

***HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT***

**Financial Statements and Independent Auditors' Report**

**December 31, 2020**

The logo for SMC&CO features the letters 'S', 'M', '&', and 'C' in a large, bold, maroon serif font. The ampersand is white with a maroon outline. The letter 'O' is also in the maroon serif font. The entire logo is set against a light gray rectangular background.

**SM&CO**

**Housing Authority of the County of Humboldt**

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**Housing Authority of the County of Humboldt**

List of Principal Officials

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The following table lists the Board Members as of December 31, 2020:

	<b>Position</b>
Elizabeth Conner	Chairperson
Maureen Fitzgerald	Vice-Chairperson
Rex Rogers	Commissioner
Sylvia DeRooy	Commissioner
Kaylen Escarda	Commissioner
Leslie Zondervan-Droz	Commissioner

In addition to the above Commissioners, the Administrator of the Housing Authority of the County of Humboldt is Cheryl Churchill, who serves as the Executive Director.



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## INDEPENDENT AUDITORS' REPORT

The Governing Body of  
Housing Authority of the County of Humboldt

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of business-type activities of the 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 Authority's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We 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 statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## **OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2020, and the respective change in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditure of Federal Awards, required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

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



**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 handwritten signature in blue ink that reads "Smith Marion &amp; Co." with a stylized circular mark at the end.

August 31, 2021  
Redlands, CA

## Housing Authority of the County of Humboldt

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

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The Housing Authority of the County of Humboldt's (Authority, we, us, our) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position and its resulting ability to address the next and subsequent year challenges, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 10).

### FINANCIAL HIGHLIGHTS

Net position increased by \$33,223 (13%) during 2020. Since we engage only in business-type activities, the increase is all in the category of business-type net position. Net Position was (\$232,206) and (\$265,429) for 2020 and 2019, respectively.

Total revenues increased by \$19,489 (0%) during 2020 and were \$6,645,487 and \$6,625,998 for 2020 and 2019, respectively.

Total expenses decreased by \$18,351 (0%) during 2020 and were \$6,615,039 and \$6,633,390 for 2020 and 2019, respectively.

### AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements are designed similarly to those of a business corporation in that all business-type activities are consolidated into columns that add to a total for the entire Authority.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Positions", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current," that is convertible into cash within one year, and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories:

**Net Investment in Capital Assets:** This component of Net Position consists of all Capital Assets, 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.

**Restricted Net Position:** This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

**Unrestricted Net Position:** Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and Non-Operating Revenue and Expenses, such as grant revenue, investment income, interest expense and depreciation.

## **Housing Authority of the County of Humboldt**

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

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The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, non-capital financing activities, and from capital and related financing activities.

### **FUND FINANCIAL STATEMENTS**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Some of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

### **THE AUTHORITY'S FUNDS**

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, we administer contracts with independent landlords that own the property. We subsidize 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.

Other Programs – In addition to the program above, we also maintain other State and Local programs to help support our main objective of affordable housing to low income individuals.



**Housing Authority of the County of Humboldt**

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

**STATEMENT OF NET POSITION**

The following table reflects the condensed Statement of Net Position compared to prior year.

	2020	2019	Change	
			Dollar	Percentage
Current assets	\$ 735,102	\$ 484,579	\$ 250,523	52%
Capital assets, net	22,773	27,487	(4,714)	(17%)
Other assets	6,600	13,800	(7,200)	(52%)
<b>Total assets</b>	<b>764,475</b>	<b>525,866</b>	<b>238,609</b>	<b>45%</b>
Deferred outflows of resources	-	-	-	0%
<b>Total Assets &amp; Deferred Outflows</b>	<b>\$ 764,475</b>	<b>\$ 525,866</b>	<b>\$ 238,609</b>	<b>45%</b>
Current liabilities	\$ 200,890	\$ 38,402	\$ 162,488	>100%
Non-current liabilities	795,791	752,893	42,898	6%
<b>Total liabilities</b>	<b>996,681</b>	<b>791,295</b>	<b>205,386</b>	<b>26%</b>
Deferred inflows of resources	-	-	-	0%
Net investment in capital assets	22,773	27,487	(4,714)	(17%)
Restricted net position	11,955	81,527	(69,572)	(85%)
Unrestricted net position	(266,934)	(374,443)	107,509	(29%)
<b>Total Liabilities, Deferred Inflows, &amp; Net Position</b>	<b>\$ 764,475</b>	<b>\$ 525,866</b>	<b>\$ 238,609</b>	<b>45%</b>

**MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION**

Our total net position increased by \$33,223 (13%) largely as a result of the following items:

Current Assets Increased by \$250,523 (52%) mostly due to the following factors:

Unrestricted cash increased \$181,040 mostly due to receipt of \$165,021 in CARES Act revenue as well as other unrestricted revenue sources exceeding cash-based expenses.

Restricted cash increased \$82,399 (>100%) due to an increase in restricted CARES Act funds of \$151,971 (expected to be drawn down next year), which were offset by a decrease in restricted HAP cash of \$69,572 due to an expected transition into HUD held reserves.

Total Liabilities increased \$205,386 (26%) mostly due to the following:

Current liabilities increased \$162,488 (>100%) mostly due to receiving \$151,971 of unearned CARES Act funds that are expected to get drawn down next year.

Non-current liabilities increased \$42,898 (6%) mostly due to an increase in our share of pension liability of \$45,240 and OPEB (Other Post-Employment Benefits) liability of \$21,485.

**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%
<b>Operating Income (Loss)</b>	<b>30,448</b>	<b>(7,392)</b>	<b>37,840</b>	<b>&gt;100%</b>
Investment income	2,775	5,503	(2,728)	(50%)
Interest expense	-	-	-	0%
Other non-routine revenues (expenses)	-	-	-	0%
<b>Income (Loss) Before Contributions and Other Items</b>	<b>33,223</b>	<b>(1,889)</b>	<b>35,112</b>	<b>&gt;100%</b>
Extraordinary/special items	-	-	-	0%
Transfers, net	-	-	-	0%
Capital contributions	-	-	-	0%
<b>Change in Net Position</b>	<b>\$ 33,223</b>	<b>\$ (1,889)</b>	<b>\$ 35,112</b>	<b>&gt;100%</b>
Beginning net position	\$ (265,429)	\$ (263,540)		
Change in net position	33,223	(1,889)		
Prior-period adjustments	-	-		
Equity transfers	-	-		
<b>Ending Net Position</b>	<b>\$ (232,206)</b>	<b>\$ (265,429)</b>		

**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%
<b>Capital Assets, Net</b>	<b>\$ 22,773</b>	<b>\$ 27,487</b>	<b>\$ (4,714)</b>	<b>(17%)</b>

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

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**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

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**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

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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>
<b>Net Position, End of Year</b>	<b><u><u>\$ (232,206)</u></u></b>

**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>
<b>Cash at End of Period</b>	<b><u><u>\$ 719,008</u></u></b>
Reconciliation of cash to the Statement of Net Position:	
Cash and equivalents - operating	\$ 555,082
Restricted cash and equivalents	<u>163,926</u>
<b>Total Cash and Equivalents</b>	<b><u><u>\$ 719,008</u></u></b>
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>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u><u>\$ 252,642</u></u></b>

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.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
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.

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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Smith Marion & Co. · Certified Public Accountants

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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.

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

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.' with a stylized circular mark at the end.

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