

Housing Authority of the County of Humboldt

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)
Year Ended December 31, 2020

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	2020	2019	Change	
			Dollar	Percentage
Operating revenues	\$ 220,477	\$ 340,028	\$ (119,551)	(35%)
Operating grants and subsidies	6,425,010	6,285,970	139,040	2%
Depreciation expense	(4,714)	(5,291)	577	(11%)
Housing assistance payments	(5,770,105)	(5,837,873)	67,768	(1%)
Other operating expenses	(840,220)	(790,226)	(49,994)	6%
Operating Income (Loss)	30,448	(7,392)	37,840	>100%
Investment income	2,775	5,503	(2,728)	(50%)
Interest expense	-	-	-	0%
Other non-routine revenues (expenses)	-	-	-	0%
Income (Loss) Before Contributions and Other Items	33,223	(1,889)	35,112	>100%
Extraordinary/special items	-	-	-	0%
Transfers, net	-	-	-	0%
Capital contributions	-	-	-	0%
Change in Net Position	\$ 33,223	\$ (1,889)	\$ 35,112	>100%
Beginning net position	\$ (265,429)	\$ (263,540)		
Change in net position	33,223	(1,889)		
Prior-period adjustments	-	-		
Equity transfers	-	-		
Ending Net Position	\$ (232,206)	\$ (265,429)		

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Our change in net position increased \$33,223 in 2020 compared to 2019's decrease of \$1,889 in net position due to the following factors:

Revenues

- € Operating revenues decreased \$119,551 (35%) mostly due to a decrease in funding from portable vouchers coming into Humboldt County from other housing authorities.
- € Other grants and subsidies increased \$139,040 (2%) due to receiving \$165,021 in CARES Act funding and an increase in our administrative fee income of \$15,005 offset by a decrease of \$45,960 in HAP funding due to a decrease in average monthly vouchers.

Housing Authority of the County of Humboldt

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)
Year Ended December 31, 2020

Expenses

Expenses are subject to fluctuation based on the program's administrative needs as well as fair market rates for the local rental market, the number of vouchers issued, and the family compositions and incomes of voucher clients, as this determines the rental subsidy paid. Our total expenses decreased \$18,351 (0%) mostly as a result of the following items:

- € Housing assistance payments expense decreased \$67,768 (1%) mostly due to a decrease in portable vouchers coming into Humboldt County from other housing authorities, offset by a slight increase in regular HAP expense due to a planned increase in payment standard.
- € Other operating expenses increased \$49,994 (6%) mostly due to regularly scheduled salary increases, increases in required pension contributions and pandemic related costs such as remote working equipment, payment processing software, website redevelopment and childcare for staff.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, we had \$22,773 invested in computer equipment and site improvements to the administrative office. Assets are reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$4,714 from the end of last year.

	2020	2019	Change	
			Dollar	Percentage
Buildings	\$ 36,517	\$ 36,517	\$ -	0%
Furniture & equipment - administration	36,226	36,226	-	0%
Accumulated depreciation	(49,970)	(45,256)	(4,714)	10%
Capital Assets, Net	\$ 22,773	\$ 27,487	\$ (4,714)	(17%)

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

Debt Outstanding

At December 31, 2020 we had no debt outstanding.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- € Federal funding by the Department of Housing and Urban Development.
- € Local labor supply and demand, which can affect salary and wage rates.
- € Local inflation, recession, and employment trends, which can affect resident incomes and therefore the amount of Housing Assistance Payments made to landlords on behalf of clients.

FINANCIAL CONTACT

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

Housing Authority of the County of Humboldt

Statement of Net Position
December 31, 2020

Assets and Deferred Outflows of Resources

Current assets:

Cash and equivalents - operating	\$	555,082
Restricted cash and equivalents		163,926
Receivables, net of allowances		1,658
Accrued interest receivable		519
Notes receivable, current portion		7,200
Prepaid expenses and other current assets		6,717
Total current assets		<u>735,102</u>

Non-current assets:

Notes receivables, net of current		6,600
Capital assets, net of accumulated depreciation		22,773
Total non-current assets		<u>29,373</u>
Total assets		<u>764,475</u>

Total deferred outflows of resources -

Total Assets and Deferred Outflows of Resources \$ 764,475

Housing Authority of the County of Humboldt

Statement of Net Position
December 31, 2020

Liabilities, Deferred Inflows of Resources, and Net Position

Current liabilities:

Accounts payable	\$	5,401
Unearned revenues		153,295
Other current liabilities		40,458
Accrued employee benefits		1,736
Total current liabilities		<u>200,890</u>

Non-current liabilities:

Long-term accrued employee benefits		56,118
Related-party obligations		739,673
Total non-current liabilities		<u>795,791</u>
Total liabilities		<u>996,681</u>

Total deferred inflows of resources

-

Net position:

Net investment in capital assets		22,773
Restricted		11,955
Unrestricted		(266,934)
Total net position		<u>(232,206)</u>

Total liabilities, Deferred Inflows of Resources, and Net Position

\$ 764,475

Housing Authority of the County of Humboldt

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

Operating revenues:	
Operating grants and subsidies	\$ 6,425,010
Other revenue	220,477
Total operating revenues	<u>6,645,487</u>
Operating expenses:	
Administrative	677,275
Tenant services	15,256
Utilities	8,435
Ordinary maintenance and operations	14,616
Insurance premiums	23,718
Other general expenses	100,920
Housing assistance payments	5,770,105
Depreciation	4,714
Total operating expenses	<u>6,615,039</u>
Operating income (loss)	30,448
Non-operating revenues (expenses):	
Interest income	2,775
Total non-operating revenues (expenses)	<u>2,775</u>
Change in net position	33,223
Net position, beginning of year	<u>(265,429)</u>
Net Position, End of Year	<u>\$ (232,206)</u>

Housing Authority of the County of Humboldt

Statement of Cash Flows
Year Ended December 31, 2020

Cash flows from operating activities:	
Cash receipts from grants	\$ 6,580,421
Cash payments for Housing Assistance Payments	(5,770,105)
Cash payments to suppliers for goods and services	(238,894)
Cash payments for wages and benefits	(608,870)
Other cash payments and receipts	<u>290,090</u>
Net cash provided (used) by operating activities	<u>252,642</u>
Cash flows from investing activities:	
Receipts of principal on notes receivable	7,200
Interest on cash deposits	<u>3,597</u>
Net cash provided (used) by investing activities	<u>10,797</u>
Net change in cash and equivalents	263,439
Cash at beginning of period	<u>455,569</u>
Cash at End of Period	<u><u>\$ 719,008</u></u>
Reconciliation of cash to the Statement of Net Position:	
Cash and equivalents - operating	\$ 555,082
Restricted cash and equivalents	<u>163,926</u>
Total Cash and Equivalents	<u><u>\$ 719,008</u></u>
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 30,448
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	4,714
Bad debt expense	661
Changes in operating assets and liabilities	
Accounts receivable	4,932
Prepaid expenses and other assets	18,901
Accounts payable	(95)
Accrued wages and benefits	(8,110)
Unearned revenues	153,295
Other liabilities	<u>47,896</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 252,642</u></u>

See accompanying notes.

NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION

The Housing Authority of the County of Humboldt (Authority, us, we, our) was incorporated on December 1, 1970, under the California State Health and Safety Code. We were established to provide clean, decent, safe, sanitary and affordable housing to low-income families.

Commissioners are appointed by the County of Humboldt's Board of Supervisors. Regular commissioners serve terms of four years and tenant commissioners serve two years. The Board consists of seven commissioners.

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

Reporting Entity

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

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

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

Our primary operations are comprised of the Housing Choice Voucher Program. This program is designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. We administer contracts with independent landlords that own property and rent that property to families that have applied for housing assistance. We subsidize the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable us to structure a lease that sets the participants' rent at 30% of household income.

NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis of Accounting

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

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are derived from providing services in connection with the Authority's ongoing operations. Operating revenues generally include housing assistance payments and fees from the Section 8 programs. Operating revenues also include other operating grants. Operating expenses generally include housing assistance payments, administrative expenses, tenant services, utilities, maintenance and operations, general expenses, and depreciation on capital assets. All other revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating revenues and expenses or as capital contributions.

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

Estimates

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

Cash and Cash Equivalents

We define cash to include certificates of deposit, money market funds, savings accounts, demand deposits, and other short-term securities; consequently, the cost, carrying value, and market value are equivalent.

Restricted Cash

Restricted cash consists of cash set aside by HUD for the Housing Choice Voucher Program.

Accounts Receivable from HUD and Other Governments

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

Allowance for Doubtful Accounts

The Authority uses the allowance for bad debts method of valuing doubtful receivables which is based on historical experience, coupled with a review of the status of existing receivables.

Compensated Absences

Accumulated sick and vacation benefits are recorded as liabilities on our books. We share management and staff with the Housing Authority of the City of Eureka and therefore allocate costs associated with the accrual of compensated absences based on actual time spent on programs by these personnel for the respective entity.

Capital Assets

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. Items with expected lives greater than 1 year and value in excess of \$5,000 are recorded as capital assets.

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

Deferred Inflows/Outflows of Resources

In accordance with GASB 63, 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. We have no items that meet this criterion.

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. We have no items that meet this criterion.

Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses and capital contributions. Net position is classified in the following three components:

- € Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- € Restricted - This component of net position consists of constraints on assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, reduced by liabilities related to those restricted assets.
- € Unrestricted - This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets."

Income Taxes

We are not subject to federal or state income taxes.

Subsequent Events

We have evaluated subsequent events through August 31, 2021, the date the financial statements were available to be issued.

NOTE 03 - CASH AND INVESTMENTS

Investments Authorized by US Department of Housing and Urban Development

All deposits of the Authority are made in board-designated official depositories and are secured in accordance with HUD regulations. The annual contribution contract authorizes the Authority to invest in the following types of securities:

- € Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
- € Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.
- € Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Bank for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

Investments Authorized by California Government Code

The following table identifies the investment types that are authorized in accordance with Section 53601 of the California Government Code.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills, Notes and Bonds	5 years	100%	None
Government Agency Securities	5 years	100%	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
California Local Agency Investment Fund	N/A	100%	\$ 65,000,000
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	5 years	20%	None
Collateralized Bank Deposits	5 years	100%	None
Investment Pools	N/A	100%	None

In accordance with GASB Statement No. 40, our exposure to deposit and investment risk is disclosed as follows:

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Our policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio. As of December 31, 2020, our risk of changes in interest rates is minimal since the investments primarily consist of state sponsored investment pool funds which have stated interest rates.