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December 15, 2021

To the Board of Commissioners
and Executive Director
Housing Authority of the
County of Contra Costa
Martinez, California

We have audited the financial statements of the business-type activities of the Housing Authority of the County of Contra Costa, component unit of the County of Contra Costa, California (the Authority) for the year ended March 31, 2021. We did not audit the financial statements of the Authority's component units which were audited by other auditors and the reports were furnished to us. Professional standards require that we provide you with the following information related to our audit.

<u>Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance,</u>

As stated in our engagement letter dated November 18, 2020, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Housing Authority of the County of Contra Costa, California's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over the financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it does not provide a legal determination on the Authority's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion and Analysis (MD&A), which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient audit evidence to express an opinion or provide any assurance.

We have been engaged to report on the Schedule of Expenditures of Federal Awards, the Financial Data Schedule and the Statement of Completed Capital Fund Program Project, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and method of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the methods of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We have not been engaged to report on the Schedule of Relevant Statistics which accompanies the financial statements but is not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information has not been audited and we did not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgement about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatement may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We noted no material misstatement that required communication to you during our audit.

Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Disclosures

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 1.U. to the basic financial statements, the Authority changed the accounting policies related to the reporting of the trust account with the Public Agency Retirement Services (PARS) to administer the funding of the projected benefits of the Other Postemployment Benefit (OPEB) plan by adopting the Statement of Governmental Accounting Standards No. 84, *Fiduciary Activities*, in the current fiscal year. GASB No. 84 requires that the activity of the trust account held with PARS, for the benefit of the Authority's employees, be reported in the Authority's financial statements. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the *Statement of Changes in Fiduciary Net Position*. This statement, as well as the *Statement of Fiduciary Net Position* are new for this fiscal year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. 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 significantly from those expected. The most sensitive estimates affecting the Authority's financial statement were:

- Allowance for uncollectible tenant accounts receivable: Management's estimate is based on past experience and subsequent collections. We inquired with management on the need for the amount of the allowances.
- Depreciation on capital assets: Management's estimate of the useful lives of its capital assets is based on historical information about similar assets, the length of time the assets are expected to meet service and technology demands, and the Authority's maintenance policy for the assets. These estimates have remained consistent for several years. We evaluated the key factors and assumption used to develop the depreciation estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
- Net OPEB liability and the related Deferred Inflows/Outflows of Resources: Management's estimate is derived from actuarial valuations obtained from experts. We agreed the net OPEB liability, the related deferred inflows/outflows of resources, and the other information contained in the OPEB footnote to the amounts reported in the actuarial report dated May 28, 2021, for the actuarial valuation date of June 30, 2020 and measurement date of June 30, 2020, by Nicolay Consulting Group.
- Net Pension Liability and the related Deferred Inflows/Outflows of Resources: Management's estimate is derived from actuarial valuations obtained from experts. We agreed these balances and other

information contained in the pension plan (CCCERA) footnote to the various documentation supplied by CCCERA. This documentation included (1) CCCERA GASB 68 Actuarial Valuation Based on December 31, 2020 Measurement Date for Employer Reporting as of June 30, 2021, and (2) CCCERA's CAFR as of December 31, 2020.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most significant disclosure affecting the financial statements were:

(1) The disclosure of the related parties - component units, both blended and discreetly presented, in Note 14 to the financial statements. This disclosure describes the Authority's relationship, including financial, with its component units

(2) The disclosure of the pension plan and other postemployment benefits in Notes 11 and 12 to the basic financial statements. These disclosures discuss the Authority's obligations as they relate to these postemployment benefits. The recent requirements to recognize these liabilities fully (GASB 68 and GASB 75) has had a significant impact on the Authority's financial statements. These notes include descriptions of the plans and the Authority's funding policies; as well as a description of the actual contributions made and the components of expense for the year.

(3) The disclosure of the subsequent events in Note 18 to the basic financial statements. This disclosure discusses the fact that the Authority has agreed to a change in the way employee health care subsidy will be calculated effective January 1, 2022. Management anticipates that this change will have an estimated $2.9 million effect on the Net OPEB Liability. The increased liability is expected to be recognized March 31, 2023.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management
For the purpose of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreement arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated December 15, 2021.

Management Consultation with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Disclosures or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

As discussed in Note 15.C. to the financial statements, the U.S. Department of Housing and Urban Development (HUD) conducted monitoring of the Authority's Continuum of Care Program prior to the beginning of the fiscal year under audit. The COVID-19 pandemic has delayed the final resolution of this monitoring. The purpose of this Program is to provide tenant-based rental assistance for homeless individuals and families. A component of this grant is match, which management believes has been met by Contra Costa Health Services (CCHS). The match documentation provided by CCHS far exceeds the 25% requirement. Dialogue between HUD, the Authority, and CCHS has been on-going regarding the type of supporting documentation and the level of detail necessary to properly support the match figures. Once the specific requirements have been settled, management should consider improving the monitoring of the match figures supplied by CCHS to insure compliance with the 25% match requirement of the Continuum of Care Program.

Restriction on Use
This information is intended solely for the use of the Board of Commissioners and management of the Housing Authority of the County of Contra Costa and is not intended to be, and should not be, used by anyone other than these specified parties.

Very Truly Yours,

Harn & Dolan

Harn & Dolan, CPA's