



Eureka Housing Associates
A California Limited Partnership
735 West Everding Street
Eureka, California 95503
(707)443-4583/FAX (707) 443-4762

AGENDA
EUREKA HOUSING ASSOCIATES

ANNUAL BOARD MEETING

DECEMBER 21, 2022
12:45PM

LOCATION

Pursuant to Assembly Bill No.361 (Chapter 165, Statutes of 2021) approved by the Governor on September 16, 2021, codified at Government Code Section 54953 a local legislative body is authorized to hold public meetings remotely via teleconferencing without complying with the teleconferencing requirements imposed by the Ralph M. Brown Act when, among other requirements, a legislative body of a local agency holds a meeting during a proclaimed state emergency, and makes the public meeting accessible “via a call-in option or an internet-based service option” to all members of the public seeking to access and attend the meeting, offer public comment, and address the legislative body.

PUBLIC PARTICIPATION

Public access to this meeting is available as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/85182770668?pwd=aWowK3VRNIRRRXoyRFQ4MTMyREtadz09>

Meeting ID: 851 8277 0668

Passcode: 340147

Join Zoom meeting via phone: (669) 900-6833

Persons wishing to address the Board of Commissioners are asked to submit comments for the public speaking portion of the agenda as follows:

- Send an email with your comment(s) to heatherh@eurekahumboldt.org prior to the Board of Commissioners meeting.
- Call and leave a message at (707) 443-4583 ext. 219.

When addressing the Board, on agenda items or business introduced by Commissioners, members of the public may speak for a maximum of five minutes per agenda item when the subject is before the Board.

1. Roll Call

2. Brown Act, Remote Session Authorization, Resolution 12-2022
Recommended Board Action: Accept and Adopt for Approval

3. Public Comment (Non-Agenda):

This time is reserved for members of the public to address the Committee relative to matters of the County of Humboldt Housing Authority not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to five minutes per person and twenty minutes in total.

4. Approve minutes of the Board of Commissioners meetings:

- 4a. Regular meeting of January 18, 2022

5. New Business:

- 5a. Resolution 01-2021 Approve and Accept Audit of Financial Statements for FYE December 31, 2020 and December 31, 2021.
Recommended Board Action - Review for Approval and Acceptance

7. Adjournment

* * * Note * * *

Documents related to this agenda are available on-line at:
<https://eurekahumboldtha.org/governance/>

Know Your RIGHTS Under The Ralph M. Brown Act: Government's duty is to serve the public, reaching its decisions in full view of the public. The Board of Commissioners exists to conduct the business of its constituents. Deliberations are conducted before the people and are open for the people's review.

Eureka Housing Associates

Board Meeting

December 19, 2022

Agenda Item 2

Memorandum

To: Commissioners

From: Cheryl Churchill, Executive Director

Subject: Brown Act, Meetings Held Virtually

BACKGROUND:

The Brown Act allows for meetings to occur via teleconferencing subject to certain requirements, particularly that:

- the teleconference be accessible to the public;
- members of the public be allowed to address the legislative body;
- the legislative body post an agenda; and
- at least a quorum of the legislative body participate from locations within the boundaries of the local agency's jurisdiction.

STAFF RECOMMENDATION:

If the need to continue meetings remotely is acknowledged by the board, and meets the necessary requirements, approve the resolution allowing such practice to continue moving forward until such time as it is no longer necessary or no longer allowed.

RESOLUTION NO. 12-2022

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF EUREKA HOUSING AUTHORITY MAKING FINDINGS PURSUANT TO GOVERNMENT CODE SECTION 54953, AS AMENDED BY ASSEMBLY BILL 361, AND AUTHORIZING THE CONTINUED USE OF VIRTUAL MEETINGS

WHEREAS, as a result of the COVID-19 pandemic, the Governor issued Executive Order Nos. N-08-21, N-25-20 and N-29-20, which suspended certain provisions of the Ralph M. Brown Act to allow the Eureka Housing Associates Board to conduct public meetings without strict compliance with the teleconferencing provisions of the Brown Act;

WHEREAS, Assembly Bill 361, which was signed into law on September 17, 2021, amended Government Code section 54953, to provide relief from the teleconferencing provisions of the Brown Act under certain circumstances provided the Eureka Housing Associates Board makes certain findings;

WHEREAS, as a result of the COVID-19 pandemic, the Governor proclaimed a state of emergency on March 4, 2020, in accordance with the section 8625 of the California Emergency Services Act, and the state of emergency remains in effect;

WHEREAS, as a result of the COVID-19 pandemic, the Humboldt County Health Officer has imposed and has recommended measures to promote social distancing;

NOW, THEREFORE, the Eureka Housing Associates Board does hereby find and resolve as follows:

1. That the Board has reconsidered the circumstances of the previously declared and existing state of emergency arising from the COVID-19 pandemic;
2. That the state of emergency continues to directly impact the ability of the members of the Board to meet safely in person, and further that local officials continue to impose or recommend measures to promote social distancing;
3. That the Board and its subordinate Committees, Commissions, and Boards may continue to conduct public meetings in accordance with Government Code section 54953(e);
4. That the Board will reconsider the above findings within 30-days of this Resolution.

PASSED AND ADOPTED on the 21 day of December 2022 by the following vote:

AYES:
NAYS:
ABSENT:
ABSTAIN:

Name

Name

Title

Title

Signature

Signature

The Eureka Housing Associates Board of Officers met on Monday, January 18, 2022. This Session was held via conference call and Zoom with the Board members due to the Covid-19 pandemic.

President Escarda calls the annual meeting to order at 8:50pm.

- (1) Roll Call:
Present: Kay Escarda -President
Kali Serotta – Vice President
Cheryl Churchill – Secretary/Treasurer
Absent: None
Staff: Cheryl Churchill, Heather Humphreys

- (2) Minutes for the November 16, 2020, meeting

Vice President Serotta made a motion to approve the minutes of November 16, 2020.

Secretary/Treasurer Churchill seconded the motion.

Roll Call:
AYES: Escarda, Serotta, Churchill
NAYS: None
ABSTAIN: None
ABSENT: None

President Escarda declared the motion carried and the minutes of November 16, 2020, approved.

- (3) Annual Meeting – Election of Officers: Vice President Serotta motions to keep the same slate of Officers of Kay Escarda as President, Kali Serotta as Vice President, and Cheryl Churchill as Secretary/Treasurer

Secretary/Treasurer Churchill seconded the motion.

Officers appointed for the year 2022 elected:

Kay Escarda – President
Kali Serotta – Vice President
Cheryl Churchill – Secretary/Treasurer

Roll Call:
AYES: Escarda, Serotta, Churchill
NAYS: None
ABSTAIN: None
ABSENT: None

President Escarda declared the motion carried and approved the Officers for 2022.

- (4) Resolution 01-2021
Annual Audit of Financial Statements for FYE December 31, 2020 and December 31, 2019
Recommended Board Action: Accept and Adopt for Approval

RESOLUTION 01-2021

APPROVE AND ACCEPT AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020 AND DECEMBER 31, 2019

WHEREAS, The Eureka Housing Associates Board directed the Executive Director to enter into a contract with Smith Marion & Company, Certified Public Accountants, to do the annual audit of the Limited Partnership.

WHEREAS, The Annual Audit has been completed and the Audit Report has been submitted to the Board for review and approval; and

WHEREAS, The Audit of the Eureka Housing Associates has been reviewed and discussed by the Board.

NOW, THEREFORE, BE IT RESOLVED, That the Board of The Eureka Housing Associates do hereby accept the audit reports for the year ended December 31, 2020 and December 31, 2019 and approve payment to Smith Marion & Company, Certified Public Accountants, for audit services.

Motion to approve and accept Resolution 01-2021 made by Vice President Serotta.

Secretary/Treasurer Churchill seconded the motion.

Roll Call:

AYES: Escarda, Serotta, Churchill
NAYS: None
ABSTAIN: None
ABSENT: None

President Escarda declared the motion carried to approve Resolution 01-2021.

There being no further business to come before the Commissioners, the meeting was adjourned at 8:59pm.

Kay Escarda, President

Kali Serotta, Vice President

Eureka Housing Associates

Board Meeting

December 21, 2022

Agenda Item 5

Memorandum

To: Board Members

From: Cheryl Churchill, Secretary/Treasurer

Subject: Eureka Housing Associates, Annual Meeting and Audit Review and Approval

BACKGROUND AND HISTORY:

In accordance with the law, the Board of the Eureka Housing Associates must conduct an Annual Meeting and review the Financial Audit for Fiscal Year Ending December 31, 2021 and December 31, 2020.

STAFF RECOMMENDATION:

Please review the audit for discussion at our annual meeting.

EUREKA HOUSING ASSOCIATES, LP
(A California Limited Partnership)

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021 AND 2020



EUREKA HOUSING ASSOCIATES, LP
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INDEPENDENT AUDITOR'S REPORT

To the Partners of
Eureka Housing Associates, LP
Eureka, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Eureka Housing Associates, LP (the "Partnership"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partnership as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Partnership and meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Partnership as of December 31, 2020, were audited by other auditors whose report dated July 7, 2021, expressed an unmodified opinion on those statements.

Emphasis of Matter - Related Party Transactions

As discussed in Note 2 to the financial statements, the Partnership is considered a component unit of the City of Eureka Housing Authority. The Partnership has one general partner, Eureka Housing Development Corporation (A California Nonprofit Public Corporation), and the board of directors of the Eureka Housing Development Corporation is appointed by the board of directors of the City of Eureka Housing Authority. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards (GAAS), we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2022, on our consideration of the Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control over financial reporting or on compliance.

Harshmal & Company LLP

Oakland, California
August 10, 2022

BASIC FINANCIAL STATEMENTS

EUREKA HOUSING ASSOCIATES, LP
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current assets		
Cash and equivalents - operating	\$ 46,163	\$ 40,095
Accounts receivable (net of allowances)	-	388
Prepaid expenses	4,252	3,039
Total current assets	50,415	43,522
Restricted deposits and funded reserves		
Tenant deposits held in trust	11,126	12,203
Operating reserve	46,170	43,269
Replacement reserve	77,099	67,929
Total restricted deposits and funded reserves	134,395	123,401
Property and equipment, at cost		
Land	248,004	248,004
Buildings and improvements	1,573,243	1,573,243
Construction, work in progress	2,775	-
Furniture and equipment	36,785	36,785
Total property and equipment	1,860,807	1,858,032
Less: accumulated depreciation	(985,781)	(950,314)
Property and equipment, net	875,026	907,718
Total assets	\$ 1,059,836	\$ 1,074,641

The accompanying notes are an integral part of these financial statements.

EUREKA HOUSING ASSOCIATES, LP
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
Liabilities and Partners' Capital		
Liabilities		
Current liabilities		
Accounts payable - operations	\$ 3,186	\$ 3,241
Accrued liabilities	5,408	5,181
Current portion of accrued vacation payable	67	54
Current portion of loans and notes payable	20,449	19,342
Total current liabilities	29,110	27,818
Deposit and prepaid liabilities		
Tenant security deposits	11,126	12,203
Prepaid rent	2	484
Total deposit and prepaid liabilities	11,128	12,687
Noncurrent liabilities		
Other due to related party	67,500	60,000
Accrued vacation payable, net of current portion	2,153	1,756
Related party promissory note	470,000	470,000
Accrued interest on related party note	499,289	473,439
Loans and notes payable, net	450,067	469,786
Accrued interest on loans and notes	224,400	214,500
Total noncurrent liabilities	1,713,409	1,689,481
Total liabilities	1,753,647	1,729,986
Partners' capital	(693,811)	(655,345)
Total liabilities and partners' capital	\$ 1,059,836	\$ 1,074,641

The accompanying notes are an integral part of these financial statements.

EUREKA HOUSING ASSOCIATES, LP
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Operating subsidy	\$ 112,798	\$ 113,398
Dwelling rent	70,705	77,842
Other tenant charges	5,433	422
Miscellaneous income	<u>175</u>	<u>1,118</u>
Total revenues	<u>189,111</u>	<u>192,780</u>
Operating expenses		
General and administrative	10,804	7,654
Partnership management fee	7,500	7,500
Property management fee	11,052	11,052
Payroll and benefits	36,003	34,548
Utilities	23,889	23,415
Property insurance	3,613	2,644
Maintenance and operations	48,165	39,493
Tenant services	49	183
Professional services	<u>5,441</u>	<u>5,636</u>
Total operating expenses	<u>146,516</u>	<u>132,125</u>
Income from operations	42,595	60,655
Nonoperating revenues (expenses)		
Interest income	24	55
Interest expense	(45,618)	(46,998)
Depreciation	<u>(35,467)</u>	<u>(33,454)</u>
Total nonoperating expenses	<u>(81,061)</u>	<u>(80,397)</u>
Net loss	<u>\$ (38,466)</u>	<u>\$ (19,742)</u>

The accompanying notes are an integral part of these financial statements.

EUREKA HOUSING ASSOCIATES, LP
STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>General Partner*</u>	<u>Limited Partner**</u>	<u>Total Partners' Capital</u>
Partners' capital, January 1, 2020	\$ (635,603)	\$ -	\$ (635,603)
Net loss for 2020	<u>(19,742)</u>	<u>-</u>	<u>(19,742)</u>
Partners' capital, December 31, 2020	<u>(655,345)</u>	<u>-</u>	<u>(655,345)</u>
Net loss for 2021	<u>(38,466)</u>	<u>-</u>	<u>(38,466)</u>
Partners' capital, December 31, 2021	<u><u>\$ (693,811)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (693,811)</u></u>

* Eureka Housing Development Corporation (A California Nonprofit Public Benefit Corporation)

** Umpqua Bank

The accompanying notes are an integral part of these financial statements.

EUREKA HOUSING ASSOCIATES, LP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Cash collected from:		
Operating subsidy	\$ 113,186	\$ 113,755
Rental receipts	70,705	77,842
Other operating receipts	5,608	1,540
Cash paid for:		
Administrative expenses	(10,632)	(8,192)
Payroll expenses	(35,593)	(36,534)
Utilities expenses	(23,889)	(23,415)
Maintenance and operations expenses	(73,766)	(63,658)
Insurance expenses	(4,826)	(3,039)
Interest paid	(9,844)	(11,193)
Net cash flows provided by operating activities	<u>30,949</u>	<u>47,106</u>
Cash flows from investing activities		
Purchase of property and equipment	(2,775)	(81,725)
Net cash flows used in investing activities	<u>(2,775)</u>	<u>(81,725)</u>
Cash flows from financing activities		
Other receipts from related parties	7,500	7,500
Principal payments on mortgage loan payable	(18,612)	(17,233)
Net cash flows used in financing activities	<u>(11,112)</u>	<u>(9,733)</u>
Net change in cash, cash equivalents, and restricted cash	17,062	(44,352)
Cash, cash equivalents, and restricted cash, beginning of year	<u>163,496</u>	<u>207,848</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 180,558</u>	<u>\$ 163,496</u>
Reconciliation to cash on balance sheet:		
Cash and equivalents - operating	\$ 46,163	\$ 40,095
Tenant deposits held in trust	11,126	12,203
Operating reserve	46,170	43,269
Replacement reserve	77,099	67,929
Total cash, cash equivalents, and restricted cash	<u>\$ 180,558</u>	<u>\$ 163,496</u>

The accompanying notes are an integral part of these financial statements.

EUREKA HOUSING ASSOCIATES, LP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of net loss to net cash provided by operating activities:		
Operating loss	\$ (38,466)	\$ (19,742)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	35,467	33,454
Change in operating assets and liabilities		
Accounts receivable	388	357
Prepaid expenses	(1,213)	(395)
Prepaid rent	(482)	(387)
Accounts payable and accrued liabilities	172	(538)
Accrued interest	35,750	35,750
Accrued vacation payable	410	(1,986)
Tenant security deposits	<u>(1,077)</u>	<u>593</u>
Net cash provided by operating activities	<u>\$ 30,949</u>	<u>\$ 47,106</u>

The accompanying notes are an integral part of these financial statements.

EUREKA HOUSING ASSOCIATES, LP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - NATURE OF BUSINESS AND ORGANIZATION

Eureka Housing Associates, LP (the "Partnership") was formed in June 1998 to own, develop, construct, maintain, and operate a housing project consisting of twenty-two (22) scattered site residential units. The units are provided for persons of low and very-low income, pursuant to the rules and regulations of Section 42 of the Internal Revenue Code. The project is located in the City of Eureka, California. The major activity of the Partnership is governed by the Partnership Agreement.

The Partnership has one general partner, Eureka Housing Development Corporation (A California Nonprofit Public Benefit Corporation), and one investing limited partner. The Board of Directors of the Eureka Housing Development Corporation is appointed by the Board of Directors of the City of Eureka Housing Authority. Pursuant to the Partnership Agreement, profits, losses, and tax credits are allocated 0.01% to the General Partner and 99.99% to the Limited Partner.

The Partnership transactions with the partners are described in other notes to these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The basis of accounting refers to when revenue and expenditures or expense are recognized in the accounts and reported in the financial statements.

The Partnership prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America, whereby revenue is recognized in the accounting period in which it becomes both earned and measurable to finance expenditures of the current fiscal period. Expenses are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). Funds received in advance for which services have not been performed are treated as deferred revenue. In such instances, revenue is recognized as the earning process is completed.

B. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These assumptions affect the reported amounts of assets, liabilities, and the amount of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Partnership includes all cash accounts which are not subject to withdrawal restrictions or penalties and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents on the accompanying balance sheets.

D. Concentration of Credit Risk

The Partnership maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts. There were no deposits in excess of federally insured limits on December 31, 2021, and 2020.

EUREKA HOUSING ASSOCIATES, LP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E. Property and Equipment

Property, equipment, and improvements are recorded at cost and depreciated using the straight-line method of depreciation over estimated useful lives ranging from 9 to 40 years. Capital expenditures above \$5,000 are capitalized, while capital expenditures below the threshold are charged as expenses during the period in which they were incurred.

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the Statements of Operations.

F. Construction in Process

The Partnership incurs costs during the construction phase of the project undertaken. Such costs include governmental fees, legal and consulting fees, as well as construction costs. The Partnership records these costs as construction in process until the project is placed in service. Construction in process is not depreciated until the completion of the project.

G. Rental Income and Tenant Receivables

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All tenant leases are operating leases. The allowance for losses on tenant receivables was \$336 and \$0 as of December 31, 2021, and 2020, respectively.

H. Amortization of Financing Costs

Costs incurred in order to obtain financing are stated at cost and amortized on a straight-line basis into interest expense over the term of the loan. Permanent loan costs are reported as a direct deduction from the face amount of the related debt.

I. Income Taxes

Income taxes on Partnership income are levied on the partners at the partner level. Accordingly, all profits and losses of the Partnership are recognized by each partner on its respective tax return.

The Partnership believes that it has appropriate support for any tax positions taken and as such, does not have any uncertain tax positions that are material to the financial statements. The Partnership's federal and state income tax returns for the years 2017 through 2020 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

J. Component Unit

The Partnership is considered a component unit of the City of Eureka Housing Authority. As a component unit of the Housing Authority, the financial activity of the Partnership is also reported in the financial statements of the Housing Authority. The Housing Authority manages the daily operations of the organization. The Partnership has no employees; however, the staff of the Housing Authority allocates part of their salary and benefit expenses to the Partnership.

EUREKA HOUSING ASSOCIATES, LP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

K. Allocation of Partnership Income/Loss

Profit and losses are allocated based on the partners' interests in the Partnership. Because the limited partner's losses are limited to its investment, the losses will not be allocated to the limited partner if they would create an adjusted capital account deficit in the limited partner's account, and such losses shall be allocated to the general partner. Any subsequent income is allocated to the general partner until the general partner's share of that income offsets the losses not previously recognized by the limited partner and thereafter to the limited partner and general partner in a ratio of 40% to 60%.

L. Subsequent Events

The management has evaluated subsequent events of the Partnership through August 10, 2022, the date on which the financial statements were available to be issued.

NOTE 3 - RESERVE DEPOSITS

Activity for reserve deposits that are restricted for operating reserve and replacement reserve are as follows:

	<u>Operating Reserve</u>	<u>Replacement Reserve</u>
Balance at beginning of year	\$ 43,269	\$ 67,929
Deposits / interest	2,901	9,170
Uses / transfers	<u>-</u>	<u>-</u>
Balance at end of year	<u>\$ 46,170</u>	<u>\$ 77,099</u>

Operating Reserve

The Limited Partnership Agreement requires establishing an operating reserve equal to \$6,200 and continues to make annual additions. For the years ended December 31, 2021, and 2020, \$2,901 and \$2,805, respectively, were added to the operating reserve from deposits and interest with a planned deposit increase of 3.5% for the next year. Funds in the operating reserve may be used to pay operating deficits.

Replacement Reserve

The Limited Partnership Agreement requires establishing a replacement reserve of \$5,833 and continuing to make annual additions. For the years ended December 31, 2021, and 2020, \$9,170 and \$9,022, respectively, were added to the replacement reserve from deposits and interest with a planned deposit increase of 2% for the next year. Funds in the replacement reserve are restricted to renovation, replacement, and/or special maintenance of the property.

EUREKA HOUSING ASSOCIATES, LP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - LOANS AND NOTES PAYABLE

Loans and notes payable were comprised of the following:

	2021	2020
Note payable to the Redevelopment Agency of the City of Eureka; the note bears interest at 3.00% per annum for a term of 30 years, with annual payments payable to the extent there is available cash flow. The loan matures on June 18, 2028. Accrued interest on this note was \$224,400 and \$214,500, at December 31, 2021 and 2020, respectively.	\$ 330,000	\$ 330,000
Note payable to Umpqua Bank; the note provides for monthly required payments of \$2,373. The stated interest rate is 5.50% per annum. The loan matures on May 20, 2028.	153,153	172,531
Total loans and notes payable	483,153	502,531
Less: unamortized financing fees on loans	(12,637)	(13,403)
Loans and notes payable, net of financing fees	\$ 470,516	\$ 489,128

The residential units are pledged as collateral for the notes and are secured by deeds of trust, assignment of rents, security agreements, and fixture filings against the property.

Future maturities of loans and notes payable are as follows:

<u>Year ended December 31,</u>		
2022	\$	20,449
2023		21,619
2024		22,838
2025		24,162
2026		25,544
Thereafter		368,541
Total	\$	483,153

The aggregate amortization expense charged to statements of operations was \$766 for each of the years ended December 31, 2021, and 2020.

EUREKA HOUSING ASSOCIATES, LP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - BUSINESS RISK AND CONCENTRATIONS

Geographical Location

The Partnership's sole assets are the twenty-two (22) residential units known as Eureka Senior Housing, located in Eureka, CA.

Regulatory Environment

The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the project are subject to the administrative directives, rules, and regulations of state and local regulatory agencies. Such administrative directives, rules, and regulations are subject to change, and such changes may occur with little notice or inadequate funding to pay for related costs, including the additional administrative burden of complying with a change.

Custodial Risk

The Partnership's cash deposits are held by one financial institution, with a minimum of \$250,000 covered by federal depository insurance. No deposits exceeded insurance coverage as of December 31, 2021 and 2020.

Major Revenue Source

For the years ended December 31, 2021, and 2020, the Partnership has 59.6% and 58.8% of its total revenue through operating subsidies.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

As a condition for receiving the loans from the City of Eureka Housing Authority, the Partnership entered into a Regulatory Agreement and Declaration of Restrictive Covenants. Under these Agreements, the Partnership shall maintain the project as a Qualified Low-income Housing Project by restricting at least 10% of the residential units to tenants who have income at or below 50% of the area median gross income with the remainder of the units reserved for tenants who have income at or below 60% of the area median gross income. The Agreements also restrict the amount of rent charged to tenants.

NOTE 7 - RELATED-PARTY TRANSACTIONS

Partnership Management Fee

The Partnership entered into a partnership management agreement with Eureka Housing Development Corporation, which is also the general partner of the Partnership. Under this agreement, the Partnership agreed to pay the General Partner an annual partnership management fee of \$7,500 per year out of excess cash flows.

Sponsor Loan

The City of Eureka Housing Authority provided the Partnership with a loan in the amount of \$470,000. The loan provides for interest at 5.5% for a term of 30 years (due on June 18, 2028), with annual payments due on July 1 of each calendar year. The annual payments are only payable to the extent there is available cash flow. As of December 31, 2021, and 2020, the outstanding principal balance was \$470,000. Accrued interest amounted to \$499,289 and \$473,439 for December 31, 2021 and 2020, respectively.

EUREKA HOUSING ASSOCIATES, LP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 07 - RELATED-PARTY TRANSACTIONS - CONT'D

Other Due to Related Party

The Partnership owes the City of Eureka Housing Authority for expenses paid on the Partnership's behalf. As of December 31, 2021 and 2020, the balance was \$67,500 and \$60,000, respectively, and is reflected on the accompanying balance sheets as due to the related party. This liability bears no interest and is payable from cash flow.

Other Payments

During the years ended December 31, 2021, and 2020, the Partnership paid the ground fee and management fee to Marine View Terrace (MVT) of \$19,200 and \$11,052, respectively. The Partnership has also paid the rent of \$1,680 to the City of Eureka Housing Authority for each of the years ended December 31, 2021, and 2020.

Housing Assistance Payments

The Partnership rents to households that may also have subsidized rental assistance under the County of Humboldt Housing Authority's (CHHA) Housing Choice Voucher (HCV) program. A tenant utilizing a voucher would pay a portion of their rent directly to the partnership, while the remaining portion is paid from CHHA as dictated by the HCV program.

For the years ended December 31, 2021, and 2020, Housing Assistance Payments totaled \$112,798 and \$113,398, respectively.

COMPLIANCE SECTION

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

To the Partners of
Eureka Housing Associates, LP
Eureka, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Eureka Housing Associates, LP (the "Partnership") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Partnership's basic financial statements, and have issued our report thereon dated August 10, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

Oakland, California
August 10, 2022

**EUREKA HOUSING ASSOCIATES, LP
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

**EUREKA HOUSING ASSOCIATES, LP
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

The Partnership had no findings noted in prior year that require a status.

Resolution 01-2022

**To Accept Agency Audit Reports
Fiscal Year ending December 31, 2021 and December 31, 2020**

WHEREAS, It is a requirement of the United States Department of Housing and Urban Development that the Housing Authority have an independent audit of Compliance and Internal Control Over Financial Reporting based on Audit of Financial Statements Performed in Accordance with Government Audit Standards; and

WHEREAS, It is a requirement of the United States Department of Housing and Urban Development that the Housing Authority have an independent audit of Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133; and

WHEREAS, The Housing Authority has contracted with Harshwal & Company LLP, Certified Public Accountants, to complete the audit; and

WHEREAS, Annual Audit has been completed and the Auditors Report has been submitted to the members of the Board for review and approval; and

WHEREAS, The Board has reviewed the audit report and found it to be substantially correct.

NOW, THEREFORE, BE IT RESOLVED, that the Board of the Eureka Housing Associates do hereby accept the Audited Financial Statements for the fiscal year ending December 30, 2021 and December 31, 2020.

PASSED AND ADOPTED on the 21 day of December 2022 by the following vote:

AYES:
NAYS:
ABSENT:
ABSTAIN:
ATTEST:

Name

Name

Title

Title

Signature

Signature