

Crescent City Housing Authority

(A Component Unit of the City of
Crescent City, California)

*Basic Financial Statements
and Independent Auditors' Report*

For the year ended June 30, 2018

Crescent City Housing Authority
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For the year ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Crescent City Housing Authority
Crescent City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Crescent City Housing Authority, California (Authority), a component unit of the City of Crescent City, California (City) as of and for the year ended June 30, 2018, 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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.

To the Board of Directors
of the Crescent City Housing Authority
Crescent City, California
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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 governmental activities, and each major fund of the Authority as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial positions of the City as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 24-25 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.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

To the Board of Directors
of the Crescent City Housing Authority
Crescent City, California
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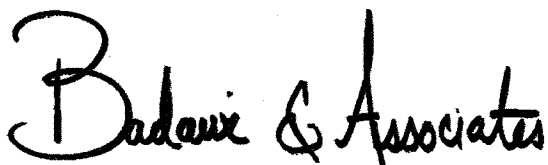
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Assessment Subsystem - FDS is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Financial Assessment Subsystem - FDS 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 Financial Assessment Subsystem - FDS 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 March 13, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A large, stylized handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates
Certified Public Accountants
Oakland, California
March 13, 2019

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Crescent City Housing Authority
Statement of Net Position
June 30, 2018

ASSETS

Cash and investments	\$ 159,285
Accounts receivable:	
Consumers and others	<u>185</u>
Total assets	<u><u>159,470</u></u>

LIABILITIES AND NET POSITION

Liabilities:	
Accounts payable	<u>791</u>
Total liabilities	<u><u>791</u></u>
Net Position:	
Restricted	<u>158,679</u>
Total net position	<u><u>\$ 158,679</u></u>

Crescent City Housing Authority
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues	Net (Expense)
		Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental Activities			Governmental Activities
Human Services and recreation	\$ 3,504,278	\$ 3,402,910	\$ (101,368)
Total governmental activities	3,504,278	3,402,910	(101,368)
General revenues & transfers:			
			294
Unrestricted investment earnings			
Other			29,419
Total general revenues and transfers			29,713
Change in net position			(71,655)
Net position - beginning of year			230,334
Net position - end of year			\$ 158,679

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Crescent City Housing Authority
Balance Sheet
Governmental Funds
June 30, 2018

	Housing Authority Section 8
ASSETS	
Cash and investments	\$ 159,285
Accounts receivable:	
Consumers and others	185
Total assets	\$ 159,470
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 791
Total liabilities	791
Fund Balances	
Restricted	158,679
Total fund balance	158,679
Total liabilities and fund balances	\$ 159,470

See accompanying Notes to Basic Financial Statements.

Crescent City Housing Authority
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities
June 30, 2018

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 158,679
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There were no reconciling differences in FY 2018

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 158,679
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See accompanying Notes to Basic Financial Statements.

Crescent City Housing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Housing Authority Section 8
REVENUES:	
Intergovernmental revenues	\$ 3,402,910
Use of money and property	294
Other reimbursements	-
Other revenue	29,419
Total revenues	3,432,623
EXPENDITURES:	
Current:	
Human services and recreation	3,492,585
Administrative overhead allocation	11,693
Total expenditures	3,504,278
Excess (deficiency) of revenues over (under) expenditures	(71,655)
Change in fund balance	(71,655)
FUND BALANCES:	
Beginning of year	230,334
End of year	\$ 158,679

See accompanying Notes to Basic Financial Statements.

Crescent City Housing Authority

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities For the Fiscal Year Ended June 30, 2018

The schedule below reconciles the Net Changes in Fund Balance reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis

TOTAL CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ (71,655)
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There were no reconciling differences in FY 2018

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (71,655)
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NOTES TO BASIC FINANCIAL STATEMENTS

Crescent City Housing Authority
Notes to Basic Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Crescent City Housing Authority (Authority) conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of significant accounting policies.

A. Financial Reporting Entity

The Crescent City Housing Authority was formed in 1965, and it was established by both the Del Norte County Board of Supervisors and the City Council that there would be one Housing Authority to serve both the City and the County. The governing body for Housing Authority was designated to be under the City of Crescent City. The structure of the Housing Authority is to serve under the Housing Authority Board to oversee the operations of the Housing Authority (once a month the City Council reconvenes as the Housing Authority Board.) There is also a Housing Authority Advisory Commission which gives recommendations to the Housing Authority Board on issues relating to the policies of the Housing Authority. The Housing Advisory Commission consists of 5 regular members and two tenant members. The program administrated by the Housing Authority is the Section 8 Tenant-Based program; this program provides rental assistance to eligible families within the local jurisdiction. The Section 8 program is a three-way partnership between the Housing Authority, the owner, and the family.

The Crescent City Housing Authority is currently operating as a "High Performer Housing Authority" (a rating HUD assigns to Housing Authorities.) They are serving approximately 575 local families with housing assistance. These Authority financial statements are accounted for as a component unit in the City of Crescent City's (the City's) financial statements, pursuant to Governmental Accounting Standards Board Statement No. 61.

B. Description of Funds

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial expectations.

C. Government-wide Financial Statements

The Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Authority accompanied by a total column. The Authority does not have any business-type activities; therefore, only governmental activities are reported.

Crescent City Housing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Government-wide Financial Statements, Continued

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the Authority’s assets and liabilities, including capital assets and long-term liabilities, if any, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Certain types of transactions are reported as program revenues for the Authority in three categories (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions.

D. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements. The Authority has presented all of its funds as major funds and does not have any differences in reporting net position.

The major governmental fund of the Authority is:

Special Revenue Fund (Crescent City Housing Authority Fund) – This fund is used to account for the Section 8 Housing Assistance funds as well as the administrative charges associated with it. These Section 8 funds are used by the City to help subsidize extremely low and very low income housing. This fund is intended to be used by the Authority for improving the community’s supply of extremely low and very low income housing.

All governmental funds are accounted for on a spending or a “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they became both measurable and available to finance expenditures of the current period.

E. Governmental Fund Types

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after the fiscal year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are the Section 8 Housing Assistance payments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The reconciliation of the fund financial statements to the government-wide financial statements are provided to explain the differences created by the integrated approach of GASB No. 34.

Crescent City Housing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Fund Balance

Beginning with fiscal year 2010, the Authority implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which the resources can be used:

Nonspendable fund balance - amounts in fund balance that cannot be spent because they are either not in spendable form (such as prepaids and inventory) or legally/contractually are required to be maintained intact. The Authority did not have any nonspendable fund balance.

Restricted fund balance - resources that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through externally enforceable legal restrictions (cannot be spent due to their form).

Committed fund balance - amounts are constrained to specific purposes by action of the Crescent City Housing Authority itself, using its highest level of decision-making authority; Removal or modification of the restrictions on the use of the amounts can only be accomplished if the Authority takes the same highest level of decision-making authority; Removal or modification of the restrictions on the use of these amounts can only be accomplished if the Authority takes the same highest level action to remove or change the constraint. The Authority did not have any committed fund balance.

Assigned fund balance - amounts the Authority intends to use for a specific purpose; intent can be expressed by the Authority, an Authority created committee, or an official designated by the Authority to which it delegates the authority; Informal commitments (no formal action by the Authority). The Authority did not have any assigned fund balance.

Unassigned fund balance - resources in the fund balance that cannot be classified into any of the other categories. These amounts that are available for any purpose; positive amounts are reported only in the general fund. The Authority did not have any unassigned fund balance.

The Authority establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendments of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the Authority.

Crescent City Housing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. The Authority did not have net investment in capital assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments

Unrestricted Net Position - This amount is the remaining net position that does not meet the definition of "net investment in capital assets" or "restricted net position". The Authority did not have unrestricted net position.

H. Compensated Absences

The Authority utilizes City's employees and therefore liabilities for vacation and sick leave are not reported by the Authority.

I. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

J. Equity in Pooled Cash and Investments

Cash resources of the individual funds are combined to form a pool of cash and investments to maximize interest earnings potential. Investments in the pool primarily consist of Local Authority Investment Fund of the State of California, saving and governmental securities recorded at cost, which approximates fair market value.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2018 consisted of the following:

City Pooled Investments	<u>\$ 159,285</u>
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Interest earned on pooled deposits and investments is allocated to the various funds based upon average quarterly balances. Interest earned by all debt service fund investments is credited directly to the respective fund. The Authority's deposits are stated at fair market value and are not subject to categorization. See the City's basic financial statements for the disclosures related to cash and investments and the related custodial risk categorization.

Crescent City Housing Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2018

2. CASH AND INVESTMENTS, Continued

Pooled demand deposits

The California Government Code requires California banks and savings and loans to secure a local agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the agency's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes at least equal to 150% of an agency's deposits. The Authority may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The California Governmental Code and the FDA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of money market accounts.

REQUIRED SUPPLEMENTARY INFORMATION

Crescent City Housing Authority
Required Supplementary Information
For the year ended June 30, 2018

1. BUDGETARY INFORMATION

A. Budgets and budgetary accounting

Budget amounts are reported as originally adopted and as further amended by the Board of Directors. Budgets are adopted for the governmental funds on a basis consistent with U.S. generally accepted accounting principles.

The Authority's budget is prepared annually in conjunction with the budget of the City. The members of the Authority are also Board of Directors members. The Board of Directors adheres to the following procedures in establishing the budgeting data reflected in the financial statements.

On or before the regular Board of Directors meeting in May, the City manager shall make an estimate of the financial needs of the City and the Authority and file a copy with the Board of Directors and clerk. The proposed budget includes proposed expenditures for all funds and the means of financing them, along with historical data on prior and current expenditures. At least one public hearing is conducted to obtain taxpayer comment and the budget is normally adopted prior to June 30, by resolution.

Budgets for the Authority's Special Revenue Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) and presented accordingly in the financial statements.

Appropriations lapse at fiscal year-end, except for those amounts which are carried over as encumbrances for items or services ordered but not yet received. These amounts, if any, are shown as "Fund balance reserved for encumbrances" in the Authority's component unit financial statements. The Board of Directors may authorize supplemental appropriations during the year by budget modification resolution. The final, amended budgets are presented in the financial statements. Total expenditure appropriations (including transfers) adopted in the 2017-2018 budget were \$3,551,791, including budget revisions increases (decreases) made during the fiscal year.

Crescent City Housing Authority

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Housing Authority Fund

For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Positive (Negative) Variance with Final Budget
	Original Budget	Final Budget	Actual	
REVENUES:				
Use of money and property	\$ 140	\$ 140	\$ 294	\$ 154
Intergovernmental revenues	3,477,174	3,526,033	3,402,910	(123,123)
Other reimbursements	2,000	2,000	-	(2,000)
Other revenue	20,975	20,975	29,419	8,444
Total revenues	3,500,289	3,549,148	3,432,623	(116,525)
EXPENDITURES:				
Current:				
Human services and recreation	3,486,288	3,538,390	3,492,585	45,805
Administrative overhead allocation	13,620	13,401	11,693	1,708
Total expenditures	3,499,908	3,551,791	3,504,278	47,513
Excess (deficiency) of revenues over (under) expenditures	381	(2,643)	(71,655)	(69,012)
Change in net position	\$ 381	\$ (2,643)	(71,655)	\$ (69,012)
FUND BALANCES:				
Beginning of year			230,334	
End of year			<u>\$ 158,679</u>	

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CRESCENT CIT. ISG AUTH (CA061)

Crescent City, CA

Entity Wide Balance Sheet Summary

Fiscal Year End: 06/30/2018

Submission Type: Audited/Single Audit

	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted			
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$159,285	\$159,285	\$159,285
114 Cash - Tenant Security Deposits			
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$159,285	\$159,285	\$159,285
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
124 Accounts Receivable - Other Government	\$206	\$206	\$206
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants			
126.1 Allowance for Doubtful Accounts - Tenants			
126.2 Allowance for Doubtful Accounts - Other	-\$206	-\$206	-\$206
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery	\$275,399	\$275,399	\$275,399
128.1 Allowance for Doubtful Accounts - Fraud	-\$275,399	-\$275,399	-\$275,399
129 Accrued Interest Receivable	\$185	\$185	\$185
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$185	\$185	\$185
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets			
143 Inventories			

SUPPLEMENTARY INFORMATION

CRESCENT CIT. ,SG AUTH (CA061)

Crescent City, CA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2018

	14.871 Housing Choice Vouchers	Subtotal	Total
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$159,470	\$159,470	\$159,470
161 Land			
162 Buildings			
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration			
165 Leasehold Improvements			
166 Accumulated Depreciation			
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$0	\$0	\$0
200 Deferred Outflow of Resources			
290 Total Assets and Deferred Outflow of Resources	\$159,470	\$159,470	\$159,470

CRESCENT CITY HSG AUTH (CA061)
Crescent City, CA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2018

	14,871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft			
312 Accounts Payable <= 90 Days			
313 Accounts Payable >90 Days Past Due	\$791	\$791	\$791
321 Accrued Wage/Payroll Taxes Payable			
322 Accrued Compensated Absences - Current Portion			
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government			
341 Tenant Security Deposits			
342 Unearned Revenue			
343 Current Portion of Long-term Debt - Capital			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$791	\$791	\$791
351 Long-term Debt, Net of Current - Capital Projects/Mortgage			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current			
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			

CRESCENT CIT ,SG AUTH (CA061)
Crescent City, CA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14,871 Housing Choice Vouchers	Subtotal	Total
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$0	\$0	\$0
300 Total Liabilities	\$791	\$791	\$791
400 Deferred Inflow of Resources			
508.3 Nonspendable Fund Balance			
509.3 Restricted Fund Balance	\$158,679	\$158,679	\$158,679
510.3 Committed Fund Balance			
511.3 Assigned Fund Balance			
512.3 Unassigned Fund Balance			
513 Total Equity - Net Assets / Position	\$158,679	\$158,679	\$158,679
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$159,470	\$159,470	\$159,470

CRESCENT CITY HSG AUTH (CA061)

Crescent City, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14,871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue			
70400 Tenant Revenue - Other			
70500 Total Tenant Revenue	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$3,402,910	\$3,402,910	\$3,402,910
70610 Capital Grants			
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$294	\$294	\$294
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery	\$22,946	\$22,946	\$22,946
71500 Other Revenue	\$6,473	\$6,473	\$6,473
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$3,432,623	\$3,432,623	\$3,432,623
91100 Administrative Salaries	\$232,191	\$232,191	\$232,191

CRESCENT CIT. ISG AUTH (CA061)

Crescent City, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14,871 Housing Choice Vouchers	Subtotal	Total
91200 Auditing Fees	\$3,150	\$3,150	\$3,150
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing	\$544	\$544	\$544
91500 Employee Benefit contributions - Administrative	\$124,788	\$124,788	\$124,788
91600 Office Expenses	\$34,257	\$34,257	\$34,257
91700 Legal Expense			
91800 Travel	\$295	\$295	\$295
91810 Allocated Overhead	\$11,693	\$11,693	\$11,693
91900 Other	\$5,401	\$5,401	\$5,401
91000 Total Operating - Administrative	\$412,319	\$412,319	\$412,319
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other			
92500 Total Tenant Services	\$0	\$0	\$0
93100 Water			
93200 Electricity			
93300 Gas			
93400 Fuel			
93500 Labor			
93600 Sewer			
93700 Employee Benefit Contributions - Utilities			

CRESCENT CITY HSG AUTH (CA061)
Crescent City, CA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2018

	14,871 Housing Choice Vouchers	Subtotal	Total
93800 Other Utilities Expense			
93000 Total Utilities	\$0	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor			
94200 Ordinary Maintenance and Operations - Materials and			
94300 Ordinary Maintenance and Operations Contracts			
94500 Employee Benefit Contributions - Ordinary Maintenance			
94000 Total Maintenance	\$0	\$0	\$0
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance			
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance			
96100 Total Insurance Premiums	\$0	\$0	\$0
96200 Other General Expenses			
96210 Compensated Absences			
96300 Payments in Lieu of Taxes			
96400 Bad debt - Tenant Rents			
96500 Bad debt - Mortgages			

CRESCENT CIT. ISG AUTH (CA061)

Crescent City, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14,871 Housing Choice Vouchers	Subtotal	Total
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$0	\$0	\$0
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$412,319	\$412,319	\$412,319
97000 Excess of Operating Revenue over Operating Expenses	\$3,020,304	\$3,020,304	\$3,020,304
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments	\$3,091,959	\$3,091,959	\$3,091,959
97350 HAP Portability-In			
97400 Depreciation Expense			
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds	\$0	\$0	\$0
97700 Debt Principal Payment - Governmental Funds	\$0	\$0	\$0
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$3,504,278	\$3,504,278	\$3,504,278
10010 Operating Transfer In			
10020 Operating transfer Out			

CRESCENT CITY HSG AUTH (CA061)

Crescent City, CA

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2018

Submission Type: Audited/Single Audit

	14,871 Housing Choice Vouchers	Subtotal	Total
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$71,655	-\$71,655	-\$71,655
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$230,334	\$230,334	\$230,334
11040 Prior Period Adjustments, Equity Transfers and Correction			
11050 Changes in Compensated Absence Balance	\$0	\$0	\$0
11060 Changes in Contingent Liability Balance	\$0	\$0	\$0
11070 Changes in Unrecognized Pension Transition Liability	\$0	\$0	\$0
11080 Changes in Special Term/Severance Benefits Liability	\$0	\$0	\$0
11090 Changes in Allowance for Doubtful Accounts - Dwelling	\$0	\$0	\$0
11100 Changes in Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
11170 Administrative Fee Equity	\$69,660	\$69,660	\$69,660
11180 Housing Assistance Payments Equity	\$89,019	\$89,019	\$89,019

CRESCENT CIT . ISG AUTH (CA061)

Crescent City, CA

Entity Wide Revenue and Expense Summary

Fiscal Year End: 06/30/2018

Submission Type: Audited/Single Audit

	14,871 Housing Choice Vouchers	Subtotal	Total
11190 Unit Months Available	7296	7296	7296
11210 Number of Unit Months Leased	6859	6859	6859
11270 Excess Cash			
11610 Land Purchases			
11620 Building Purchases			
11630 Furniture & Equipment - Dwelling Purchases			
11640 Furniture & Equipment - Administrative Purchases			
11650 Leasehold Improvements Purchases			
11660 Infrastructure Purchases			
13510 CFFP Debt Service Payments			
13901 Replacement Housing Factor Funds			

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

To the Board of Directors
of the Crescent City Housing Authority
Crescent City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Crescent City Housing Authority (Authority), a component unit of the City of Crescent City, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 13, 2019.

Internal Control Over Financial Reporting

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

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

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

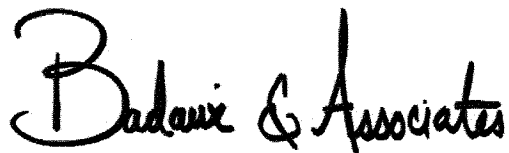
Compliance and Other Matters

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

To the Board of Directors
of the Crescent City Housing Authority
Crescent City, California
Page 2

Purpose of this Report

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

A large, stylized handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates
Certified Public Accountants
Oakland, California
March 13, 2019

CITY OF CRESCENT CITY HOUSING AUTHORITY
235 "H" STREET
CRESCENT CITY, CA 95531
(707) 464-9216
FAX (707) 464-2692



March 13, 2019

Badawi & Associates

180 Grand Avenue, Suite 1500

Oakland, CA 94612

This representation letter is provided in connection with your audit(s) of the financial statements of Crescent City Housing Authority (Authority), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 13, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 4, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 27) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 28) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 29) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .

- 31) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 40) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 42) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 43) With respect to the supplementary information on which an in-relation-to opinion is issued.
 - a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the

supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: Kayan Leever

Signature: Linda Leaver

Title: Executive Director

Title: Finance Director

