribution cap	Govt. Code Section 22892 Statutory 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
Changes recognized for measurement period:			
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	71,617	-	71,617
Balance at December 31, 2020	$ 670,259	$ -	$ 670,259

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	-	-
Total	**$ 206,371**	**$ 88,027**

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
	$ 118,344

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:

	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
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	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
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:

Asset Class	**Assumed Asset Allocation**	**Long-Term Expected Rate of Return**
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:

	1% Decrease 6.15%	**Current Rate 7.15%**	**1% Increase 8.15%**
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		(13,800)
Net Investment in Capital Assets	**$**	**1,947,181**

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

Restricted cash and equivalents	$	78,380
Restricted investments		-
		78,380
Less: Tenant security deposit, contra		(78,380)
Restricted Net Position	**$**	**-**

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%.

NOTE 12 - JOINT POWERS AGREEMENT

We are a member of the California Housing Workers Compensation Authority (CHWCA), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500, et seq. Each Authority has an equal voice in the selection of a Board, which oversees CHWCA.

The CHWCA's current financial statement at December 31, 2020, is summarized below:

Total assets	$	31,671,492
Total liabilities	$	16,383,326
Net position		15,288,166
Total liabilities and net position	$	31,671,492
Operating revenues	$	5,812,930
Operating expenses		5,266,915
Operating income (loss)	$	546,015

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Government Examinations

We have received funds from Federal grant programs. It is possible that at some future date, it may be determined that we were not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although we do not expect such disallowed amounts, if any, to materially affect the financial statements.

Construction Contracts

During the normal course of business, the Authority is engaged in various construction contracts for modernization and rehabilitation of its properties.

NOTE 14 - BUSINESS RISK AND CONCENTRATIONS

Risk Management

We are exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils. Insurance for these perils are underwritten by a housing authority insurance pool: Housing Authority Risk Retention Pool (HARRP).

HARRP is an unincorporated association organized under the intergovernmental cooperation laws of the states of Washington, Oregon, California, and Nevada, to manage the self-insurance program of housing authorities and community development cooperatives. Through HARRP, the Housing Authority currently maintains general liability coverage for claims up to $2 million and property insurance for claims up to $2 million.

Also, commercial carriers insure all other common perils such as business, auto, flood (where applicable), and other miscellaneous policies.

Business Disruption

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders. The Authority has adapted its methods for providing services in order to continue operations and serve its community and constituents. Management is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact the Authority, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

Concentration – Major Contributor

For the year ended December 31, 2020, approximately 47% of operating revenues reflected in the financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

NOTE 15 - RELATED-PARTY TRANSACTIONS

Note Receivable and Interest

Marine View Terrace (MVT) made a loan in the amount of $470,000 to Eureka Housing Associates, LP. The term of the loan started on June 18, 1998 and ends on the later of (a) 30 years after the closing date or (b) repayment in full of the loan and all interest due thereon. The loan is secured by a deed of trust and bears interest at a rate of 5.5% per annum. As of December 31, 2020 the outstanding principal balance of the loan was $470,000. Interest of $473,439 was outstanding as of year-end on this loan.

Management Fee

Eureka Housing Development Corporation (EHDC) receives administrative expenses and an annual partnership management fee of approximately $7,500 to the extent there is any excess cash flow from Eureka Housing Associates, LP.

Note Receivable and Interest

MVT made a loan in the amount of $1,900,000 to Eureka Family Housing, LP. Interest is to be accrued at a rate of 4.3% per annum. As of December 31, 2020 the outstanding principal balance of the loan was $1,900,000. Interest of $1,395,959 was outstanding as of year-end on this loan.

Due from Partner

EHDC has a receivable in the amount of $20,000 due from Merritt Community Capital Fund X, LP, the limited partner in Eureka Family Housing, LP. The amount is expected to be collected at the time of the dissolution/disposition of Eureka Family Housing, LP.

Shared Administration

We share management and a majority of our resources with the Housing Authority of the County of Humboldt, including personnel and facilities. However, we maintain a separate governing body and therefore are considered separate and unique organizations for reporting purposes.

Receivable for Facility Rent

We charge the Housing Authority of the County of Humboldt (County) a rental expense for its usage of our office facilities. For the year ended December 31, 2020 we recorded office rental revenue of $7,200, which was paid in full as of year-end. Additionally, we have accrued a receivable of $71,820 as of year end in unpaid office rental fees for prior years from the County.

Receivable for Pension Plan

We are fully liable for the pension obligation due to our employees. During FY 2015, we recognized our unfunded pension liability administered by the California Public Employees Retirements System. Due to our employees being utilized by the County, we have established a long-term note receivable from the County which is allocated based on the same methodology we allocate salary and benefits expense to the County. The balance of this receivable was $474,755 for the year ended December 31, 2020.

Receivable for OPEB Plan

We are fully liable for the OPEB obligation due to our employees. During FY 2018, we recognized our unfunded OPEB liability administered by the California Public Employees Retirements System. Due to our employees being utilized by the County, we have established a long-term note receivable from the County which is allocated based on the same methodology we allocate salary and benefits expense to the County. The balance of this receivable was $201,078 for the year ended December 31, 2020.

NOTE 16 - CONDENSED COMBINING FINANCIAL STATEMENTS

Condensed combining financial statements are presented for the following entities for the fiscal year ends below:

Abbrev.	Name	Fiscal Period	Year
Authority	Housing Authority of the City of Eureka	31-Dec	2020
BCU1	Eureka Housing Development Corporation	31-Dec	2020
DCU1	Eureka Family Housing LP	31-Dec	2020
DCU2	Eureka Housing Associates LP	31-Dec	2020

Assets and Deferred Outflows of Resources	Authority	BCU1	Eliminations	Total
Intercompany receivables	$ 69,000	$ -	$ (69,000)	$ -
Cash and equivalents	751,829	14,040	-	765,869
Other current assets	56,842	-	-	56,842
Net capital assets	1,960,981	-	-	1,960,981
Other assets	4,996,994	571,700	-	5,568,694
Total assets	7,835,646	585,740	(69,000)	8,352,386
Deferred outflows of resources	472,854	-	-	472,854
Total Assets and Deferred Outflows of Resources	**$ 8,308,500**	**$ 585,740**	**$ (69,000)**	**$ 8,825,240**

Liabilities, Deferred Inflows of Resources, and Net Position	Authority	BCU1	Eliminations	Total
Intercompany payables	$ -	$ 69,000	$ (69,000)	$ -
Other current liabilities	206,663	1,300	-	207,963
Non-current liabilities	2,319,156	-	-	2,319,156
Total liabilities	2,525,819	70,300	(69,000)	2,527,119
Deferred inflows of resources	257,185	-	-	257,185
Net investment in capital assets	1,947,181	-	-	1,947,181
Restricted	-	-	-	-
Unrestricted	3,578,315	515,440	-	4,093,755
Total net position	5,525,496	515,440	-	6,040,936
Total liabilities, Deferred Inflows of Resources, and Net Position	**$ 8,308,500**	**$ 585,740**	**$ (69,000)**	**$ 8,825,240**

	Authority	BCU1	Eliminations	Total
Operating revenues	$ 1,057,607	$ 7,500	$ -	$ 1,065,107
Operating grants and subsidies	942,382	-	-	942,382
Depreciation expense	(220,477)	-	-	(220,477)
Housing Assistance Payments	-	-	-	-
Other operating expenses	(1,976,106)	(4,458)	-	(1,980,564)
Operating Income (Loss)	**(196,594)**	**3,042**	**-**	**(193,552)**
Investment income	166,139	-	-	166,139
Interest expense	-	-	-	-
Other non-routine revenues (expenses)	-	-	-	-
Income (Loss) Before Contributions and Other Items	**(30,455)**	**3,042**	**-**	**(27,413)**
Special items	-	-	-	-
Net operating transfers in (out)	-	-	-	-
Capital contributions	-	-	-	-
Change in Net Position	**$ (30,455)**	**$ 3,042**	**$ -**	**$ (27,413)**
Net position, beginning	$ 5,555,951	$ 512,398	$ -	$ 6,068,349
Change in net position	(30,455)	3,042	-	(27,413)
Prior-period adjustments	-	-	-	-
Net equity transfers in (out)	-	-	-	-
Net Position, End of Year	**$ 5,525,496**	**$ 515,440**	**$ -**	**$ 6,040,936**

	Authority	BCU1	Eliminations	Total
Net cash provided (used) by:				
Operating activities	$ (22,120)	$ 3,003	$ -	$ (19,117)
Capital and related financing activities	(169,227)	-	-	(169,227)
Non-capital financing activities	-	-	-	-
Investing activities	174,944	(7,500)	-	167,444
Net change in cash and equivalents	(16,403)	(4,497)	-	(20,900)
Cash at beginning of period	768,232	18,537	-	786,769
Cash at End of Period	**$ 751,829**	**$ 14,040**	**$ -**	**$ 765,869**

Assets and Deferred Outflows of Resources	**DCU1**	**DCU2**	**Total**
Cash and equivalents	$ 398,426	$ 163,496	$ 561,922
Other current assets	27,981	3,427	31,408
Net capital assets	5,770,028	907,718	6,677,746
Other assets	-	-	-
Total assets	6,196,435	1,074,641	7,271,076
Deferred outflows of resources	-	-	-
Total Assets and Deferred Outflows of Resources	**$ 6,196,435**	**$ 1,074,641**	**$ 7,271,076**

Liabilities, Deferred Inflows of Resources, and Net Position	**DCU1**	**DCU2**	**Total**
Other current liabilities	$ 221,687	$ 40,505	$ 262,192
Non-current liabilities	5,736,808	1,689,481	7,426,289
Total liabilities	5,958,495	1,729,986	7,688,481
Deferred inflows of resources	-	-	-
Net investment in capital assets	1,203,035	-	1,203,035
Restricted	-	-	-
Unrestricted	(965,095)	(655,345)	(1,620,440)
Total net position	237,940	(655,345)	(417,405)
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 6,196,435**	**$ 1,074,641**	**$ 7,271,076**

	DCU1	DCU2	Total
Operating revenues	$ 556,950	$ 192,780	$ 749,730
Operating grants and subsidies	-	-	-
Depreciation expense	(218,890)	(33,454)	(252,344)
Housing Assistance Payments	-	-	-
Other operating expenses	(323,496)	(132,125)	(455,621)
Operating Income (Loss)	**14,564**	**27,201**	**41,765**
Investment income	6,085	55	6,140
Interest expense	(228,813)	(46,998)	(275,811)
Other non-routine revenues (expenses)	(53,123)	-	(53,123)
Income (Loss) Before Contributions and Other Items	**(261,287)**	**(19,742)**	**(281,029)**
Special items	-	-	-
Net operating transfers in (out)	-	-	-
Capital contributions	-	-	-
Change in Net Position	**$ (261,287)**	**$ (19,742)**	**$ (281,029)**
Net position, beginning	$ 499,227	$ (635,603)	$ (136,376)
Change in net position	(261,287)	(19,742)	(281,029)
Prior-period adjustments	-	-	-
Net equity transfers in (out)	-	-	-
Net Position, End of Year	**$ 237,940**	**$ (655,345)**	**$ (417,405)**

Schedule of the Pension Plan's Proportionate Share of the Net Pension Liability (Asset) and Related Ratios

Plan Measurement Date under GASB 68 as of June 30	Proportion of Pension Liability	Proportionate Share of Net Pension Liability	Covered Employee Payroll**	Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability***
2015	0.03208%	$ 873,676	$ 1,029,046	84.90%	82.12%
2016	0.03308%	$ 1,112,018	$ 1,144,322	97.18%	80.03%
2017	0.03468%	$ 1,320,012	$ 1,138,020	115.99%	76.42%
2018	0.03548%	$ 1,289,899	$ 1,151,936	111.98%	78.48%
2019	0.03575%	$ 1,431,717	$ 1,150,942	124.40%	78.37%
2020	0.03752%	$ 1,582,515	$ 1,130,167	140.02%	78.05%

*This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future fiscal years until 10 years of information is available.

**Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of the retirement benefits are included.

*** The Plan Fiduciary Net Position as a percentage of the Total Pension Liability is the same for all General employers because neither the Plan Fiduciary Net Position nor the Total Pension Liability have been maintained separately for each of those employers. The same is also the case for all Safety employers.

Plan Measurement Date under GASB 68 as of June 30	Actuarially Determined Contribution [A]	Contributions in Relation to Actuarially Determined Dontribution [B]	Contribution Deficiency (Excess) [C]=[A]-[B]	Covered-Employee Payroll	Contribution as a Percentage Covered-Employees Payroll
2015	$ 188,692	$ 188,692	$ -	$ 1,029,046	18.34%
2016	$ 174,605	$ 174,605	$ -	$ 1,144,322	15.26%
2017	$ 156,229	$ 156,229	$ -	$ 1,138,020	13.73%
2018	$ 122,190	$ 122,190	$ -	$ 1,151,936	10.61%
2019	$ 115,632	$ 115,632	$ -	$ 1,150,942	10.05%
2020	$ 118,619	$ 118,619	$ -	$ 1,130,167	10.50%

Notes to Required Supplementary Information Schedules:

Change in benefits:	There were no changes to benefit terms that applied to all members of the Public Agency Pool.
Change in assumptions:	There were no changes in assumptions.

Measurement Period	**2020**	**2019**	**2018**
Total OPEB liability			
Service cost	$ 33,969	$ 22,880	$ 22,268
Interest	16,436	12,699	18,153
Benefit payments	(13,769)	(12,672)	(13,172)
Expected minus actual benefits payments	-	(1,097)	-
Experience (gains)/losses	(95,969)	-	-
Changes in assumptions	130,950	111,067	-
Net change in total OPEB liability	71,617	132,877	27,249
Total OPEB liability - beginning	598,642	465,765	438,516
Total OPEB liability - ending	670,259	598,642	465,765
Plan fiduciary net position	-	-	-
Net OPEB liability	$ 670,259	$ 598,642	$ 465,765
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered-employee payroll	$ 1,130,167	$ 1,150,942	$ 1,151,936
Total OPEB liability as a percentage of covered payroll	59%	52%	40%

Federal Grantor	Program Title	CFDA No.	Cluster Title	Pass-Through No.	Award Type	Expenditures	Amounts Passed Through to Sub-Recipients
HUD	Public and Indian Housing	14.850	N/A		Direct	$ 315,838	$ -
HUD	COVID-19 Public and Indian Housing	14.850	N/A		Direct	12,760	-
	Total Public and Indian Housing					328,598	-
HUD	Public Housing Capital Fund	14.872	N/A		Direct	613,784	-
	Total Federal Financial Assistance					**$ 942,382**	**$ -**

Award Type:	Total Expenditures
Direct	$ 942,382
Indirect	-
Total Federal Financial Assistance	**$ 942,382**

	Federal Grantor:	Total Expenditures
HUD	US Department of Housing and Urban Development	$ 942,382
	Total Federal Financial Assistance	**$ 942,382**

NOTE 01 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Authority under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of our operations, it is not intended to and does not present our financial position, changes in net positions, or cash flows.

NOTE 02 - INDIRECT COST RATE

We have elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

1. The Actual Costs of the Authority were as follows:

Grant	Funds Approved	Funds Disbursed	Funds Expended	Balance
CA01P025501-20	$ 613,784	$ 613,784	$ 613,784	$ -

2. The distribution of costs as shown on the Financial Statement of Costs accompanying the Actual Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.

3. For the above completed grants, all costs have been paid and all related liabilities have been discharged through payment.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Governing Body of
Housing Authority of the City of Eureka

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Eureka (Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 8, 2021. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

Smith Marion & Co.

September 8, 2021
Redlands, CA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Governing Body of
Housing Authority of the City of Eureka

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Housing Authority of the City of Eureka's (Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

Smith Marion & Co.

September 8, 2021
Redlands, CA

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of Auditor Report on the financial statements: Unmodified

2. Internal control over financial reporting:
   a. Material weakness(es) identified? [ ] Yes [x] No
   b. Significant deficiency(ies) identified that are not considered to be material weaknesses? [ ] Yes [x] None noted

3. Noncompliance material to financial statements? [ ] Yes [x] No

Federal Awards:

4. Type of auditors' report on compliance for major programs: Unmodified

5. Internal control over major programs:
   a. Material weakness(es) identified? [ ] Yes [x] No
   b. Significant deficiency(ies) identified that are not considered to be material weaknesses? [ ] Yes [x] None noted

6. Audit findings noted which are required to be reported in accordance with 2 CFR Section 200.516(a)? [ ] Yes [x] No

7. Identification of Major Programs:

CFDA	*Program(s) Name*
14.872	Public Housing Capital Fund

8. The Dollar Threshold Used to Distinguish Between Type A and Type B Programs: $ 750,000

9. Auditee qualified as a low-risk auditee? [x] Yes [ ] No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

Financial Statement Findings:

Prior Year Findings No.	Findings Title	Status/ Current Year Finding No.
N/A	There were no prior findings reported.	N/A

Federal Award Findings and Question Costs:

Prior Year Findings No.	Findings Title	Status/ Current Year Finding No.
N/A	There were no prior findings reported.	N/A