

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is our policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America. As of December 31, 2020, we mitigated their exposure to credit risk by only investing in fully insured state investment pool funds.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, our deposits may not be returned. Our policy for custodial credit risk requires collateral to be held in our name by our agent or by the bank's trust department. As of December 31, 2020, none of our total bank balance was exposed to custodial credit risk.

Investment Policy

Our Investment Policy, HUD and the California Government Code do not address legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure such deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**NOTE 04 - RESTRICTED CASH AND EQUIVALENTS**

The following schedule presents the breakdown of restricted cash and equivalents as of December 31, 2020:

CARES Housing Choice Voucher advance funding	\$ 151,971
Restricted cash with offsetting liabilities	<u>151,971</u>
Cash balances associated with the HCV HAP equity	<u>11,955</u>
Restricted cash reflected in restricted net position	<u>11,955</u>
<b>Total Restricted Cash and Equivalents</b>	<b><u>\$ 163,926</u></b>

**NOTE 05 - ACCOUNTS RECEIVABLE**

Accounts receivable were comprised of the following:

Receivables from other Housing Authorities	\$ 669
Receivables from other governments	127
Fraud recovery receivables	16,063
Allowance for doubtful accounts - fraud	<u>(15,768)</u>
Net fraud recovery receivables	<u>295</u>
Other receivables	567
Allowance for doubtful accounts - other	<u>-</u>
Net other receivables	<u>567</u>
<b>Receivables, Net of Allowances</b>	<b><u>\$ 1,658</u></b>

**NOTE 06 - CAPITAL ASSETS**

A summary of the structures and equipment for the year ended December 31, 2020 is as follows:

	12/31/19	Additions	Deletions	12/31/20
<b>Depreciable</b>				
Buildings	\$ 36,517	\$ -	\$ -	\$ 36,517
Furniture & equipment - administration	36,226	-	-	36,226
	<u>72,743</u>	-	-	<u>72,743</u>
Total acquisition costs	72,743	-	-	72,743
Accumulated depreciation	<u>(45,256)</u>	<u>(4,714)</u>	-	<u>(49,970)</u>
<b>Capital Assets, Net</b>	<b><u>\$ 27,487</u></b>	<b><u>\$ (4,714)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 22,773</u></b>

**NOTE 07 - LONG-TERM LIABILITIES**

A summary of activity for our non-current liabilities is as follows:

	2019	Additions	Reductions	2020	Current Portion
Compensated absences	\$ 65,964	\$ -	\$ (8,110)	\$ 57,854	\$ 1,736
<b>Accrued Employee Benefits</b>	<b>\$ 65,964</b>	<b>\$ -</b>	<b>\$ (8,110)</b>	<b>\$ 57,854</b>	<b>\$ 1,736</b>
Related-party obligations:					
Rent	\$ 79,800	\$ -	\$ (7,980)	\$ 71,820	\$ -
Pension plan	179,593	21,485	-	201,078	-
OPEB plan	429,515	45,240	-	474,755	-
<b>Other Long-Term Liabilities</b>	<b>\$ 688,908</b>	<b>\$ 66,725</b>	<b>\$ (7,980)</b>	<b>\$ 747,653</b>	<b>\$ -</b>

**NOTE 08 - JOINT POWERS AGREEMENT**

We are a member of the California Housing Workers Compensation Authority (CHWCA), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500, et. seq. Each entity has an equal voice in the selection of a Board, which oversees CHWCA.

The CHWCA's current available financial statement at December 31, 2020, is summarized below:

Total assets	<u>\$ 31,671,492</u>
Total liabilities	\$ 16,383,326
Net assets	<u>15,288,166</u>
Total liabilities and net assets	<u>\$ 31,671,492</u>
Operating revenues	\$ 5,812,930
Operating expenses	<u>5,266,915</u>
Operating income (loss)	<u>\$ 546,015</u>

**NOTE 09 - NET POSITION**

Net investment in capital assets was comprised of the following as of year end:

Capital assets, net	\$ 22,773
Less: Current portion of capital debt obligations	-
Long-term capital debt obligations	-
	<hr/>
<b>Net Investment in Capital Assets</b>	<b><u>\$ 22,773</u></b>

Restricted net position was comprised of the following as of year end:

Restricted cash and equivalents	\$ 163,926
Less: Current liabilities covered by restricted assets	<u>(151,971)</u>
<b>Restricted Net Position</b>	<b><u>\$ 11,955</u></b>

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

Government Examination

We have received funds from Federal and Local grant programs. It is possible that at some future date, it may be determined that we were not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although, we do not expect such disallowed amounts, if any, to materially affect the financial statements.

**NOTE 11 - BUSINESS RISKS AND CONCENTRATIONS**

Concentration – Major Contributor

For the year ended December 31, 2020, approximately 97% of operating revenues reflected in the financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

Business Disruption

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. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders. The Authority has adapted its methods for providing services in order to continue operations and serve its community and constituents. 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.

**NOTE 12 - RELATED PARTY TRANSACTIONS**

Shared Administration

We share management and a majority of our resources with the Housing Authority of the City of Eureka, including personnel and facilities. However, we maintain a separate governing body and therefore are considered separate and unique organizations for reporting purposes.

Notes Receivable

During November 2017, we provided \$36,000 of funds to the Housing Authority of the City of Eureka (an affiliate) to purchase a vehicle. The note with the City is a five-year loan which bears no interest rate and is payable in monthly installments of \$600 which commenced December 2017. As of December 31, 2020, the balance of the note was \$13,800.

Liability for Pension Plan

We do not have a pension plan. However, all of the salaries and wages in our financial statements are allocations of staff members from the Housing Authority of the City of Eureka which does participate in a defined benefit plan with the State of California (PERS). The Housing Authority of the City of Eureka implemented GASB 68 Accounting and Financial Reporting for Pensions during fiscal year 2015. This resulted in us establishing a note payable to the Housing Authority of the City of Eureka for our agreed upon allocable portion of the net pension liability. As of December 31, 2020, the balance of the note was \$474,755. This liability is reassessed annually based on 30% of the Net Pension Liability for the Housing Authority of the City of Eureka and adjusted as required.

Liability for OPEB Plan

We do not have an OPEB plan. However, all of the salaries and wages in our financial statements are allocations of staff members from the Housing Authority of the City of Eureka which does offer other post-employment benefits. The Housing Authority of the City of Eureka implemented GASB 75 during fiscal year 2018. This resulted in us establishing a note payable to the Housing Authority of the City of Eureka for our agreed upon allocable portion of the net pension liability. As of December 31, 2020, the balance of the note was \$201,078. This liability is reassessed annually based on 30% of the OPEB Liability for the Housing Authority of the City of Eureka and adjusted as required.

Liability for Rent

We are charged rental expense for our usage of the office facilities that are owned by the Housing Authority of the City of Eureka. In 2011 we did not have adequate cash flow to pay the Housing Authority of the City of Eureka for rent charges during the year. A note payable was established as a zero percent non-interest bearing note payable. For the year ended December 31, 2020 the Authority has accrued \$71,820 in unpaid office rental fees from prior years. We currently pay \$665 monthly on this liability.

**Housing Authority of the County of Humboldt**

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2020

Federal Grantor	Program Title	CFDA No.	Cluster Title	Pass-Through No.	Award Type	Expenditures	Amounts Passed Through to Sub-Recipients
HUD	Section 8 Housing Choice Vouchers	14.871	HVC		Direct	\$ 6,252,772	\$ -
HUD	COVID-19 Section 8 Housing Choice Vouchers	14.871	HVC		Direct	165,021	-
	<i>Total Section 8 Housing Choice Vouchers</i>					6,417,793	-
<b>Total Federal Financial Assistance</b>						<b>\$ 6,417,793</b>	<b>\$ -</b>
Award Type:							<b>Total Expenditures</b>
Direct							\$ 6,417,793
Indirect							-
<b>Total Federal Financial Assistance</b>							<b>\$ 6,417,793</b>
Federal Grantor:							<b>Total Expenditures</b>
HUD	US Department of Housing and Urban Development					\$ 6,417,793	
<b>Total Federal Financial Assistance</b>							<b>\$ 6,417,793</b>
Cluster Title:							<b>Total Expenditures</b>
HVC	Housing Voucher Cluster					\$ 6,417,793	

**NOTE 01 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Authority under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of our operations, it is not intended to and does not present our financial position, changes in net positions, or cash flows.

**NOTE 02 - INDIRECT COST RATE**

We have elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



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**INDEPENDENT AUDITORS' 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***

The Governing Body of  
Housing Authority of the County of Humboldt

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 of Housing Authority of the County of Humboldt (Authority) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authorities' basic financial statements, and have issued our report thereon dated August 31, 2021.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing auditing 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 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 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 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 Authority's control 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.

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August 31, 2021  
Redlands, CA



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE  
UNIFORM GUIDANCE**

The Governing Body of  
Housing Authority of the County of Humboldt

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Housing Authority of the County of Humboldt's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2020. Authority'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 each of its major federal programs.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the type 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 requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 the Authority'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 the Authority's compliance.

**OPINION ON EACH MAJOR FEDERAL PROGRAM**

In our opinion, the Authority 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 December 31, 2020.



## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Authority 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 the Authority'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 the 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 the Authority'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 controls 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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Smith Marion &amp; Co." followed by a stylized circular logo containing the letters "SM&amp;Co".

August 31, 2021  
Redlands, CA

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

1. Type of Auditor Report on the financial statements: Unmodified
2. Internal control over financial reporting:
- a. Material weakness(es) identified?  Yes  No
- b. Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None noted
3. Noncompliance material to financial statements?  Yes  No

**Federal Awards**

4. Type of auditors' report on compliance for major programs: Unmodified
5. Internal control over major programs:
- a. Material weakness(es) identified?  Yes  No
- b. Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None noted
6. Audit findings noted which are required to be reported in accordance with 2 CFR Section 200.516(a)?  Yes  No

7. Identification of Major Programs:

CFDA	Program(s) Name
14.871	Section 8 Housing Choice Vouchers

8. The Dollar Threshold Used to Distinguish Between Type A and Type B Programs: \$ 750,000
9. Auditee qualified as a low-risk auditee?  Yes  No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**Housing Authority of the County of Humboldt**

Status of Prior Year Findings  
Year Ended December 31, 2020

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<b>Prior Year Findings No.</b>	<b>Findings Title</b>	<b>Status/ Current Year Finding No.</b>
N/A	There were no prior findings reported.	N/A

**Federal Award Findings and Question Costs:**

<b>Prior Year Findings No.</b>	<b>Findings Title</b>	<b>Status/ Current Year Finding No.</b>
N/A	There were no prior findings reported.	N/A