



Smith Marion & Co. · Certified Public Accountants

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To the Board of Commissioners

Housing Authority of the City of Santa Barbara

Santa Barbara, CA

Auditors' Communication to those Charged with Governance

We have audited the financial statements of Housing Authority of the City of Santa Barbara as of and for the year ended March 31, 2021, and have issued our report thereon dated August 26, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Housing Authority of the City of Santa Barbara solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Housing Authority of the City of Santa Barbara is included in Note [A] to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are described below:

Allowance for doubtful accounts – Management estimate of allowance for doubtful accounts is based on historical collections data and amounts collected soon after year-end. We evaluated key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements.

Useful lives of fixed assets – Management estimate of useful lives is based on expectation of usefulness of the asset. We evaluated key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements.

Other Post-Employment Benefits (OPEB) obligation and related deferred inflows/outflows – Management estimate is based on actuarial assumptions and methods. We have evaluated those actuarial assumptions and methods in determining that they are reasonable in relation to the financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We evaluated the key factors and assumptions used to develop the above estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Housing Authority of the City of Santa Barbara's financial statements relate to:

Capital assets
Allowance for bad debt
OPEB obligation and related deferred inflows/outflows

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: See Adjusting Journal Entry Report.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Housing Authority of the City of Santa Barbara's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Housing Authority of the City of Santa Barbara, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Housing Authority of the City of Santa Barbara's auditors.

During our audit we noted no significant deficiencies in internal controls over compliance as documented in the Schedule of Findings and Questioned Costs.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Housing Authority of the City of Santa Barbara's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

Read management's discussion and analysis and considered whether it, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the individuals charged with governance, and management of Housing Authority of the City of Santa Barbara and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, reading "Smith Martin & Co.", is positioned above the date.

August 26, 2021



HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA

Financial Statements & Independent Auditors' Report

For the Year Ended March 31, 2021



Housing Authority of the City of Santa Barbara

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For the Year Ended March 31, 2021

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Board of Commissioners
Housing Authority of the City of Santa Barbara
Santa Barbara, CA

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities and the aggregated discretely presented component units of the Housing Authority of the City of Santa Barbara as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 aggregated discretely presented component units, which represent 100 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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



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 discretely presented component units of the Housing Authority of the City of Santa Barbara, as of March 31, 2021, 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 on pages i-vi and schedule of net OPEB liability on page 31 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 Housing Authority of the City of Santa Barbara's basic financial statements. The supplemental information, the schedule of expenditures of federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2021, on our consideration of the Housing Authority's 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 of Housing Authority of the City of Santa Barbara's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of Santa Barbara's internal control over financial reporting and compliance.

A handwritten signature in blue ink, reading "Smith Marino & Co.", is positioned above the date.

August 26, 2021

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2021

As management of the Housing Authority of the City of Santa Barbara, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2021.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- Total operating revenue for all programs, net of interfund eliminations, was approximately \$53.5 million. Tenant rental revenue generated approximately \$8.1 million, and HUD operating grants provided approximately \$43.3 million.
- Total operating expenses for all programs, net of interfund eliminations, was approximately \$48.7 million. Housing assistance payments to landlords on behalf of tenants represented approximately \$30.5 million. Administrative expenses (\$6.2 million), maintenance (\$3.8 million) and tenant services (\$1.6 million) were other significant expense categories.
- The assets of the Housing Authority exceeded its liabilities at the close of the year by \$95.7 million. Of that amount, \$59.6 million was considered unrestricted net position and \$10.0 million was restricted net position. The remaining balance of \$26.1 million was net investment in capital assets.
- The Housing Authority's total net position increased by \$4.8 million (Table 1) as a result of current year activities.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements, which are comprised of the Combined Statement of Net Position, the Combined Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement of Cash Flows. This report also includes notes to the financial statements and supplementary information.

The financial statements report information on the Authority net of interfund activity.

The *Combined Statement of Net Position* presents information on the Authority's assets, including deferred outflows of resources, and liabilities, including deferred inflows of resources, with the difference between the two reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Interfund receivables and payables of \$303,561 have been eliminated for this presentation.

The *Combined Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Combined Statement of Cash Flows* presents the change in the Authority's cash and cash equivalents during the most recent fiscal year.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2021

Fund Accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by the United States Department of Housing and Urban Development (HUD). However, the Authority has established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other moneys. All funds of the Authority are categorized as Enterprise Funds.

Enterprise Funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of enterprise funds is on income measurement which, together with the maintenance of equity, is an important financial indication.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Supplemental Information. Certain information is required to be included in this report by various federal agencies. This information is included after the notes to the financial statements, under the title "Supplementary Information."

Financial Analysis

As noted earlier, the Authority uses funds to help it control and manage money for particular purposes. The analysis below focuses on the net position (Table 1) and the changes in the net position (Table 3) of the Authority as a whole. The Authority's net investment in capital assets (e.g. land, buildings and improvements, furniture, equipment and machinery) represents approximately 27% of total net position. The Authority uses these capital assets to provide services to clients; consequently, these assets are not available for future spending.

Table 1, on the next page, presents a summary of changes in the Authority's statement of net position from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2021. The following is an explanation of some of the changes between fiscal years, as shown in Table 1.

- **Current assets** (net of interfund eliminations) increased approximately \$6.9 million (23.9%). Of that amount, combined cash and investments, both restricted and unrestricted, increased approximately \$6.4 million (23%) which accounts for virtually the entirety of the decrease in current assets. The increase was due to the results of operating activity for the year.
- **Non-Current assets** (net of interfund eliminations and excluding capital assets) were virtually unchanged from the prior fiscal year-end, with a decrease of approximately \$190,000 (0.4%).
- **Capital assets** (net of depreciation) were also virtually unchanged from the prior fiscal year-end with an increase of approximately \$425,000 (0.7%). Table 2, on the next page, summarizes the changes in capital assets.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2021

Table 1

	<u>3/31/2020</u>	<u>3/31/2021</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 28,955,194	\$ 35,868,593	\$ 6,913,399	23.9%
Capital Assets, Net of Depreciation	64,027,937	64,452,609	424,672	0.7%
Non-Current Assets	43,904,418	43,714,455	(189,963)	-0.4%
Deferred Outflow of Resources	160,890	241,288	80,398	n/a
Total Assets and Deferred Outflows of Resources	<u>\$ 137,048,439</u>	<u>\$ 144,276,945</u>	<u>\$ 7,228,506</u>	5.3%
Current Liabilities	\$ 2,608,473	\$ 4,152,797	\$ 1,544,324	59.2%
Non-Current Liabilities	41,450,487	42,474,987	1,024,500	2.5%
Total Liabilities	<u>\$ 44,058,960</u>	<u>\$ 46,627,784</u>	<u>\$ 2,568,824</u>	5.8%
Deferred Inflows of Resources	2,109,019	1,973,514	(135,505)	n/a
Net Position				
Net Investment in Capital	\$ 26,648,262	\$ 26,087,069	\$ (561,193)	-2.1%
Restricted Net Position	8,166,209	9,971,730	1,805,521	22.1%
Unrestricted Net Position	56,065,989	59,616,848	3,550,859	6.3%
Net Position	<u>\$ 90,880,460</u>	<u>\$ 95,675,647</u>	<u>\$ 4,795,187</u>	5.3%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 134,939,420</u>	<u>\$ 144,276,945</u>	<u>\$ 7,364,011</u>	5.5%

- **Total liabilities** increased approximately \$2.6 million (5.8%). Of that amount, approximately \$1.5 million was an increase in current liabilities and approximately \$1 million was an increase in non-current liabilities.
- **Total net position** increased approximately \$4.8 million (5.3%).

Table 2

FIXED ASSETS

	<u>3/31/2020</u>	<u>3/31/2021</u>	<u>Change</u>	<u>% Change</u>
Land	\$ 37,697,228	\$ 40,659,228	\$ 2,962,000	7.9%
Depreciable Capital Assets	53,162,365	54,237,822	1,075,457	2.0%
Less Accumulated Depreciation	<u>(26,831,656)</u>	<u>(30,444,441)</u>	<u>(3,612,785)</u>	13.5%
Net Capital Assets	<u>\$ 64,027,937</u>	<u>\$ 64,452,609</u>	<u>\$ 424,672</u>	0.7%

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2021

Table 3, below, presents a comparison of the Authority's Combined Statement of Revenues, Expenses and Change in Net Position for the fiscal years ended March 31, 2020 and 2021. The following are some of the changes between fiscal years as shown in the table.

Table 3
CHANGE IN NET POSITION

Operating Revenues	3/31/2020	3/31/2021	Change	% Change
Tenant Revenue	\$ 8,366,623	\$ 8,125,355	\$ (241,268)	-2.9%
HUD Operating Grants	37,567,135	43,331,737	5,764,602	15.3%
Other Operating Income	996,915	2,072,855	1,075,940	107.9%
Total Operating Revenue	\$ 46,930,673	\$ 53,529,947	\$ 6,599,274	14.1%
Operating Expenses				
Administration	\$ 5,931,396	\$ 6,212,990	\$ 281,594	4.7%
Utilities	1,227,005	1,392,581	165,576	13.5%
Maintenance & Operations	3,698,822	3,763,145	64,323	1.7%
Insurance	396,716	452,529	55,813	14.1%
General	1,192,141	1,172,630	(19,511)	-1.6%
Depreciation	3,661,638	3,634,947	(26,691)	-0.7%
Housing Assistance Payments	26,930,535	30,534,965	3,604,430	13.4%
Tenant Services	1,622,787	1,557,236	(65,551)	-4.0%
Total Operating Expenses	\$ 44,661,040	\$ 48,721,023	\$ 4,059,983	9.1%
Net Operating Income	\$ 2,269,633	\$ 4,808,924	\$ 2,539,291	111.9%
Non-Operating Revenue (Expenses)				
Investment income	\$ 1,573,574	\$ 1,238,441	\$ (335,133)	-21.3%
Gain (Loss) on Disposition of Assets	11,000	8,500	(2,500)	-23%
Interest Expense	(1,205,404)	(1,260,678)	(55,274)	4.6%
Total Non-Operating Revenue (Expenses)	\$ 379,170	\$ (13,737)	\$ (392,907)	-103.6%
	\$ 2,648,803	\$ 4,795,187	\$ 2,146,384	81.0%
Net Income	-	-	\$ -	
Prior Period Adjustment	\$ 2,648,803	\$ 4,795,187	\$ 2,146,384	81.0%
Change in Net Position				

Operating Revenue: Total operating revenue increased approximately \$6.6 million (14.1%) from fiscal year 2020. While tenant revenue decreased approximately \$241,000 (2.9%) primarily due to the impacts of the pandemic, HUD operating grants increased \$5.8 million (15.3%) due to an increase in the Authority's Section 8 Housing Choice Voucher grant.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2021

Operating Expenses: Operating expenses increased approximately \$4.1 million (9%). Virtually all of the increase was in the line item for Section 8 housing assistance payments to landlords, which increased \$3.6 million (13.4%) in line with the increased HUD Section 8 HCV operating grant, mentioned above.

Non-Operating Revenue / (Expenses): Within this category, investment income declined by \$335,133 (21.3%) from the prior fiscal year because of the continued low interest rate environment.

Fund Net Position Analysis

Table 4 shows a summary of the changes in net position for the individual funds making up the agency-wide "primary government" financial statements.

Table 4

Net Position by Fund

	Business Activities	Central Office Cost Center	Section 8, ROSS & Mainstream	Shelter Plus Care	SBAHG Component Unit (blended)	Elimination of Interfund Transactions	Total
Net position, beginning of year	\$ 179,439,047	\$ 442,110	\$ 2,328,195	\$ -	\$ (2,376,791)	\$ (88,952,101)	\$ 90,880,460
Net income (loss)	6,834,890	184,244	616,531		(2,840,477)	-	4,795,188
Equity Transfers	-	-	-		-	-	-
Net position, end of year	<u>\$ 186,273,937</u>	<u>\$ 626,354</u>	<u>\$ 2,944,726</u>	<u>\$ -</u>	<u>\$ (5,217,268)</u>	<u>\$ (88,952,101)</u>	<u>\$ 95,675,648</u>

The following is an explanation of some of the notable changes in fund net position as shown in Table 4.

Business Activities: Net position increased a total of approximately \$4.2 million entirely because of net income for the fiscal year.

Central Office Cost Center (COCC): The COCC ended the fiscal year with a net position of \$626,354, an increase of \$184,244 from the prior fiscal year-end. All of the increase was from net income for the fiscal year.

Section 8, ROSS and Mainstream: Fund net position increased during the fiscal year by \$616,531 and ended the fiscal year with a net position of approximately \$2.9 million. Once again, all of the increase was from net income for the fiscal year.

Shelter Plus Care: The fund ended the fiscal year with a net income of zero, with both the beginning and ending net positions also at zero.

Santa Barbara Affordable Housing Group (SBAHG). The SBAHG is a 501(c)(3) corporation and an instrumentality of the Authority. It is reported as a blended component unit of the Authority. SBAHG had a net loss of approximately \$2.8 million for the fiscal year resulting in a negative year-end net position of approximately \$5.2 million. Two material non-cash expenses drive the negative change in net assets. In addition to depreciation expense of approximately \$2.5 million, SBAHG had interest expense of approximately \$3.4 million. Virtually all of the interest expense is on residual receipt loans owed to the Authority. As residual receipt loans, payments are required and made only to the extent that sufficient surplus funds are available at the close of the fiscal year.

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2021

Debt. The Agency's long-term debt consists of mortgage loans and notes payable. Additional detail about the long-term liabilities can be found in the notes to the financial statements.

Economic Factors and Outlook. The Authority is primarily dependent upon the federal Department of Housing and Urban Development (HUD) for the funding of operations; therefore, the federal budget more directly affects the Authority than do state or local budgets or economic conditions. One way in which the local economy does affect the Authority and its clients is the continuing tight rental market in Santa Barbara. With rental housing vacancy rates under one percent, local rents, already very expensive, are continuing to rise. Higher rents mean that Section 8 voucher holders continue to have an extremely difficult time finding available apartments within the rent levels allowed under the Section 8 HCV program. It also means that the average rent subsidy per voucher is increasing as well, putting further pressure on the Authority's federal voucher funding. Fortunately, as mentioned above, the Authority's Section 8 HCV grant from HUD increased materially in 2021.

Given the possibility of continued pressure on federal spending levels, including housing programs funded by HUD, the Authority, like all housing authorities, faces the possibility of further constraints on federal funding. In one respect, the Authority's exposure to federal funding risk has been substantially reduced as it has taken advantage of the Rental Assistance Demonstration (RAD) program to remove all 316 units from the Public Housing program. The Authority no longer has any Public Housing units directly dependent on federal funding. However, any federal funding reductions would affect the Authority's Section 8 voucher program. It will continue to be a challenge adjusting to limits on Section 8 HCV funding while still administering the voucher program in an expensive and tight rental market.

Requests for Information. This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for resources it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Department at the Housing Authority of the City of Santa Barbara, 808 Laguna Street, Santa Barbara, CA 93101.

Housing Authority of the City of Santa Barbara

Statement of Net Position

March 31, 2021

	Primary Government	Discretely Presented Component Units
Current Assets		
Cash and equivalents		
Unrestricted	\$ 3,292,416	\$ 2,584,814
Restricted	4,602,016	3,477,119
Subtotal	7,894,432	6,061,933
Investments - unrestricted	18,531,835	251,222
Investments - restricted	7,830,517	-
Accounts receivable, net	1,427,063	324,153
Inventory	83,314	-
Prepaid expenses	101,433	1,295,576
Total Current Assets	35,868,594	7,932,884
Non-Current Assets		
Notes receivable	43,714,455	-
Other assets	-	11,426,439
Capital assets, net	64,452,609	94,667,033
Total Non-Current Assets	108,167,064	106,093,472
Total Assets	144,035,658	114,026,356
Deferred Outflows of Resources	241,288	-
Current Liabilities		
Accounts payable	561,979	198,580
Accrued liabilities	210,858	-
Unearned revenue	1,364,528	47,871
Compensated absences - current	128,635	1,035
Funds held in trust	1,085,388	2,215,238
Debt - current	801,409	361,886
Total Current Liabilities	4,152,797	2,824,610
Non-Current Liabilities		
Accrued liabilities	643,315	2,465,330
Compensated absences - non-current	385,912	3,107
Long term debt	37,564,131	83,137,817
Other employee benefit (OPEB) liability	3,881,629	-
Total Non-Current Liabilities	42,474,987	85,606,254
Total Liabilities	46,627,784	88,430,864
Deferred Inflows of Resources	1,973,514	-
Net Position		
Net investment in capital assets	26,087,069	11,167,330
Restricted	9,971,730	3,268,549
Unrestricted	59,616,849	11,159,613
Total Net Position	\$ 95,675,648	\$ 25,595,492

Housing Authority of the City of Santa Barbara
Statement of Revenues, Expenses, & Change in Net Position
For the Year Ended March 31, 2021

	Primary Government	Discretely Presented Component Units
Operating Revenues		
Dwelling rent, net	\$ 8,125,355	\$ 5,502,377
Government grants	43,331,737	-
Other income	2,072,855	4,965,376
Total Operating Revenues	<u>53,529,947</u>	<u>10,467,753</u>
Operating Expenses		
Administration	6,212,990	1,114,990
Tenant services	1,557,236	111,288
Utilities	1,392,581	420,218
Maintenance and operations	3,763,145	612,205
Insurance	452,529	199,362
General	1,172,630	311,216
Housing Assistance Payments	30,534,965	-
Depreciation	3,634,947	2,723,066
Total Operating Expenses	<u>48,721,023</u>	<u>5,492,345</u>
OPERATING INCOME (LOSS)	<u>4,808,924</u>	<u>4,975,408</u>
Non-Operating Revenues (Expenses)		
Investment income	1,238,442	3,945
Interest expense	(1,260,678)	(2,527,894)
Gain (loss) on disposition of assets	8,500	-
Total Non-Operating Revenues (Expenses)	<u>(13,736)</u>	<u>(2,523,949)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>4,795,188</u>	<u>2,451,459</u>
Capital contributions	-	-
CHANGE IN NET POSITION	4,795,188	2,451,459
BEGINNING NET POSITION	<u>90,880,460</u>	<u>23,144,033</u>
ENDING NET POSITION	<u><u>\$ 95,675,648</u></u>	<u><u>\$ 25,595,492</u></u>

Housing Authority of the City of Santa Barbara

Statement of Cash Flows

For the Year Ended March 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from tenants	\$ 13,553,588
Cash received from operating grants	42,817,329
Cash paid for goods and services	(10,979,222)
Cash paid for Housing Assistance Payments	(31,093,357)
Cash paid to and on behalf of employees	(5,048,389)
NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES	9,249,949

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of additional capital assets	(4,051,119)
Proceeds from capital debt	1,350,000
Payments on capital debt	(797,050)
NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,498,169)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(3,803,006)
Sale of investments	561,857
Receipts from notes receivable due from other entities	419,140
Interest received	180,478
NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES	(2,641,531)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 3,110,249

BEGINNING CASH AND CASH EQUIVALENTS 4,784,183

ENDING CASH AND CASH EQUIVALENTS \$ 7,894,432

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income (loss) \$ 4,808,924

Non-Cash Adjustment

Depreciation 3,634,947

Change in Assets & Liabilities

Accounts receivable	(476,411)
Inventory & prepaid	23,414
Accounts payable and accrued liabilities	(26,728)
Compensated absences	82,294
Tenant security deposits	27,833
Unearned revenue	1,175,676
Total Adjustments	4,441,025

Net Cash Provided (Used) by Operating Activities \$ 9,249,949

Housing Authority of the City of Santa Barbara

Condensed Combining Schedule of Discretely Presented

Component Units

As of and for the Year Ended March 31, 2021

	SB Housing Partnership IV, LP	Villa Santa Fe Apartments, LP	813 East Carrillo Street, LP
Condensed Statement of Net Position			
Current assets	\$ 1,730,839	\$ 2,941,184	\$ 591,010
Capital assets (net)	16,417,481	21,323,493	8,248,369
Other assets	18,095	11,216,267	34,868
TOTAL ASSETS	18,166,415	35,480,944	8,874,247
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 18,166,415	\$ 35,480,944	\$ 8,874,247
Current liabilities	\$ 72,210	\$ 603,096	\$ 33,414
Non-current liabilities	14,149,804	28,792,276	4,181,649
TOTAL LIABILITIES	14,222,014	29,395,372	4,215,063
DEFERRED INFLOWS OF RESOURCES	-	-	-
Net investment in capital assets	2,398,150	(7,827,562)	4,451,577
Restricted net position	139,895	1,051,905	489,022
Unrestricted net position	1,406,356	12,861,229	(281,415)
NET POSITION	3,944,401	6,085,572	4,659,184
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	\$ 18,166,415	\$ 35,480,944	\$ 8,874,247
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Rental revenue (net)	\$ 433,209	\$ 3,119,508	\$ 222,409
Grant revenue	-	-	-
Other	3,663	36,525	4,847,365
TOTAL OPERATING REVENUE	436,872	3,156,033	5,069,774
Administrative	65,151	358,607	53,996
Tenant services	20	19,393	10,473
Utility	40,152	194,012	24,994
Maintenance & operation	46,167	302,398	27,148
Insurance	12,339	103,185	9,520
General	23,525	17,988	151,990
Depreciation	710,687	677,847	249,588
TOTAL OPERATING EXPENSES	898,041	1,673,430	527,709
TOTAL NON-OPERATING INCOME (EXPENSE)	(282,422)	(1,165,014)	(167,481)
CAPITAL CONTRIBUTIONS	-	-	-
CHANGE IN NET POSITION	(743,591)	317,589	4,374,584
Beginning net position	4,687,992	5,767,983	-
Correction to beginning balance	-	-	284,600
ENDING NET POSITION	\$ 3,944,401	\$ 6,085,572	\$ 4,659,184

Housing Authority of the City of Santa Barbara

Condensed Combining Schedule of Discretely Presented

Component Units

As of and for the Year Ended March 31, 2021

	251 South Hope Associates, LP	Grace Village Apartments, LP	Total Discretely Presented Component Units
Condensed Statement of Net Position			
Current assets	\$ 937,280	\$ 1,732,571	\$ 7,932,884
Capital assets (net)	27,269,643	21,408,047	94,667,033
Other assets	97,337	59,872	11,426,439
TOTAL ASSETS	28,304,260	23,200,490	114,026,356
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 28,304,260	\$ 23,200,490	\$ 114,026,356
Current liabilities	\$ 749,326	\$ 1,366,564	\$ 2,824,610
Non-current liabilities	27,237,337	11,245,188	85,606,254
TOTAL LIABILITIES	27,986,663	12,611,752	88,430,864
DEFERRED INFLOWS OF RESOURCES	-	-	-
Net investment in capital assets	1,982,306	10,162,859	11,167,330
Restricted net position	543,303	1,044,424	3,268,549
Unrestricted net position	(2,208,012)	(618,545)	11,159,613
NET POSITION	317,597	10,588,738	25,595,492
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	\$ 28,304,260	\$ 23,200,490	\$ 114,026,356
Condensed Statement of Revenues, Expenses and Changes in Net Position			
Rental revenue (net)	\$ 917,404	\$ 809,847	\$ 5,502,377
Grant revenue	-	-	-
Other	-	77,823	4,965,376
TOTAL OPERATING REVENUE	917,404	887,670	10,467,753
Administrative	452,253	184,983	1,114,990
Tenant services	81,402	-	111,288
Utility	78,188	82,872	420,218
Maintenance & operation	89,265	147,227	612,205
Insurance	52,772	21,546	199,362
General	64,536	53,177	311,216
Depreciation	561,288	523,656	2,723,066
TOTAL OPERATING EXPENSES	1,379,704	1,013,461	5,492,345
TOTAL NON-OPERATING INCOME (EXPENSE)	(417,869)	(491,163)	(2,523,949)
CAPITAL CONTRIBUTIONS	-	-	-
CHANGE IN NET POSITION	(880,169)	(616,954)	2,451,459
Beginning net position	-	-	10,455,975
Correction to beginning balance	1,197,766	11,205,692	12,688,058
ENDING NET POSITION	\$ 317,597	\$ 10,588,738	\$ 25,595,492

Note A – Summary of Organization, Significant Accounting Policies and Reporting Entity:

1. Introduction

The financial statements Housing Authority of the City of Santa Barbara (the “Authority”) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and, therefore, presents only the financial statements required for enterprise funds, in accordance with GASB. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of:
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
- Notes to Financial Statements
- Required supplemental information other than MD&A and supplemental information

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 the Authority to administer certain HUD funds.

2. Reporting Entity

The Authority is a public body organized in October 1969 under laws of the State of California's Health and Safety Code. The Authority was created for the purpose of providing safe and sanitary housing for qualified economically disadvantaged and elderly individuals in areas where a shortage of such housing exists. The Board of Commissioners of the Authority is composed of seven members and is appointed to four-year terms (except for tenant commissioners who serve two-year terms) by the Santa Barbara City Council (“City Council”), but the Authority designates its own management. The City Council provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the Board is appointed by the City Council, no other criteria established by Section 2100 and 2600 of the Codification of Governmental Accounting Standards Board, the Financial Accounting Standards Board, and Governmental Accounting Standards Board Statement No. 39 for inclusion of the Authority in the City of Santa Barbara's financial statements are met. Therefore, a separate financial report is prepared for the Authority. All of the operations of the Authority are included in the audited financial statements and there are no operations or activities which have been excluded. Additionally, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (HUD) to be administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

GASB Statement No. 14 established criteria for determining the governmental reporting entity. Under provisions of this statement, the Authority is considered a primary government, since it is a special-purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB 14, fiscally independent means that the Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

The Authority's primary operations comprise a number of housing and grant programs as follows:

- Authority Owned Housing
- Housing Assistance Payment Program
- Property Management Program
- Non-HUD Program
- Shelter Plus Care

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards* and Statement No. 14 and No. 61 of the *Government Accounting Standards Board, the Financial Reporting Entity*.

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, and the control and relationship between the Authority and the component units, the Authority has determined that the following entities are considered component units of the Authority and are required to be blended within the Authority's financial statements:

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Authority's Board of Commissioners or the component units provide services entirely to the Authority. These component units' funds are blended into those of the Authority's by appropriate activity type to compose the primary government presentation.

Currently, the Authority has one component unit that meets the criteria for blending.

Santa Barbara Affordable Housing Group (SBAHG) is a legally separate non-profit organization. The Board of Directors of SBAHG consists of the same members as the Board of Commissioners of the Authority. The SBAHG is an instrumentality of the Authority and is fiscally dependent on the Authority. Based on the above, it has been determined that the SBAHG is a component unit of the Housing Authority and should be included in the Housing Authority's financial statements through a blended presentation. SBAHG operates on the same fiscal year as the Housing Authority March 31, 2021.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

As of March 31, 2021, the Authority, along with its blended component unit, is the manager and operator of five low-income residential real estate developments organized as real estate limited partnerships. Under a Management Agreement and a Guarantee Agreement with each of the limited partnerships, the Authority is financially accountable for the limited partnerships as the Authority is legally obligated to fund operating deficits in accordance with the terms of the partnership, management and guarantee agreements. The Authority also holds the right to purchase the properties from the limited partnerships under a Purchase Option/Right of First Refusal at the end of the 15-year tax compliance period. The Authority has outstanding loans and advances to the limited partnerships amounting to \$43,714,455 at March 31, 2021. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and therefore are shown as discretely presented component units. Balances presented for discretely presented component units on the accompanying Statement of Net Position and Statement of Revenues, Expenses, and Other Changes in Net Position are as of December 31, 2020.

The Authority has five discretely presented component units as follows:

Villa Santa Fe, L.P., a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2012, for the purpose of purchasing, rehabilitating, and operating two separate properties in Santa Barbara totaling 167 units. The Authority manages the two properties under a contractual management agreement with the limited partnership.

Santa Barbara Housing Partnership IV, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2014 for the purpose of purchasing, rehabilitating, and operating two separate properties in Santa Barbara totaling 35 units. The Authority manages the two properties under a contractual management agreement with the limited partnership.

813 East Carrillo Street, LP, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2018 for the purpose of purchasing, rehabilitating, and operating 17 units of multifamily rental housing. The Authority manages property under a contractual management agreement with the limited partnership.

251 South Hope Associates, LP, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2018 for the purpose of purchasing, rehabilitating, and operating 90 units of multifamily rental housing. The Authority manages property under a contractual management agreement with the limited partnership.

Grace Village Apartments, LP, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2015 for the purpose of purchasing, rehabilitating, and operating 58 units of multifamily rental housing.

Complete financial statements for each of the individual discretely presented component may be obtained at the Authority's administrative office. There are no separate financial statements issued for the blended component units.

Housing Authority of the City of Santa Barbara
808 Laguna Street
Santa Barbara, CA 93101

3. Budgetary Data

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets that are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD. These budgets are adopted using a HUD outline that is not consistent with generally accepted accounting principles and are used for HUD purposes only.

4. Basis of Presentation, Basis of Accounting and Measurement Focus

Basis of Accounting - The Authority uses the accrual basis of accounting in the proprietary funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the statement of net position. In the Statement of Net Position, equity is classified as net position and displayed in three components:

- a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets.
- b) Restricted net position – Consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- c) Unrestricted net position – All other assets that do not meet the definition of "restricted" or "net investment in capital assets".

Proprietary Fund. Enterprise fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided. When both restricted and unrestricted net positions are available for use, generally it is the Authority's policy to use restricted resources first.

5. The Terms of the Board are as follows

Lucille Boss - Chair	06/30/2022
David Rowell - Vice Chair	08/06/2023
Patricia Wheatley	07/12/2021
Steven Faulstich	07/12/2021
Mary Fenger	02/15/2022
Latreia Pratt	06/30/2022
Geoff Green	09/14/2024

In addition to the above Commissioners, the Administrator of the Housing Authority is Rob Fredericks, who serves as CEO and is the Executive Director.

6. Revenues and Expenses

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority are operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for operating expenses.

In accordance with GASB standards dwelling income has been netted with bad debt expense of \$48,115. Collection losses on accounts receivable are expended, in the appropriate Fund, on the specific write-off method.

7. Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the non-operating revenue and expense.

9. Cash and Investments

All deposits of the Authority are made in Board-designated official depositories and are secured as required by HUD regulations and the California Government Code. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. 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.
3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. The deposits and the above described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.

10. Accounts Receivable

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.

Accounts for which no possibility of collection is anticipated are charged to bad debts expense which is netted against dwelling rent revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

11. Inventories

Inventories are recorded at cost with cost being determined on the first-in, first-out basis. The consumption method is used to account for inventories. Under the consumption method, inventories are charged to expense when consumed. Management has deemed no allowance for obsolete inventory is necessary.

12. Capital Assets and Depreciation

Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures, and equipment. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position. If the initial cost of a piece of equipment and/or other personal property is five thousand dollars (\$5,000) or more and the anticipated life or useful value of said equipment or property is more than one (1) year, the purchased property/equipment will be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings	30 years
Site improvements, modernization and rehabilitation	10 years
Furniture, equipment and vehicles	5-7 years

13. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority had deferred outflows of resources consisting of a change in assumption on the OPEB liability of \$241,288.

Also, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority deferred inflows of resources as of March 31, 2021 was \$1,973,514. There are two components; the OPEB liability plan experience of \$795,914 and unearned lease payments \$1,177,600.

14. Compensated Absences

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. The Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Upon separation from the Authority, an employee shall be paid for all accumulated annual leave and a percentage of their sick leave based on tenure with the Authority, as of their final date of employment. Leave accrued, but not yet paid as of March 31, 2021, is shown as a liability allocated between current and noncurrent.

15. Insurance

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. As of the date of the report, the Authority had necessary insurance coverage in force.

16. Unearned Revenues

Unearned revenues (included in other current liabilities) consist of \$234,452 in rental payments made by tenants in advance of their due date.

Also included is COVID-19 CARES funds received from HUD but not yet spent in the amount of \$1,130,076.

17. Subsequent Events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through (the date the financial statements were available to be issued) and concluded that the following item should be disclosed to the reader of the financial statements:

Property Purchase

On July 14, 2021, The Housing Authority acquired the property known as El Carrillo, located at 315 W. Carrillo Street in Santa Barbara. The El Carrillo property, consisting of 62 total units, of which 61 units are low-income rental housing, was originally constructed in 2006 as a tax-credit financed development. In 2021 the Housing Authority exercised its right of first refusal to purchase the property for an amount of \$7,001, equivalent to the sum of (a) an amount sufficient to pay all debts (including partner loans) and liabilities of the Partnership upon its termination and liquidation, as projected to occur immediately following the sale pursuant to the Refusal Right, and (b) a cash amount to the Partners sufficient to fund the taxes projected to be imposed on the Partners of the Partnership as a result of the sale pursuant to the Refusal Right, all as more fully stated in Section 11.04 of the Partnership Agreement.

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Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Note B – Cash and Cash Equivalents:

All the deposits of the Authority are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names.

All deposits of the Authority are with financial institutions meeting State and Federal deposit requirements. The Authority's cash and investments consist of checking, money market, commercial paper, mutual funds, and corporate bonds. The Authority's checking and money market bank accounts are short-term highly liquid investments that are considered cash and cash equivalents.

Changes in fair value that occur during a fiscal year are recognized as investment income for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon liquidation, maturity, or sale of investments. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability – either directly or indirectly.

Level 3: Unobservable inputs – market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Authority considers all the investments as Level 1.

Cash and investments are stated at fair value and consist of the following:

Unrestricted:

Checking & Money Market accounts	\$ 3,292,416
Subtotal	3,292,416

Restricted:

Restricted - Tenant SD	687,412
Restricted - HAP	254,625
Restricted - debt service	1,704,253
Restricted-other	1,955,726
Subtotal	4,602,016
Total Cash & Equivalents	\$ 7,894,432

Unrestricted investments:

Cal Trust liquidity fund	\$ 13,199,757
Cash sweeps	160,055
Corporate bonds	5,172,023
Subtotal	18,531,835

Restricted investments:

Cal Trust liquidity fund	7,830,517
Total Investments	\$ 26,362,352

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Interest rate risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with the Authority's Investment Policy, the Authority manages its exposure to interest rate risks by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

Credit risk – Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

The Authority's debt investments ratings at March 31, 2021 are presented below (excludes CDs, money market funds and mutual funds):

	Fair Value	AAA	AA	A
Corporate bonds	\$ 5,172,023	\$ 467,979	\$ 1,089,322	\$ 3,614,722

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no policy on custodial credit risk.

Authorized security for deposits enumerated under law includes direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. The Authority does not have a custodial credit risk policy that is more restrictive than state statutes.

Concentration of credit risk - More than 5 percent of the Authority's investments are in the following investments:

Cal TRUST	\$ 21,030,274	80%
Union Bank	5,332,078	20%
	<u>\$ 26,362,352</u>	

Note C – Accounts Receivable:

Accounts receivable at March 31, 2021, consisted of the following:

Tenant rent receivables, gross	\$ 108,874	
Allowance for doubtful accounts	<u>(5,399)</u>	
Tenant rent receivables, net		103,475
Due from other Gov'ts		1,269,007
Miscellaneous	54,581	
Allowance for doubtful accounts	<u>-</u>	
Miscellaneous, net		54,581
Accounts receivable, net		<u>\$ 1,427,063</u>

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Note D – Notes Receivable:

Notes receivable at March 31, 2021 consisted of the following:

Interest Rate	Description	Maturity Date	Principal	Interest Accrued	Total Due
2.33%	SBHP IV RAD 4 Pearl Gardens	3/23/2071	\$ 3,751,779	\$ 439,024	\$ 4,190,803
2.33%	SBHP IV RAD 4 Sycamore Gardens	3/23/2071	4,662,111	545,550	5,207,661
0.00%	SBHP IV RAD 4 Pearl Gardens	3/23/2071	1,313,863	-	1,313,863
0.00%	SBHP IV RAD 4 Sycamore Gardens	3/23/2071	1,532,767	-	1,532,767
3.00%	El Carrillo, LP	8/4/2035	550,000	169,125	719,125
3.90%	Villa Santa Fe Apt	4/1/2049	12,500,000	1,422,441	13,922,441
0.00%	251 South Hope Assoc	6/1/2024	173,475	-	173,475
3.06%	251 South Hope Assoc	12/31/2073	7,250,000	525,754	7,775,754
0.00%	251 South Hope Assoc	3/5/2020	-	-	-
4.00%	Grace Village Apt., LP	12/1/2071	1,710,000	282,398	1,992,398
4.00%	Grace Village Apt., LP	12/1/2071	5,395,000	935,133	6,330,133
3.00%	Predevelopment costs	NA	422,438	3,125	425,563
0.00%	Developer fees	NA	130,472	-	130,472
			<u>\$ 39,391,905</u>	<u>\$ 4,322,550</u>	<u>\$ 43,714,455</u>

The above does not include various notes receivable between the Authority and SBAHG (blended component unit) which have been eliminated in the consolidation process.

Note E – Capital Assets:

A summary of changes in capital assets were as follows:

	Balance at 04/01/20	Additions	Deletions	Balance at 03/31/21
Nondepreciable Capital Assets				
Land	\$ 37,697,228	\$ 2,962,000	\$ -	\$ 40,659,228
Subtotal	<u>37,697,228</u>	<u>2,962,000</u>	<u>-</u>	<u>40,659,228</u>
Depreciable Capital Assets				
Buildings & improvements	51,914,639	1,054,841		52,969,480
Furniture & equipment	1,247,726	42,779	(22,163)	1,268,342
Subtotal	<u>53,162,365</u>	<u>1,097,620</u>	<u>(22,163)</u>	<u>54,237,822</u>
Accumulated depreciation	(26,831,656)	(3,634,948)	22,163	(30,444,441)
Net depreciable capital assets	<u>26,330,709</u>	<u>(2,537,328)</u>	<u>-</u>	<u>23,793,381</u>
Capital Assets, Net	<u>\$ 64,027,937</u>	<u>\$ 424,672</u>	<u>\$ -</u>	<u>\$ 64,452,609</u>

For the year ended March 31, 2021 the Authority reported depreciation expense of \$3,634,947. During the fiscal year ended March 31, 2021, the Authority experienced no losses or material impairments.

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Note F – Inter-program:

At March 31, 2021, inter-program receivables and payables consisted of the following:

	<u>Receivables</u>	<u>Payables</u>
COCC	\$ 91,187	\$ 794
SBAHG (blended unit)	7,477	179,269
Section 8	8,074	31,972
Business activities	196,823	84,107
Shelter Plus Care	-	7,419
	<u>\$ 303,561</u>	<u>\$ 303,561</u>

These inter-program transactions have been eliminated in preparing the basic financial statements.

In addition, in June 2013, 180 Public Housing AMP3 units were disposed and sold to SBAHG (blended component unit) for \$34,590,000, as approved by HUD. The Authority (Non-HUD program) financed the entire sales proceeds with a 30-year loan at an interest rate of 3% per annum, payable only from surplus cash and at the end of the 30-year term, which is secured by a deed of trust recorded on the Property.

Also, during the years ended March 31, 2016 and 2017, the Authority converted certain public housing units to RAD and sold certain public housing units to SBAHG (blended component unit). The Authority (Non-HUD program) financed the entire sales proceeds with five 99-year loans at an interest rate of 3% per annum, payable only from surplus cash commencing on the dates below and each July 1st thereafter until paid in full.

The loan balances and accrued interest as of March 31, 2021 are as follows:

	<u>Payments</u>		<u>Interest</u>	
	<u>Commencing</u>	<u>Principal</u>	<u>Accrued</u>	<u>Total Due</u>
RAD Promissory Note 1	July 1, 2015	\$ 1,090,000	\$ 71,148	\$ 1,161,148
RAD Promissory Note 2	July 1, 2015	9,760,000	637,071	10,397,071
RAD Promissory Note 3	July 1, 2015	7,400,000	556,973	7,956,973
RAD Promissory Note 5	July 1, 2017	42,890,000	2,398,472	45,288,472
RAD Promissory Note 6	July 1, 2017	10,145,000	643,676	10,788,676
		<u>\$ 71,285,000</u>	<u>\$ 4,307,340</u>	<u>\$ 75,592,340</u>

These inter-program transactions (including the related change in fair value of land and buildings have been in eliminated in preparing the basic financial statements.

Note G – Pension Plan:

The Authority provides a defined contribution pension plan (The “Plan”) for eligible employees. The plan is administered by Empower Retirement (which is owned by Great-West Life & Annuity Insurance Company). The Plan is managed by a committee of trustees comprised of senior management of the Authority (specifically, the Executive Director/CEO; the Deputy Executive Director/Chief Operating Officer; the Finance Director and the Director of Property Development and Administration). Plan changes are allowed. All plan changes must be approved by the Authority’s governing body (the Commission). The Commission authorized the Authority’s participation in the retirement plan. Employees who work full or part-time are eligible for participation in the Plan. Participants who reach age 55 are entitled to a benefit which can be paid in a single payment or in equal monthly payments under various payment plans available to participants. Employer contributed retirement benefits fully vest after 5 years of employment. The Authority contributes (on a monthly basis) an amount equal to 12% of each employee’s annual compensation to the plan. The Authority also matches up to 5% of any employee deferred compensation. Employer contributions totaled \$732,667 on \$4,448,519 covered payroll for the year ended March 31, 2021.

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Note H – Non-Current Liabilities Changes:

The following is a summary of the activity for non-current liabilities for the year ended March 31, 2021:

	Balance at 04/01/20	Additions	Deletions	Balance at 03/31/21
Compensated absences	\$ 343,444	\$ 42,468	\$ -	\$ 385,912
OPEB payable	3,665,044	339,495	(122,910)	3,881,629
Debt	36,581,498	3,143,212	(2,160,579)	37,564,131
Accrued liabilities	645,501	14,880	(17,066)	643,315
Total	<u>\$ 41,235,487</u>	<u>\$ 3,540,055</u>	<u>\$ (2,300,555)</u>	<u>\$ 42,474,987</u>

The majority of the long-term debt on the discretely presented component units is related to the Notes Receivable in Note D. For further details about discretely presented component units' debt see those separately issue financial statements.

Note I – Commitments and Contingencies:

Legal: At March 31, 2021, the Authority was not a defendant to any material lawsuit. No provision was made in the financial statements for any contingent liabilities. In the opinion of management, there are no legal matters that would have a materially adverse effect on the Authority's financial position.

Grants and Contracts: The Authority participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of March 31, 2021.

The Section 8 Housing Choice Voucher Program (the "Program") under the implementation of the Consolidated Appropriations Act 2005, Funding Provisions for the Housing Choice Voucher Program, changed the funding methodology, and in addition the Authority is no longer required to complete a settlement statement. As a result, in accordance with GASB Statement No. 33 and PIH Notice 2009-9, the cumulative amount of unspent housing assistance payment subsidy as of March 31, 2021 is being reflected in restricted net position in the basic financial statements.

COVID 19: 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. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders. 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.

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Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Note J – Notes Payable:

All loans are direct borrowing as listed below:

Non-HUD Programs	Accrued		Total Due
	Note Balance	Interest	
Loan agreement, secured by a deed of trust on the property known as Bradley Studios at 512-518 Bath St., payable to the Redevelopment Agency of the City of Santa Barbara, interest at 0% through June 2011 (thereafter 3%). Beginning with the project year beginning with January 1, 2015 and ending December 31, 2015, and any subsequent year that the project has annual net cash flows that exceed annual costs, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable July 1, 2066. Secured by real property.	\$ 4,800,000	\$ 159,362	\$ 4,959,362
Mortgage revenue secured note payable to Santa Barbara Bank & Trust (Union Bank), dated July 11, 2003, with an interest rate of 4.375% (through September 2013). Interest rate adjusted to 2.72% in September 2013 and in September 2023 to 95% of ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of \$41,690 until September 2013 when it changed to \$16,699. All unpaid principal and interest is due and payable September 1, 2033. Secured by real property.	2,109,501	-	2,109,501
Mortgage revenue secured note payable to Santa Barbara Bank & Trust (Union Bank), dated October 1, 2008, with an initial interest rate of 4.0% (through November, 2018). Interest rate adjusted in November, 2018 to 2.977%, based on 95% of the ten-year Constant Maturity Treasury index. Interest rate will adjust again in November, 2028 to 95% of the then-current ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of \$7,639 until December, 2018 when it changed with the interest rate reset to \$7,032.88. All unpaid principal and interest is due and payable November 1, 2038. Secured by real property.	1,143,901	-	1,143,901
Mortgage revenue secured note payable to Santa Barbara Bank & Trust (Union Bank), dated October 28, 2003, with an interest rate of 4.375% (through November 2013). Interest rate adjusted to 2.875% in November 2013 and in November 2023 to 95% of ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of \$25,464 until November 2013 when it changed to \$22,307. All unpaid principal and interest is due and payable November 1, 2033. Secured by real property.	2,823,565	-	2,823,565

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Mortgage revenue secured note payable to Wilcox Family Trust, dated November 7, 2007, with an interest rate of 5%, monthly interest only payments of \$4,000 until Nov. 1, 2017, thereafter monthly interest and principal payments of \$7,592. All unpaid principal and interest is due and payable on November 1, 2027. Secured by real property.	799,780	-	799,780
Loan agreement, secured by a deed of trust on the property known as Casa de Las Fuentes, payable to the Redevelopment Agency of the City of Santa Barbara, dated May 21, 2001, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable June 1, 2030.	1,284,700	136,491	1,421,191
Note payable to City of Santa Barbara, dated April 1, 2000, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. Unpaid principal and interest is due and payable June 1, 2030. Secured by a deed of trust against the property known as Villa La Cumbre.	875,092	-	875,092
Loan agreement, secured by a deed of trust against the property known as El Carrillo, payable to the City of Santa Barbara, dated July 26, 2002, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable August 1, 2032.	1,463,147	-	1,463,147
Loan agreement, secured by a deed of trust against the property known as Paseo Voluntario, payable to the Redevelopment Agency of the City of Santa Barbara, dated December 20, 2002, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable January 1, 2033. Secured by real property.	980,000	331,364	1,311,364
Loan agreement, secured by a deed of trust against the property known as Artisan Court, payable to the Redevelopment Agency of the City of Santa Barbara, dated December 17, 2009, interest at 3%. Beginning with the project year beginning with January 1, 2028 and ending December 31, 2028, and any subsequent year that the project has annual net cash flows that exceed annual costs, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable January 1, 2065.	4,000,000	1,353,205	5,353,205

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Mortgage revenue secured note payable to Dahan Trust, dated October 29, 2010, with an interest rate of 5.00%, due in monthly principal and interest installments of \$3,954. All unpaid principal and interest is due and payable on November 1, 2025. Secured by real property.	193,990	-	193,990
Loan agreement, secured by a deed of trust against property located at 2941 State Street, payable to the Redevelopment Agency of the City of Santa Barbara, dated October 13, 2010, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable December 1, 2065.	360,000	53,100	413,100
Promissory note payable to Laura Ann Hannah, dated October 1, 2015 in the amount of \$285,000 for financing acquisition of the rights and interest in a lease dated September 25, 1961 with respect to certain property at 100 N. La Cumbre. The note bears interest at a rate of 4.25% with monthly principal and interest installments of \$4,491 commencing on November 1, 2015. All unpaid principal and interest shall be due and payable on October 1, 2021. The note is secured by real property.	26,618	-	26,618
Loan agreement, secured by a deed of trust against property located at 518 East Canon Perdido, payable to the City of Santa Barbara, dated October 13, 2016, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable October 13, 2046.	633,000	84,769	717,769
Mortgage revenue secured note payable to Angela Beguhl and Philip Beguhl, dated December 22, 2015, with an interest rate of 4.50% through January 1, 2021. On January 1, 2021, January 1, 2026, January 1, 2031 and January 1, 2036, the interest rate will be adjusted to the ten-year Constant Maturity Treasury Index plus 2.00%; provided that the change in interest rate is not in excess of 2.00%, the interest rate shall never exceed 8.50%, and shall never be less than 4.50%. Due in monthly principal and interest payments commencing on February 1, 2016 in an amount based upon a 25-year amortization. All unpaid principal and interest is due and payable January 1, 2041. Secured by real property.	562,287	-	562,287

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Mortgage revenue secured note payable to Richard Borgaro, dated December 22, 2015, with an interest rate of 4.50% through January 1, 2021. On January 1, 2021, January 1, 2026, January 1, 2031 and January 1, 2036, the interest rate will be adjusted to the ten-year Constant Maturity Treasury Index plus 2.00%; provided that the change in interest rate is not in excess of 2.00%, the interest rate shall never exceed 8.50%, and shall never be less than 4.50%. Due in monthly principal and interest payments commencing on February 1, 2016 in an amount based upon a 25-year amortization. All unpaid principal and interest is due and payable January 1, 2041. Secured by real property.

562,287	-	562,287
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Mortgage revenue secured note payable to Jayni Louise Borgaro, dated December 22, 2015, with an interest rate of 4.50% through January 1, 2021. On January 1, 2021, January 1, 2026, January 1, 2031 and January 1, 2036, the interest rate will be adjusted to the ten-year Constant Maturity Treasury Index plus 2.00%; provided that the change in interest rate is not in excess of 2.00%, the interest rate shall never exceed 8.50%, and shall never be less than 4.50%. Due in monthly principal and interest payments commencing on February 1, 2016 in an amount based upon a 25-year amortization. All unpaid principal and interest is due and payable January 1, 2041. Secured by real property.

242,350	-	242,350
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Mortgage revenue secured note payable to Scott Chambers and Nancy Chambers, dated December 22, 2015, with an interest rate of 4.50% through January 1, 2021. On January 1, 2021, January 1, 2026, January 1, 2031 and January 1, 2036, the interest rate will be adjusted to the ten-year Constant Maturity Treasury Index plus 2.00%; provided that the change in interest rate is not in excess of 2.00%, the interest rate shall never exceed 8.50%, and shall never be less than 4.50%. Due in monthly principal and interest payments commencing on February 1, 2016 in an amount based upon a 25-year amortization. All unpaid principal and interest is due and payable January 1, 2041. Secured by real property.

242,350	-	242,350
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Mortgage revenue secured note payable to Mary Borgaro, dated December 22, 2015, with an interest rate of 4.50% through January 1, 2021. On January 1, 2021, January 1, 2026, January 1, 2031 and January 1, 2036, the interest rate will be adjusted to the ten-year Constant Maturity Treasury Index plus 2.00%; provided that the change in interest rate is not in excess of 2.00%, the interest rate shall never exceed 8.50%, and shall never be less than 4.50%. Due in monthly principal and interest payments commencing on February 1, 2016 in an amount based upon a 25-year amortization. All unpaid principal and interest is due and payable January 1, 2041. Secured by real property.

242,350	-	242,350
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Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Mortgage revenue secured note payable to Susan Kathleen Abair, dated December 22, 2015, with an interest rate of 4.50% through January 1, 2021. On January 1, 2021, January 1, 2026, January 1, 2031 and January 1, 2036, the interest rate will be adjusted to the ten-year Constant Maturity Treasury Index plus 2.00%; provided that the change in interest rate is not in excess of 2.00%, the interest rate shall never exceed 8.50%, and shall never be less than 4.50%. Due in monthly principal and interest payments commencing on February 1, 2016 in an amount based upon a 25-year amortization. All unpaid principal and interest is due and payable January 1, 2041. Secured by real property.	242,350	-	242,350
Mortgage secured note payable to Deborah Ann Saucedo Revocable Trust, dated November 29, 2017, with an interest rate of 4.50% per annum from the date of the note until December 1, 2037, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a thirty year amortization with level monthly payments of principal and interest during such period. Secured by real property.	2,051,644	-	2,051,644
Mortgage secured note payable to Allen Family Trust, dated January 23, 2018, with an interest rate of 2.75% per annum from the date of the note until January 1, 2038, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a twenty year amortization with level monthly payments of principal and interest during such period. Secured by real property.	505,301	-	505,301
Mortgage secured note payable to Atsatt Family 1999 Revocable Trust, dated January 23, 2018, with an interest rate of 2.75% per annum from the date of the note until January 1, 2038, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a twenty year amortization with level monthly payments of principal and interest during such period. Secured by real property.	326,264	-	326,264
Mortgage secured note payable to Richard C. Atsatt and Susana Atsatt, dated January 23, 2018, with an interest rate of 2.75% per annum from the date of the note until January 1, 2048, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a thirty year amortization with level monthly payments of principal and interest during such period. Secured by real property.	346,671	-	346,671

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Mortgage secured note payable to Courtney F. Atsatt and Lia Atsatt, dated January 23, 2018, with an interest rate of 2.75% per annum from the date of the note until January 1, 2048, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a thirty year amortization with level monthly payments of principal and interest during such period. Secured by real property.	346,671	-	346,671
Mortgage secured note payable to Karyn A. Jackson, dated January 23, 2018, with an interest rate of 2.75% per annum from the date of the note until January 1, 2048, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a thirty year amortization with level monthly payments of principal and interest during such period. Secured by real property.	346,671	-	346,671
Mortgage revenue secured note payable to Montecito Bank & Trust, dated October 10, 2018, with an initial interest rate of 4.57%. Interest rate will be adjusted in November, 2028 and again in November, 2038 to the then-current ten-year Constant Maturity Treasury Index, plus a margin of 1.75%. In no case shall the loan interest rate be less than 4.57%. Due in initial monthly principal and interest payments of \$28,886. All unpaid principal and interest is due and payable October 25, 2048. Secured by real property.	5,379,966	-	5,379,966
Mortgage revenue secured note payable to Montecito Bank & Trust, dated October 9, 2019, with an initial interest rate of 3.875%. Interest rate will be adjusted in November, 2029 and again in November, 2038 to the then-current ten-year Constant Maturity Treasury Index, plus a margin of 1.75%. Due in initial monthly principal and interest payments of \$6,403. All unpaid principal and interest is due and payable October 25, 2049. Secured by real property.	1,317,834	-	1,317,834

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Loan agreement, secured by a deed of trust against the property known as Vera Cruz, payable to the City of Santa Barbara, dated August 8, 2020, interest at 3%. Beginning with the project year beginning with January 1, 2028 and ending December 31, 2028, and any subsequent year that the project has annual net cash flows that exceed annual costs, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable January 1, 2050.

	2,000,000	38,959	2,038,959
Total debt	36,208,290	2,157,250	38,365,540
Less current maturities	(801,409)	-	(801,409)
Long term debt	<u>\$ 35,406,881</u>	<u>\$ 2,157,250</u>	<u>\$ 37,564,131</u>

As of March 31, 2021, the annual requirements for debt retirement are:

March 31,	Principal	Interest	Total
2022	\$ 801,410	\$ 749,444	\$ 1,550,854
2023	803,008	720,897	1,523,905
2024	831,543	692,363	1,523,906
2025	862,741	661,164	1,523,905
2026	874,450	629,685	1,504,135
2027 to 2031	11,295,904	3,063,392	14,359,296
2032 to 2036	5,859,761	1,976,680	7,836,441
2037 to 2041	2,647,305	385,576	3,032,881
2042 to 2046	634,802	121,814	756,616
2047 to 2051	3,028,949	2,392,178	5,421,127
2052 to 2061	-	-	-
2062 to 2066	5,925,667	7,157,643	13,083,310
2067 to 2071	4,800,000	6,921,753	11,721,753
	<u>\$ 38,365,540</u>	<u>\$ 25,472,589</u>	<u>\$ 63,838,129</u>

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Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Note K – Unearned Ground Lease:

During the year ended March 31, 2016, the Authority leased land to Santa Barbara Housing Partnership IV, L.P. (a tax credit entity) – related to the RAD 4 sale. The leases were for a term of 75 years. As of March 31, 2016, Santa Barbara Housing Partnership IV, L.P. paid the Authority \$1,280,000 for the two ground leases (\$520,000 for the Pearl Gardens property and \$760,000 for the Sycamore Gardens property). This prepayment of lease income was recorded as deferred inflow of resources and will be recognized as revenue over the period to which the lease applies. As of March 31, 2021, the current portion of the unearned ground lease income is \$17,066 (which is included in “Other current liabilities”) and the long term portion is \$1,228,800 (which is included in “Other non-current liabilities”). The Authority will recognize the remaining lease income during the 75-year life of the leases as follows:

Year Ended March 31,	Amount	Year Ended March 31,	Amount
2022	\$ 17,067	2047 to 2051	\$ 85,333
2023	17,067	2052 to 2056	85,333
2024	17,067	2057 to 2061	85,333
2025	17,067	2062 to 2066	85,333
2026	17,067	2067 to 2071	85,333
2027 to 2031	85,334	2072 to 2076	85,333
2032 to 2036	85,334	2077 to 2081	85,333
2037 to 2041	85,334	2082 to 2086	85,333
2042 to 2046	85,334	2087 to 2090	68,265
Subtotal	\$ 426,671	Subtotal	\$ 750,929
		Total	\$ 1,177,600

Note L – Risk Management:

The Authority carries commercial insurance against all risks of loss, including property and general liability, auto, workers’ compensation, fidelity, and public officials’ liability insurance. There have been no significant reductions in insurance coverage in the prior year and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

The Authority participates in two joint ventures under joint powers agreements as follows:

CHWCA (California Housing Workers’ Compensation Authority) – The California Housing Workers' Compensation Authority (CHWCA) is a California joint powers insurance authority established in 1991 for the purpose of providing workers' compensation coverage to California public housing authority members. CHWCA is a special district in the state of California providing its members with a comprehensive workers' compensation coverage program for the sharing of risk for self-insured losses, as well as jointly purchasing claims adjusting services, actuarial services, risk control services, and legal services connected with the program. CHWCA provides coverage for both workers' compensation and employer’s liability for its Members from dollar one up to \$500,000 per occurrence. CHWCA is also a member of the Safety National Casualty Corporation for commercial excess coverage. When losses exceed the \$500,000 per occurrence limit, Safety National will provide coverage up to Statutory limits.

CHWCA is governed by a seven (7) member Executive Committee which is elected by the 33-member Board of Directors. Each of CHWCA's 33 member agencies appoint one primary and one alternate member to serve on the Board of Directors. In 2005, CHWCA formed a six (6) member Risk Management Committee, which expanded to nine (9) members, whose responsibilities include reviewing and developing risk control policies and drafting an annual Risk Control Work Plan. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

HARRP (Housing Authorities Risk Retention Pool) – HARRP was formed to provide property and liability insurance coverage for member housing authorities. HARRP members fully self-insure their exposures without recourse to reinsurance on excess insurance.

The coverage limits are \$2 million per occurrence and in the aggregate for auto liability and \$2 million per occurrence and in the aggregate for general liability, errors and omissions liability and employment practices liability. Through the act of self-insuring its exposures, HARRP and its members maintain direct control over the adjustment, defense, and settlement of the claims. HARRP purchases excess property coverage for losses exceeding \$2,000,000. As of March 31, 2018, the limit of such excess property coverage is \$45 million above the self-insured coverage. There is no coverage for flood or earthquake damage. As of March 31, 2021, there were approximately 90 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.

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Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Note M – Other Post -Employment Benefit Plan Liability:

Plan Description

For employees hired prior to April 1, 2009, the Authority provides medical coverage for employees who retire with the Authority at the age of 55 or older with 5 or more years of service or who become permanently disabled after 5 or more years of service. For employees hired after April 1, 2009, the Authority provides medical coverage for employees who retire with the Authority at the age of 55 or older with 15 or more years of service or who become permanently disabled after 15 or more years of service.

The required contribution is based on projected pay-as-you-go financing requirements. Covered employees are required to contribute premiums in excess of the \$340 per month provided by the Authority.

Active employees	58
Inactive employees	18
Total	76

Net OPEB Liability

The Authority's net OPEB liability was measured as of March 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated March 31, 2021, based on the following actuarial methods and assumptions.

Actuarial Assumptions:	
Valuation date	March 31, 2021
Funding method	Entry Age Normal Cost, level percent of pay
Discount rate	2.48% as of March 31, 2020 2.27% as of March 31, 2021
Participants valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase	3.00% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
Assumed wage inflation	3.00% per year; a component of assumed salary increases
General inflation rate	2.50% per year
Mortality improvement	MacLeod Watts Scale 2020
Healthcare trend rate	Medical plan premiums and claims costs by are assumed to increase once each year.

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

Discount Rate

The discount rate used to measure the total OPEB liability was 2.27 percent. The discount rate depends on the nature of underlying assets for funded plans. For an unfunded plan, the discount rate is based on the Fidelity 20 Year AA General Obligation Municipal Bond Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 2.48 percent as of March 31, 2020 and 2.27 percent as of March 31, 2021.

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Change in the OPEB Liability

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

	(a) Total OPEB	(b) Plan Fiduciary Net	(a) - (b) = (c) Net OPEB Liability
Balance at March 31, 2020	\$ 3,665,044	\$ -	\$ 3,665,044
Changes recognized for measurement period:			
Service cost	131,520	-	131,520
Interest	92,631	-	92,631
Changes of assumptions	115,344	-	115,344
Contributions – employer	-	122,910	(122,910)
Benefit payments	(122,910)	(122,910)	-
Plan experience	-	-	-
Net changes	216,585	-	216,585
Balance at March 31, 2021	\$ 3,881,629	\$ -	\$ 3,881,629

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, for measurement period ended March 31, 2021.

	Discount Rate -1% (1.27%)	Valuation Discount Rate (2.27%)	Discount Rate +1% (3.27%)
Net OPEB liability	\$ 4,511,810	\$ 3,881,629	\$ 3,377,040

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, for measurement period ended March 31, 2021.

	Current Trend -1%	Current Trend	Current Trend +1%
Net OPEB liability	\$ 3,497,358	\$ 3,881,629	\$ 4,463,024

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Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	241,288	-
Net difference between projected and actual earnings on plan investments	-	795,914
Contributions subsequent to the measurement date	-	-
Totals	<u>\$ 241,288</u>	<u>\$ 795,914</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year Ending	
March 31,	
2022	\$ (83,493)
2023	(83,493)
2024	(83,493)
2025	(83,493)
2026	(83,493)
Thereafter	(137,161)
	<u>\$ (554,626)</u>

OPEB Expense

For the fiscal year ended March 31, 2021, the Authority recognized OPEB expense of \$193,255.

Note N – Net Position:

The net position on the Statement of Net Position has been calculated as follows:

Capital assets, net	\$ 64,452,609
Less capital debt and interest	<u>(38,365,540)</u>
Net Investment in Capital Assets	<u>\$ 26,087,069</u>
Restricted cash and investments	\$ 12,432,533
Less FSS escrow	(643,315)
Less security deposits	(687,412)
Less COVID19 CARES unspent funds	<u>(1,130,076)</u>
Restricted Net Assets	<u>\$ 9,971,730</u>

Housing Authority of the City of Santa Barbara

Notes to Financial Statements
For the Year Ended March 31, 2021

Note O – Segment Information – Santa Barbara Affordable Housing Group (SBAHG):

The following condensed component unit information represents SBAHG, a blended component unit of the Authority, as of and for the year ended March 31, 2021.

Condensed Statement of Net Position	SBHA	SBAHG	Eliminations	Government Primary
Assets				
Current assets	\$ 29,106,081	\$ 7,066,074	\$ (303,561)	\$ 35,868,594
Other non-current assets	153,350,583	1,553	(109,637,681)	43,714,455
Capital assets	48,249,502	105,155,208	(88,952,101)	64,452,609
Total assets	230,706,166	112,222,835	(198,893,343)	144,035,658
Deferred Outflow of Resources	168,900	72,388	-	241,288
Liabilities				
Current liabilities	3,352,821	1,103,537	(303,561)	4,152,797
Long-term debt	35,942,493	116,170,175	(109,637,681)	42,474,987
Total liabilities	39,295,314	117,273,712	(109,941,242)	46,627,784
Deferred Inflow of Resources	1,734,735	238,779	-	1,973,514
Net position				
Net investment in capital assets	15,263,928	(9,862,439)	20,685,580	26,087,069
Restricted	7,401,260	2,570,470	-	9,971,730
Unrestricted	167,179,829	2,074,701	(109,637,681)	59,616,849
Total Net Position	<u>\$189,845,017</u>	<u>\$ (5,217,268)</u>	<u>\$ (88,952,101)</u>	<u>\$ 95,675,648</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues and (expenses)				
Rental revenue	\$ 6,721,996	\$ 8,932,540	\$ (7,529,181)	\$ 8,125,355
Operating grants	43,331,737	-	-	43,331,737
Other operating revenues	3,861,170	635,124	(2,423,439)	2,072,855
Depreciation	1,015,057	(3,389,326)	(1,260,678)	(3,634,947)
Other operating expenses	(50,662,983)	(5,636,391)	11,213,298	(45,086,076)
Operating net income	4,266,977	541,947	-	4,808,924
Nonoperating revenues and (expenses)				
Interest income	4,359,934	6,902	(3,128,394)	1,238,442
Interest expense	(999,746)	(3,389,326)	3,128,394	(1,260,678)
Gain (loss) on disposition of assets	8,500	-	-	8,500
Change in net position	7,635,665	(2,840,477)	-	4,795,188
Beginning net position	182,209,352	(2,376,791)	(88,952,101)	90,880,460
Ending net position	<u>\$189,845,017</u>	<u>\$ (5,217,268)</u>	<u>\$ (88,952,101)</u>	<u>\$ 95,675,648</u>

Condensed Statement of Cash Flows

Net cash used in:				
Operating activities	\$ 6,075,976	\$ 3,173,974	\$ -	\$ 9,249,950
Capital & related financial activities	(3,804,275)	(3,880,252)	4,186,358	(3,498,169)
Investing activities	707,620	837,206	(4,186,358)	(2,641,532)
Net increase (decrease) in cash	2,979,321	130,928	-	3,110,249
Beginning cash	3,531,337	1,252,846	-	4,784,183
Ending cash	<u>\$ 6,510,658</u>	<u>\$ 1,383,774</u>	<u>\$ -</u>	<u>\$ 7,894,432</u>

Housing Authority of the City of Santa Barbara

RSI 10-Year History of Changes in Net OPEB Liability

For the Year Ended March 31, 2021

Fiscal Year Ending	2021	2020	2019
Measurement date	3/31/2021	3/31/2020	3/31/2019
Discount rate on measurement date	2.27%	2.48%	3.42%
Total OPEB Liability			
Service costs	\$ 131,520	\$ 134,881	\$ 123,673
Interest	92,631	155,095	153,171
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	(1,032,792)	-
Change in assumptions	115,344	66,383	130,330
Benefit payments	(122,910)	(117,165)	(135,644)
Net Change in Total OPEB Liability	216,585	(793,598)	271,530
Total OPEB Liability - Beginning	3,665,044	4,458,642	4,187,112
Total OPEB Liability - Ending (a)	<u>\$ 3,881,629</u>	<u>\$ 3,665,044</u>	<u>\$ 4,458,642</u>
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 3,881,629</u>	<u>\$ 3,665,044</u>	<u>\$ 4,458,642</u>
Covered-Employee Payroll	\$ 4,542,425	\$ 4,637,642	\$ 4,427,154
Net OPEB Liability as a % of Covered-Employee Payroll	85.45%	79.03%	100.71%

Notes to Schedules

Valuation date	3/31/2020	3/31/2019	3/31/2018
Actuarial cost method	Entry Age Normal, Level % of Pay	Entry Age Normal, Level % of Pay	Entry Age Normal, Level % of Pay
Inflation	2.50%	2.50%	2.75%
Healthcare cost trend rates	4.9% in 2021 fluctuating down to 4.0% by 2075	4.9% in 2021 fluctuating down to 4.0% by 2075	8.0% in 2019 decreasing by 0.5% to 5.0% by 2025
Salary increase	3.00%	3.00%	3.25%
Retirement age	from 50 to 75	from 50 to 75	from 50 to 75
Mortality	2017 CalPERS Experience Study	2017 CalPERS Experience Study	2014 CalPERS Experience Study
Mortality improvement	MW Scale 2020	MW Scale 2020	MW Scale 2017

*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 future fiscal years until 10 years of information is available.

Housing Authority of the City of Santa Barbara

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2021

	Federal CFDA Number	Expenditure
U.S. Department of HUD		
Section 8 Housing Choice Vouchers - Direct Assistance		\$ 38,239,135
COVID-19 -Section 8 Housing Choice Vouchers - Direct Assistance		187,129
Subtotal	14.871	38,426,264
Mainstream Vouchers - Direct Assistance		2,944,928
Subtotal	14.879	2,944,928
Total Housing Choice Cluster		41,371,192
Resident Opportunity & Supportive Services - Direct Assistance	14.870	237,329
Shelter Plus Care - Direct Assistance	14.238	306,947
Total U.S. Department of HUD		41,915,468
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 41,915,468

Housing Authority of the City of Santa Barbara

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2021

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

Scope of Presentation

The accompanying schedule presents the expenditures incurred (and related awards received) by the Housing Authority of the City of Santa Barbara (Authority) that are reimbursable under federal programs of federal agencies providing financial assistance and state awards. For the purposes of this schedule, only the portion of program expenditures reimbursable with such federal or state funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal or state reimbursement authorized or the portion of the program expenditures that were funded with local or other nonfederal funds are excluded from the accompanying schedule.

Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Expenditures are recognized in the accounting period in which the related liability is incurred. Expenditures reported included any property or equipment acquisitions incurred under the federal program. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Indirect Cost Rate

The Authority elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, section 414.



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Board of Commissioners
Housing Authority of the City of Santa Barbara
Santa Barbara, CA

**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**

Independent Auditors' Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregated discretely presented component units of Housing Authority of the City of Santa Barbara as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 26, 2021. The financial statements of the aggregated 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 Housing Authority of the City of Santa Barbara's internal control over financial reporting (internal control) a basis for designing audit 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 Housing Authority of the City of Santa Barbara's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Santa Barbara'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 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 have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the City of Santa Barbara'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's 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.


August 26, 2021



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Board of Commissioners

Housing Authority of the City of Santa Barbara

Santa Barbara, CA

**Report on Compliance for Each Major Federal Program; and Report on Internal Control over
Compliance in Accordance with Uniform Guidance**

Independent Auditors' Report

We have audited Housing Authority of the City of Santa Barbara's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Santa Barbara's major federal programs for the year ended March 31, 2021. Housing Authority of the City of Santa Barbara'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 its federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Santa Barbara 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 March 31, 2021.



Report on Internal Control Over Compliance

Management of Housing Authority of the City of Santa Barbara 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 Housing Authority of the City of Santa Barbara'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 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 Housing Authority of the City of Santa Barbara'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 control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads 'Smith Martin & Co'. The signature is written in a cursive, flowing style.

August 26, 2021

Housing Authority of the City of Santa Barbara

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2021

Section I

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	<input type="text" value="Unmodified"/>
Internal controls over financial reporting:	
Material weakness(es) identified	<input type="text" value="No"/>
Significant deficiency(ies) identified	<input type="text" value="None Reported"/>
Noncompliance material to financial statements noted	<input type="text" value="No"/>

Federal Awards

Internal control over major federal programs	
Material weakness(es) identified	<input type="text" value="No"/>
Significant deficiency(ies) identified	<input type="text" value="None Reported"/>
Type of auditors' report issued on compliance for major federal programs	<input type="text" value="Unmodified"/>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	<input type="text" value="No"/>

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Housing Choice Vouchers
14.879	Mainstream Vouchers

Dollar threshold used to distinguish between type A and type B programs:	<input type="text" value="\$ 1,257,464"/>
Auditee qualified as a low-risk auditee	<input type="text" value="Yes"/>

Section II

Financial Statement Findings

No findings

Section III

Federal Awards Findings

No findings to reported under 2CFR200 Section 516(a) of the Uniform Guidance

Housing Authority of the City of Santa Barbara

Summary Schedule of Prior Year Findings

For the Year Ended March 31, 2021

Financial Statement Findings

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

Federal Award Findings and Question Costs

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

HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA

**Supplementary Information &
Independent Auditors' Report on Supplementary Information**

For the Year Ended March 31, 2021



Housing Authority of the City of Santa Barbara

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For the Year Ended March 31, 2021

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Board of Commissioners

Housing Authority of the City of Santa Barbara

Santa Barbara, CA

Independent Auditors' Report on Supplementary Information

We have audited the basic financial statements of the Housing Authority of the City of Santa Barbara as of and for the year ended March 31, 2021, and have issued our report thereon dated August 26, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial data schedules are presented for purposes of additional analysis and are not a required part of the basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional 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, the financial data schedules are fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads 'Smith Marion & Co.' with a stylized flourish at the end.

August 26, 2021

Housing Authority of the City of Santa Barbara
Financial Data Schedule
FYE: 3/31/2021

		Project Total	14.879 Mainstream	14.871 Housing Choice Vouchers	14.HCC HCV CARES	14.MSC Mainstream CARES	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	COCC	6.2 Component Unit - Blended
111	Cash - Unrestricted	-	-	642,416	-	-	1,477,577	-	-	491,762	680,661
113	Cash - Other Restricted	-	182,970	897,305	1,065,985	64,091	1,380,708	-	-	-	323,545
114	Cash - Tenant Security Deposits	-	-	-	-	-	307,844	-	-	-	379,568
100	Total Cash	-	182,970	1,539,721	1,065,985	64,091	3,166,129	-	-	491,762	1,383,774
122	Accounts Receivable - HUD Other Projects	-	-	1,093,850	-	-	-	7,419	-	-	-
124	Accounts Receivable - Other Government	-	-	-	-	-	95,534	-	-	72,204	-
125	Accounts Receivable - Miscellaneous	-	-	218	-	-	29,949	-	-	4,009	20,405
126	Accounts Receivable - Tenants	-	-	-	-	-	52,951	-	-	-	55,923
126.1	Allowance for Doubtful Accounts - Tenants	-	-	-	-	-	(3,400)	-	-	-	(1,999)
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	-	1,094,068	-	-	175,034	7,419	-	76,213	74,329
131	Investments - Unrestricted	-	-	2,404,706	-	-	12,455,140	-	-	390,852	3,281,137
132	Investments - Restricted	-	-	-	-	-	5,582,957	-	-	-	2,247,560
142	Prepaid Expenses and Other Assets	-	-	1,185	-	-	39,513	-	-	-	60,735
143	Inventories	-	-	-	-	-	72,252	-	-	-	11,062
144	Inter Program Due From	-	-	8,074	-	-	196,823	-	-	91,187	7,477
150	Total Current Assets	-	182,970	5,047,754	1,065,985	64,091	21,687,848	7,419	-	1,050,014	7,066,074
161	Land	-	-	-	-	-	31,905,743	-	-	-	47,236,000
162	Buildings	-	-	-	-	-	31,153,469	-	-	273,935	72,011,662
163	Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-	116,887	-	-	-	111,893
164	Furniture, Equipment & Machinery - Administration	-	-	272,333	-	-	399,092	-	-	316,554	51,583
165	Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	-	-	(272,333)	-	-	(15,325,689)	-	-	(590,489)	(14,255,930)
160	Total Capital Assets, Net	-	-	-	-	-	48,249,502	-	-	-	105,155,208
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	43,712,902	-	-	-	1,553
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	109,637,681	-	-	-	-
174	Other Assets	-	-	-	-	-	-	-	-	-	-
180	Total Non-Current Assets	-	-	-	-	-	201,600,085	-	-	-	105,156,761
200	Deferred Outflow of Resources	-	-	74,800	-	-	94,100	-	-	-	72,388
290	Total Assets and Deferred Outflow of Resources	-	182,970	5,122,554	1,065,985	64,091	223,382,033	7,419	-	1,050,014	112,295,223

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		Project Total	14.879 Mainstream	14.871 Housing Choice Vouchers	14.HCC HCV CARES	14.MSC Mainstream CARES	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	COCC	6.2 Component Unit - Blended
312	Accounts Payable <= 90 Days	-	-	-	-	-	35,743	-	-	334,289	191,947
321	Accrued Wage/Payroll Taxes Payable	-	-	48,908	-	-	89,851	-	-	23,409	48,690
322	Accrued Compensated Absences - Current Portion	-	-	28,567	-	-	58,403	-	-	16,292	25,373
341	Tenant Security Deposits	-	-	-	-	-	307,844	-	-	-	379,568
342	Unearned Revenues - Operating Subsidy	-	-	-	1,065,985	64,091	122,447	-	-	-	112,005
342	Unearned Revenues - Other, Prepaid Rent	-	-	-	-	-	-	-	-	-	-
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-	702,009	-	-	-	99,400
345	Other Current Liabilities - Miscellaneous	-	-	1,710	-	-	328,981	-	-	-	67,285
346	Accrued Liabilities - Other	-	-	-	-	-	-	-	-	-	-
347	Inter Program - Due To	-	-	31,972	-	-	84,107	7,419	-	794	179,269
310	Total Current Liabilities	-	-	111,157	1,065,985	64,091	1,729,385	7,419	-	374,784	1,103,537
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	32,283,565	-	-	-	5,280,566
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	-	-	109,637,681
353	Non-Current Liabilities - Other	-	-	642,680	-	-	-	-	-	-	635
354	Accrued Compensated Absences - Non Current	-	-	85,702	-	-	175,212	-	-	48,876	76,122
357	Pension Liability	-	-	1,274,524	-	-	1,431,934	-	-	-	1,175,171
350	Total Non-Current Liabilities	-	-	2,002,906	-	-	33,890,711	-	-	48,876	116,170,175
300	Total Liabilities	-	-	2,114,063	1,065,985	64,091	35,620,096	7,419	-	423,660	117,273,712
400	Deferred Inflow of Resources	-	-	246,735	-	-	1,488,000	-	-	-	238,779
508.4	Net Investment in Capital Assets	-	-	-	-	-	15,263,928	-	-	-	(9,862,439)
511.4	Restricted Net Position	-	182,970	254,625	-	-	6,963,665	-	-	-	2,570,470
512.4	Unrestricted Net Position	-	-	2,507,131	-	-	164,046,344	-	-	626,354	2,074,701
513	Total Equity - Net Assets / Position	-	182,970	2,761,756	-	-	186,273,937	-	-	626,354	(5,217,268)
600	Total Liabilities, Deferred Inflows of Resources and Net Position	-	182,970	5,122,554	1,065,985	64,091	223,382,033	7,419	-	1,050,014	112,295,223

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		Subtotal	ELIM	Primary	6.1 Component Unit - Discretely Presented	Total
111	Cash - Unrestricted	3,292,416	-	3,292,416	2,584,814	5,877,230
113	Cash - Other Restricted	3,914,604	-	3,914,604	3,268,548	7,183,152
114	Cash - Tenant Security Deposits	687,412	-	687,412	208,571	895,983
100	Total Cash	7,894,432	-	7,894,432	6,061,933	13,956,365
122	Accounts Receivable - HUD Other Projects	1,101,269	-	1,101,269	-	1,101,269
124	Accounts Receivable - Other Government	167,738	-	167,738	-	167,738
125	Accounts Receivable - Miscellaneous	54,581	-	54,581	287,021	341,602
126	Accounts Receivable - Tenants	108,874	-	108,874	37,832	146,706
126.1	Allowance for Doubtful Accounts - Tenants	(5,399)	-	(5,399)	(700)	(6,099)
120	Total Receivables, Net of Allowances for Doubtful Accounts	1,427,063	-	1,427,063	324,153	1,751,216
131	Investments - Unrestricted	18,531,835	-	18,531,835	251,222	18,783,057
132	Investments - Restricted	7,830,517	-	7,830,517	-	7,830,517
142	Prepaid Expenses and Other Assets	101,433	-	101,433	1,295,576	1,397,009
143	Inventories	83,314	-	83,314	-	83,314
144	Inter Program Due From	303,561	(303,561)	-	-	-
150	Total Current Assets	36,172,155	(303,561)	35,868,594	7,932,884	43,801,478
161	Land	79,141,743	(38,482,515)	40,659,228	15,327,623	55,986,851
162	Buildings	103,439,066	(50,469,586)	52,969,480	87,069,420	140,038,900
163	Furniture, Equipment & Machinery - Dwellings	228,780	-	228,780	873,473	1,102,253
164	Furniture, Equipment & Machinery - Administration	1,039,562	-	1,039,562	2,023,941	3,063,503
165	Leasehold Improvements	-	-	-	-	-
166	Accumulated Depreciation	(30,444,441)	-	(30,444,441)	(10,627,424)	(41,071,865)
160	Total Capital Assets, Net	153,404,710	(88,952,101)	64,452,609	94,667,033	159,119,642
171	Notes, Loans and Mortgages Receivable - Non-Current	43,714,455	-	43,714,455	-	43,714,455
171	Notes, Loans and Mortgages Receivable - Non-Current	109,637,681	(109,637,681)	-	-	-
174	Other Assets	-	-	-	11,426,439	11,426,439
180	Total Non-Current Assets	306,756,846	(198,589,782)	108,167,064	106,093,472	214,260,536
200	Deferred Outflow of Resources	241,288	-	241,288	-	241,288
290	Total Assets and Deferred Outflow of Resources	343,170,289	(198,893,343)	144,276,946	114,026,356	258,303,302

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		Subtotal	ELIM	Primary	6.1 Component Unit - Discretely Presented	Total
312	Accounts Payable <= 90 Days	561,979	-	561,979	198,580	760,559
321	Accrued Wage/Payroll Taxes Payable	210,858	-	210,858	-	210,858
322	Accrued Compensated Absences - Current Portion	128,635	-	128,635	1,035	129,670
341	Tenant Security Deposits	687,412	-	687,412	208,570	895,982
342	Unearned Revenues - Operating Subsidy	1,364,528	-	1,364,528	18,296	1,382,824
342	Unearned Revenues - Other, Prepaid Rent	-	-	-	29,575	29,575
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage Revenue	801,409	-	801,409	361,886	1,163,295
345	Other Current Liabilities - Miscellaneous	397,976	-	397,976	119,172	517,148
346	Accrued Liabilities - Other	-	-	-	1,887,496	1,887,496
347	Inter Program - Due To	303,561	(303,561)	-	-	-
310	Total Current Liabilities	4,456,358	(303,561)	4,152,797	2,824,610	6,977,407
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage Revenue	37,564,131	-	37,564,131	83,137,817	120,701,948
351	Long-Term Debt, Net of Current - Capital Projects/Mortgage Revenue	109,637,681	(109,637,681)	-	-	-
353	Non-Current Liabilities - Other	643,315	-	643,315	2,465,330	3,108,645
354	Accrued Compensated Absences - Non Current	385,912	-	385,912	3,107	389,019
357	Pension Liability	3,881,629	-	3,881,629	-	3,881,629
350	Total Non-Current Liabilities	152,112,668	(109,637,681)	42,474,987	85,606,254	128,081,241
300	Total Liabilities	156,569,026	(109,941,242)	46,627,784	88,430,864	135,058,648
400	Deferred Inflow of Resources	1,973,514	-	1,973,514	-	1,973,514
508.4	Net Investment in Capital Assets	5,401,489	20,685,580	26,087,069	11,167,330	37,254,399
511.4	Restricted Net Position	9,971,730	-	9,971,730	3,268,549	13,240,279
512.4	Unrestricted Net Position	169,254,530	(109,637,681)	59,616,849	11,159,613	70,776,462
513	Total Equity - Net Assets / Position	184,627,749	(88,952,101)	95,675,648	25,595,492	121,271,140
600	Total Liabilities, Deferred Inflows of Resources and Net Position	343,170,289	(198,893,343)	144,276,946	114,026,356	258,303,302

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		Project Total	14.879 Mainstream	14.871 Housing Choice Vouchers	14.HCC HCV CARES	14.MSC Mainstream CARES	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	COCC	6.2 Component Unit - Blended
70300	Net Tenant Rental Revenue	-	-	-	-	-	6,706,477	-	-	-	8,434,273
70400	Tenant Revenue - Other	-	-	-	-	-	48,889	-	-	-	513,012
70500	Total Tenant Revenue	-	-	-	-	-	6,755,366	-	-	-	8,947,285
70600	HUD PHA Operating Grants	-	-	-	-	-	-	-	237,329	-	-
70600	Housing Assistance Payments	-	2,750,675	34,880,205	-	-	-	292,879	-	-	-
70600	Ongoing Administrative Fees Earned	-	194,253	3,358,930	187,129	-	-	14,068	-	-	-
70710	Management Fee	-	-	-	-	-	-	-	-	710,637	-
70730	Book-Keeping Fee	-	-	-	-	-	-	-	-	244,718	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	-	4,360	-
70700	Total Fee Revenue	-	-	-	-	-	-	-	-	959,715	-
70800	Other Government Grants	-	-	-	-	-	1,160,000	-	-	256,269	-
71100	Unrestricted Investment Income - Other	-	-	4,286	-	-	10,584	42	-	455	6,902
71200	Mortgage Interest Income	-	-	-	-	-	4,344,567	-	-	-	-
71400	Fraud Recovery - Housing Assistance Payments	-	-	295	-	-	-	-	-	-	-
71400	Fraud Recovery - Administrative Fee	-	-	294	-	-	-	-	-	-	-
71500	Other Revenue	-	-	167,332	-	-	2,732,518	-	-	1,016	635,124
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	-	8,500	-
72000	Restricted Investment Income - Other	-	-	-	-	-	-	-	-	-	-
70000	Total Revenue	-	2,944,928	38,411,342	187,129	-	15,003,035	306,989	237,329	1,225,955	9,589,311
91100	Administrative Salaries	-	-	900,683	-	-	1,842,056	10,478	-	487,059	818,446
91200	Auditing Fees	-	-	27,289	-	-	4,745	-	-	-	6,771
91300	Management Fees - Outside	-	-	-	-	-	-	-	-	-	-
91300	Management Fees - Internal	-	38,851	671,786	-	-	-	-	-	-	-
91310	Book- Keeping Fee	-	17,513	227,205	-	-	-	-	-	-	-
91400	Advertising and Marketing	-	-	11,861	-	-	30,879	-	-	-	2,497
91500	Employee Benefit Contributions - Administrative	-	-	308,513	-	-	506,134	-	-	137,956	285,897
91600	Office Expenses	-	-	71,088	-	-	105,749	2,749	-	-	67,628
91700	Legal Expense	-	-	1,763	-	-	68,007	-	-	-	41,260
91800	Travel	-	-	-	-	-	-	-	-	-	783
91900	Other	-	-	111,265	-	-	534,113	4,601	-	93,501	765,546
91000	Total Operating - Administrative	-	56,364	2,331,453	-	-	3,091,683	17,828	-	718,516	1,988,828
92100	Tenant Services - Salaries	-	-	69,077	-	-	835	2,340	237,329	-	450,584
92300	Employee Benefit Contributions - Tenant Services	-	-	73,989	-	-	-	-	-	-	-
92400	Tenant Services - Other	-	-	160,878	187,129	-	79,324	-	-	-	302,783
92500	Total Tenant Services	-	-	303,944	187,129	-	80,159	2,340	237,329	-	753,367
93100	Water	-	-	-	-	-	324,692	-	-	-	306,084
93200	Electricity	-	-	-	-	-	152,546	-	-	-	76,164
93300	Gas	-	-	-	-	-	41,163	-	-	-	30,917
93600	Sewer	-	-	-	-	-	-	-	-	-	-
93800	Other Utilities Expense	-	-	-	-	-	169,429	-	-	-	291,586
93000	Total Utilities	-	-	-	-	-	687,830	-	-	-	704,751

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		Project Total	14.879 Mainstream	14.871 Housing Choice Vouchers	14.HCC HCV CARES	14.MSC Mainstream CARES	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	COCC	6.2 Component Unit - Blended
94100	Ordinary Maintenance and Operations - Labor	-	-	-	-	-	299,097	-	-	21,435	763,384
94200	Ordinary Maintenance and Operations - Materials and Other	-	-	-	-	-	132,071	-	-	-	194,283
94300	Ordinary Maint. & Operations - Garbage & Trash	-	-	-	-	-	-	-	-	-	-
94300	Ordinary Maint. & Operations - HVAC	-	-	-	-	-	6,583	-	-	-	-
94300	Ordinary Maint. & Operations - Elevator	-	-	-	-	-	16,917	-	-	-	6,232
94300	Ordinary Maint. & Operations - Landscape & Grounds	-	-	-	-	-	270,607	-	-	-	527,303
94300	Ordinary Maint. & Operations - Unit Turnaround	-	-	-	-	-	143,592	-	-	-	292,107
94300	Ordinary Maint. & Operations - Electrical Contracts	-	-	-	-	-	2,633	-	-	-	11,810
94300	Ordinary Maint. & Operations - Plumbing Contracts	-	-	-	-	-	60,156	-	-	-	102,393
94300	Ordinary Maint. & Operations - Extermination	-	-	-	-	-	4,642	-	-	-	4,765
94300	Ordinary Maint. & Operations - Janitorial Contracts	-	-	-	-	-	76,818	-	-	-	26,392
94300	Ordinary Maint. & Operations - Routine Maintenance	-	-	-	-	-	257,761	-	-	-	207,394
94300	Ordinary Maint. & Operations - Misc. Contracts	-	-	-	-	-	3,417	-	-	-	18,215
94500	Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-	25,502	-	-	-	183,720
94000	Total Ordinary Maint. and Operations	-	-	-	-	-	1,299,796	-	-	21,435	2,337,998
96110	Property Insurance	-	-	-	-	-	99,926	-	-	-	123,033
96120	Liability Insurance	-	-	3,888	-	-	-	-	-	-	42,425
96130	Workmen's Compensation	-	-	17,322	-	-	29,901	-	-	7,502	117,536
96140	All Other Insurance	-	-	1,112	-	-	8,086	-	-	-	1,798
96100	Total Insurance Premiums	-	-	22,322	-	-	137,913	-	-	7,502	284,792
96200	Other General Expenses	-	137,890	35,760	-	-	425,283	-	-	256,269	86,073
96210	Compensated Absences	-	-	78,023	-	-	35,257	-	-	37,989	80,086
96400	Bad Debt - Tenant Rents	-	-	-	-	-	33,370	-	-	-	14,745
96000	Total Other General Expenses	-	137,890	113,783	-	-	493,910	-	-	294,258	180,904
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	999,746	-	-	-	3,389,326
96720	Interest of Notes - Payable (Short and Long Term)	-	-	-	-	-	-	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-	999,746	-	-	-	3,389,326
96900	Total Operating Expenses	-	194,254	2,771,502	187,129	-	6,791,037	20,168	237,329	1,041,711	9,639,966
97000	Excess of Op. Revenue Over Op. Expenses	-	2,750,674	35,639,840	-	-	8,211,998	286,821	-	184,244	(50,655)
97100	Extraordinary Maintenance	-	-	-	-	-	238,766	-	-	-	289,875
97300	Housing Assistance Payments	-	2,805,765	34,942,091	-	-	-	300,268	-	-	-
97350	HAP Portability-In	-	-	16,022	-	-	-	-	-	-	-
97400	Depreciation Expense	-	-	10,105	-	-	1,124,895	-	-	-	2,499,947
90000	Total Expenses	-	3,000,019	37,739,720	187,129	-	8,154,698	320,436	237,329	1,041,711	12,429,788
10010	Operating Transfer In	-	-	-	-	-	1,006,558	13,447	-	-	375,811
10020	Operating Transfer Out	-	-	-	-	-	(1,020,005)	-	-	-	(375,811)
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-	(55,091)	671,622	-	-	6,834,890	-	-	184,244	(2,840,477)
11030	Beginning Equity	-	238,061	2,090,134	-	-	179,439,047	-	-	442,110	(2,376,791)
11040	Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-

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		Subtotal	ELIM	Primary Government	6.1 Component Unit - Discretely Presented	Total
70300	Net Tenant Rental Revenue	15,140,750	(7,529,181)	7,611,569	5,435,703	13,047,272
70400	Tenant Revenue - Other	561,901	-	561,901	66,827	628,728
70500	Total Tenant Revenue	15,702,651	(7,529,181)	8,173,470	5,502,530	13,676,000
70600	HUD PHA Operating Grants	237,329	-	237,329	-	237,329
70600	Housing Assistance Payments	37,923,759	-	37,923,759	-	37,923,759
70600	Ongoing Administrative Fees Earned	3,754,380	-	3,754,380	-	3,754,380
70710	Management Fee	710,637	(710,637)	-	-	-
70730	Book-Keeping Fee	244,718	(244,718)	-	-	-
70740	Front Line Service Fee	4,360	(4,360)	-	-	-
70700	Total Fee Revenue	959,715	(959,715)	-	-	-
70800	Other Government Grants	1,416,269	-	1,416,269	-	1,416,269
71100	Unrestricted Investment Income - Other	22,269	-	22,269	3,672	25,941
71200	Mortgage Interest Income	4,344,567	(3,128,394)	1,216,173	-	1,216,173
71400	Fraud Recovery - Housing Assistance Payments	295	-	295	-	295
71400	Fraud Recovery - Administrative Fee	294	-	294	-	294
71500	Other Revenue	3,535,990	(1,463,724)	2,072,266	4,965,376	7,037,642
71600	Gain or Loss on Sale of Capital Assets	8,500	-	8,500	-	8,500
72000	Restricted Investment Income - Other	-	-	-	273	273
70000	Total Revenue	67,906,018	(13,081,014)	54,825,004	10,471,851	65,296,855
91100	Administrative Salaries	4,058,722	(326,725)	3,731,997	435,965	4,167,962
91200	Auditing Fees	38,805	-	38,805	43,466	82,271
91300	Management Fees - Outside	-	-	-	34,477	34,477
91300	Management Fees - Internal	710,637	(710,637)	-	-	-
91310	Book- Keeping Fee	244,718	(244,718)	-	-	-
91400	Advertising and Marketing	45,237	-	45,237	17,795	63,032
91500	Employee Benefit Contributions - Administrative	1,238,500	-	1,238,500	65,989	1,304,489
91600	Office Expenses	247,214	-	247,214	97,391	344,605
91700	Legal Expense	111,030	-	111,030	80,526	191,556
91800	Travel	783	-	783	-	783
91900	Other	1,509,026	(709,602)	799,424	339,381	1,138,805
91000	Total Operating - Administrative	8,204,672	(1,991,682)	6,212,990	1,114,990	7,327,980
92100	Tenant Services - Salaries	760,165	(7,032)	753,133	51,073	804,206
92300	Employee Benefit Contributions - Tenant Services	73,989	-	73,989	-	73,989
92400	Tenant Services - Other	730,114	-	730,114	60,215	790,329
92500	Total Tenant Services	1,564,268	(7,032)	1,557,236	111,288	1,668,524
93100	Water	630,776	-	630,776	181,266	812,042
93200	Electricity	228,710	-	228,710	114,050	342,760
93300	Gas	72,080	-	72,080	27,466	99,546
93600	Sewer	-	-	-	21,537	21,537
93800	Other Utilities Expense	461,015	-	461,015	75,899	536,914
93000	Total Utilities	1,392,581	-	1,392,581	420,218	1,812,799

Housing Authority of the City of Santa Barbara
Financial Data Schedule
FYE: 3/31/2021

		Subtotal	ELIM	Primary Government	6.1 Component Unit - Discretely Presented	Total
94100	Ordinary Maintenance and Operations - Labor	1,083,916	(424,725)	659,191	106,157	765,348
94200	Ordinary Maintenance and Operations - Materials and Other	326,354	-	326,354	46,073	372,427
94300	Ordinary Maint. & Operations - Garbage & Trash	-	-	-	24,399	24,399
94300	Ordinary Maint. & Operations - HVAC	6,583	-	6,583	-	6,583
94300	Ordinary Maint. & Operations - Elevator	23,149	-	23,149	7,984	31,133
94300	Ordinary Maint. & Operations - Landscape & Grounds	797,910	-	797,910	165,871	963,781
94300	Ordinary Maint. & Operations - Unit Turnaround	435,699	-	435,699	59,556	495,255
94300	Ordinary Maint. & Operations - Electrical Contracts	14,443	-	14,443	700	15,143
94300	Ordinary Maint. & Operations - Plumbing Contracts	162,549	-	162,549	5,703	168,252
94300	Ordinary Maint. & Operations - Extermination	9,407	-	9,407	6,867	16,274
94300	Ordinary Maint. & Operations - Janitorial Contracts	103,210	-	103,210	26,502	129,712
94300	Ordinary Maint. & Operations - Routine Maintenance	465,155	-	465,155	98,698	563,853
94300	Ordinary Maint. & Operations - Misc. Contracts	21,632	-	21,632	63,695	85,327
94500	Employee Benefit Contributions - Ordinary Maintenance	209,222	-	209,222	-	209,222
94000	Total Ordinary Maint. and Operations	3,659,229	(424,725)	3,234,504	612,205	3,846,709
96110	Property Insurance	222,959	-	222,959	133,231	356,190
96120	Liability Insurance	46,313	-	46,313	40,688	87,001
96130	Workmen's Compensation	172,261	-	172,261	18,674	190,935
96140	All Other Insurance	10,996	-	10,996	6,769	17,765
96100	Total Insurance Premiums	452,529	-	452,529	199,362	651,891
96200	Other General Expenses	941,275	-	941,275	307,073	1,248,348
96210	Compensated Absences	231,355	-	231,355	4,143	235,498
96400	Bad Debt - Tenant Rents	48,115	-	48,115	153	48,268
96000	Total Other General Expenses	1,220,745	-	1,220,745	311,369	1,532,114
96710	Interest of Mortgage (or Bonds) Payable	4,389,072	(3,128,394)	1,260,678	2,350,888	3,611,566
96720	Interest of Notes - Payable (Short and Long Term)	-	-	-	6,013	6,013
96730	Amortization of Bond Issue Costs	-	-	-	170,993	170,993
96700	Total Interest Expense and Amortization Cost	4,389,072	(3,128,394)	1,260,678	2,527,894	3,788,572
96900	Total Operating Expenses	20,883,096	(5,551,833)	15,331,263	5,297,326	20,628,589
97000	Excess of Op. Revenue Over Op. Expenses	47,022,922	(7,529,181)	39,493,741	5,174,525	44,668,266
97100	Extraordinary Maintenance	528,641	-	528,641	-	528,641
97300	Housing Assistance Payments	38,048,124	(7,529,181)	30,518,943	-	30,518,943
97350	HAP Portability-In	16,022	-	16,022	-	16,022
97400	Depreciation Expense	3,634,947	-	3,634,947	2,723,066	6,358,013
90000	Total Expenses	63,110,830	(13,081,014)	50,029,816	8,020,392	58,050,208
10010	Operating Transfer In	1,395,816	(1,395,816)	-	-	-
10020	Operating Transfer Out	(1,395,816)	1,395,816	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	4,795,188	-	4,795,188	2,451,459	7,246,647
11030	Beginning Equity	179,832,561	(88,952,101)	90,880,460	10,455,975	101,336,435
11040	Prior Period Adjustments	-	-	-	12,688,058	12,688,058



Smith Marion & Co. • Certified Public Accountants

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Board of Commissioners

Housing Authority of the City of Santa Barbara

Santa Barbara, CA

Independent Auditors' Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below on the Uniform Financial Reporting Standards (UFRS) information as of and for the year ended March 31, 2021. Housing Authority of the City of Santa Barbara (Authority) is responsible for the UFRS information.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the U.S. Department of Housing and Urban Development (HUD), Real Estate Assessment Center's (REAC) UFRS requirements for the submission of the UFRS information for the year ended March 31, 2021. Additionally, HUD has agreed to and acknowledged that the procedures performed are appropriate to meet their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest and/or needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures are as follows:

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with corresponding documents listed in the chart under "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. Additionally, we were engaged by the Authority to perform an audit 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 as of and for the year ended March 31, 2021 and have issued our reports thereon dated August 26, 2021. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated August 26, 2021, was expressed in relation to the basic financial statements of the Authority taken as a whole.

We are required to be independent of the Authority and REAC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report was intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, PIH REAC, and is not intended to be and should not be used by anyone other than these specified parties.

August 26, 2021

Housing Authority of the City of Santa Barbara

Agreed Upon Procedures
For the Year Ended March 31, 2021

Procedure	UFRS Rule Information	Hard Copy Document(s)	Findings
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's, if applicable	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	Agrees
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned Cost	Agrees
5	General information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form *	Agrees
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Cost, Part 1 and OMB Data Collection Form *	Agrees
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Cost, Part 1 and OMB Data Collection Form *	Agrees
8	Type of Compliance Requirements (G4200-020 & G4000-030)	OMB Data Collection Form *	Agrees
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Agrees