

COUNTY OF HUMBOLDT HOUSING AUTHORITY
HUMBOLDT, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2021



**COUNTY OF HUMBOLDT HOUSING AUTHORITY
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DECEMBER 31, 2021**

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**COUNTY OF HUMBOLDT HOUSING AUTHORITY
LIST OF PRINCIPAL OFFICIALS**

The following table lists the Board Members as of December 31, 2021:

<u>Board Members</u>	<u>Position</u>
Elizabeth Conner	Chairperson
Maureen Fitzgerald	Vice-Chairperson
Sylvia Derooy	Commissioner
Kaylen Escarda	Commissioner
Leslie Zondervan-Droz	Commissioner

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

INDEPENDENT AUDITOR'S REPORT

To the Governing Body of
County of Humboldt Housing Authority
Humboldt, California

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of County of Humboldt Housing Authority (the "Authority"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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, 2021, the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the list of principal officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Authority's internal control over financial reporting or on compliance.

Harshmal & Company LLP

Oakland, California
August 26, 2022

COUNTY OF HUMBOLDT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

County of Humboldt Housing Authority (the "Authority") primarily provides housing assistance to low income individuals and families. Its primary sources of funding are through grants received from the U.S. Department of Housing and Urban Development (HUD).

The Authority's Management's Discussion and Analysis (MD&A) is designed to:

- Provide an overview of the Authority's financial activity,
- Identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges),
- Assist the reader in focusing on significant financial issues, and
- Identify individual fund issues or concerns.

Since the 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 attached financial statements (beginning on page 10).

FINANCIAL HIGHLIGHTS

Net position increased by \$1,075,927 during 2021. Since the Authority engage only in business-type activities, the increase is all in the category of business-type net position. Net Position was \$843,721 and \$(232,206) for 2021 and 2020, respectively.

Total revenues increased by \$879,693 during 2021 and were \$7,527,955 and \$6,648,262 for 2021 and 2020, respectively.

Total expenses decreased by \$163,011 during 2021 and were \$6,452,028 and \$6,615,039 for 2021 and 2020, 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 Position", 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 net position and 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".

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Authority-Wide Financial Statements - Cont'd

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 operating subsidy and grants, Operating Expenses, such as administrative, utilities, and maintenance, and Nonoperating Revenue and Expenses, such as investment income, interest expense and depreciation.

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 Fund

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes 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 the Authority to structure a lease that sets the participants' rent at 30% of household income.

Other Programs - In addition to the program above, the Authority also maintains other State and Local programs to help support the Authority's main objective of affordable housing to low income individuals.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**TABLE 1
Statement of Net Position**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Change</u>
Current and other assets	\$ 1,795,022	\$ 735,102	\$ 1,059,920
Capital assets, net	18,758	22,773	(4,015)
Other assets	-	6,600	(6,600)
Total assets	<u>1,813,780</u>	<u>764,475</u>	<u>1,049,305</u>
Current liabilities	413,956	200,890	213,066
Noncurrent liabilities	<u>556,103</u>	<u>795,791</u>	<u>(239,688)</u>
Total liabilities	<u>970,059</u>	<u>996,681</u>	<u>(26,622)</u>
Net investment in capital assets	18,758	22,773	(4,015)
Restricted	618,919	11,955	606,964
Unrestricted	<u>206,044</u>	<u>(266,934)</u>	<u>472,978</u>
Total net position	<u>843,721</u>	<u>(232,206)</u>	<u>1,075,927</u>
Total liabilities and net position	<u>\$ 1,813,780</u>	<u>\$ 764,475</u>	<u>\$ 1,049,305</u>

Major Factors Affecting the Statement of Net Position (Table 1)

The Authority's total net position increased by \$1,075,927, largely as a result of the following items:

Current assets increased by \$1,059,920 mostly due to the following factors:

- Unrestricted cash increased by \$268,181 mostly due to an increase in Housing Choice Voucher (HCV) administrative fees as well as start-up Emergency Housing Voucher (EHV) funding.
- Restricted cash increased by \$763,804 mostly due to receipt of EHV revenue related to start-up housing assistance payment (HAP) funds as well as services fees.

Total liabilities decreased by \$26,622 primarily due to the following:

- Current liabilities increased by \$213,066 mostly due to receiving of unearned EHV funds that are expected to get drawn down next year.
- Noncurrent liabilities decreased by \$239,688 mostly due to a decrease in Authority's pension plan liability.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

**TABLE 2
Statement of Revenues, Expenses and Changes in Net Position**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Change</u>
Operating grants and subsidies	\$ 7,399,241	\$ 6,425,010	\$ 974,231
Other operating revenues	128,200	220,477	(92,277)
Depreciation expense	(4,015)	(4,714)	699
Housing assistance payments	(5,879,102)	(5,770,105)	(108,997)
Other operating expenses	<u>(568,911)</u>	<u>(840,220)</u>	<u>271,309</u>
Operating Income (Loss)	1,075,413	30,448	1,044,965
Nonoperating revenues (expenses)	<u>514</u>	<u>2,775</u>	<u>(2,261)</u>
Change in net position	<u>1,075,927</u>	<u>33,223</u>	<u>1,042,704</u>
Net position, beginning of year	<u>(232,206)</u>	<u>(265,429)</u>	<u>33,223</u>
Net position, end of year	<u>\$ 843,721</u>	<u>\$ (232,206)</u>	<u>\$ 1,075,927</u>

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position (Table 2)

The Authority's change in net position increased \$1,075,927 in 2021 compared to 2020's increase of \$33,223 due to the following factors:

Revenues

- Operating grants and subsidies increased by \$974,231 mostly due to funding received related to the Authority's new EHV and Mainstream Voucher (MSV) programs as well as an increase in HAP funding and administrative fee funding related to its HCV program.
- Other operating revenue decreased \$92,277 mostly due to a decrease in funding from portable vouchers coming into Humboldt County from other housing authorities.

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. The Authority's total expenses increased \$163,011 mostly as a result of the following items:

- Housing assistance payments expense increased \$108,997 mostly due to a planned increase in payment standard as well as voucher growth due to the EHV and MSV programs.
- Other operating expenses decreased by \$271,309 mostly due to a decrease in pension expense.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of fiscal year ended December 31, 2021, the Authority had \$18,758 invested in an inspection vehicle, site improvements, and a shop building. Assets are reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$4,015 from the end of last year.

**TABLE 3
Capital Assets**

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Change</u>
Buildings	\$ 36,517	\$ 36,517	\$ -
Furniture and equipment - administration	36,226	36,226	-
Less: Accumulated depreciation	<u>(53,985)</u>	<u>(49,970)</u>	<u>(4,015)</u>
Total	<u>\$ 18,758</u>	<u>\$ 22,773</u>	<u>\$ (4,015)</u>

Debt Outstanding

At December 31, 2021, the Authority had no debt outstanding.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding by the U.S. 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 County of Humboldt Housing Authority, at (707) 443-4583.

Specific requests may be submitted to:

Dustin Wiesner, Director of Finance,
County of Humboldt Housing Authority,
735 West Everding, Eureka, CA 95503.

BASIC FINANCIAL STATEMENTS

COUNTY OF HUMBOLDT HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 823,263
Accounts receivable, net	10,370
Notes receivable - current	6,600
Accrued interest receivables	142
Prepaid expenses	<u>26,917</u>
Total current assets	<u>867,292</u>
Restricted assets	
Cash and cash equivalents, restricted	<u>927,730</u>
Total restricted assets	<u>927,730</u>
Noncurrent assets	
Capital assets, net	<u>18,758</u>
Total noncurrent assets	<u>18,758</u>
Total assets	<u>1,813,780</u>

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities	
Accounts payable	4,452
Unearned revenue	367,392
Other current liabilities	32,277
Related-party obligations, current portion	7,980
Accrued employee benefits, current portion	<u>1,855</u>
Total current liabilities	<u>413,956</u>
Noncurrent liabilities	
Accrued employee benefits, net of current portion	59,988
Related-party obligations, net of current portion	<u>496,115</u>
Total noncurrent liabilities	<u>556,103</u>
Total liabilities	<u>970,059</u>

NET POSITION

Net investment in capital assets	18,758
Restricted	618,919
Unrestricted	<u>206,044</u>
Total net position	<u>843,721</u>
Total liabilities and net position	<u>\$ 1,813,780</u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES	
Operating grants and subsidies	\$ 7,399,241
Other operating revenue	<u>128,200</u>
Total operating revenues	<u>7,527,441</u>
OPERATING EXPENSES	
Administration	357,636
Tenant services	51,311
Utilities	9,260
Ordinary maintenance and operations	14,457
Insurance premiums	28,139
General expenses	108,108
Depreciation	4,015
Housing assistance payments	<u>5,879,102</u>
Total operating expenses	<u>6,452,028</u>
Operating income (loss)	1,075,413
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>514</u>
Total nonoperating revenues	<u>514</u>
Change in net position	<u>1,075,927</u>
Net position, beginning of year	<u>(232,206)</u>
Net position, end of year	<u><u>\$ 843,721</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Cash collected from	
Program participants	\$ 4,276
Other operating revenue	128,200
Cash receipts from grants	7,600,313
Cash paid for	
Housing assistance payments	(5,879,102)
Administrative expenses	(610,770)
Tenant services	(51,311)
Utility expenses	(9,260)
Maintenance expenses	(15,406)
Insurance premiums	(34,938)
General expenses	<u>(108,108)</u>
Net cash provided (used) by operating activities	<u>1,023,894</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts from notes receivable	7,200
Interest received on investments	<u>891</u>
Net cash provided (used) by investing activities	<u>8,091</u>
Net change in cash and cash equivalents	1,031,985
Cash and cash equivalents, beginning of year	<u>719,008</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,750,993</u></u>

RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION

Cash and equivalents - operating	\$ 823,263
Restricted cash and equivalents	<u>927,730</u>
Total cash and cash equivalents	<u><u>\$ 1,750,993</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED
(USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$ 1,075,413
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	4,015
Change in operating assets and liabilities:	
Accounts receivable	(8,712)
Prepaid expenses	(20,200)
Accounts payable	(949)
Accrued employee benefits	3,989
Unearned revenue	214,068
Related party obligations	(235,578)
Other current liabilities	<u>(8,152)</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,023,894</u></u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 - NATURE OF BUSINESS AND ORGANIZATION

County of Humboldt Housing Authority (the "Authority") was incorporated on December 1, 1970, under the California State Health and Safety Code, Section 34200. The Authority was 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 six 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 the Authority 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.

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

The Authority is a separate entity from City of Eureka Housing Authority. 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.

The Authority's 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. The Authority administers contracts with independent landlords that own property and rent that property to families that have applied for housing assistance. The Authority subsidizes 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 the Authority to structure a lease that sets the participants' rent at 30% of household income.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 - 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 Authority 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 Equivalents

The Authority's cash includes 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.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Compensated Absences

Accumulated sick and vacation benefits are recorded as liabilities on the Authority's books. The Authority shares management and staff with City of Eureka Housing Authority and therefore allocates 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 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. The Authority has 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. The Authority has items that meet this criterion.

Net Position

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses and 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."

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Income Taxes

The Authority is not subjected to federal or state income taxes.

Subsequent Events

The management of the Authority has evaluated subsequent events through August 26, 2022, the date the financial statements were available to be issued.

NOTE 3 - 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S Treasury Bill, 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

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - CASH AND INVESTMENTS - CONT'D

In accordance with GASB Statement No. 40, Authority's 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. The Authority's 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, 2021, the Authority's 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 the Authority's 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, 2021, the Authority mitigated this 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, the Authority's deposits may not be returned. The Authority's policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of December 31, 2021, none of the Authority's total bank balances were exposed to custodial credit risk.

Investment Policy

Per 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 4 - RESTRICTED CASH

The following schedule presents the breakdown of restricted cash as of December 31, 2021:

Cash balances associated with Mainstream Vouchers	\$ 79,915
Cash balances associated with Housing Choice Vouchers	21,048
Cash balances associated with Emergency Housing Vouchers	<u>826,767</u>
Total restricted cash and equivalents	<u>\$ 927,730</u>

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2021 comprised of the following:

Receivable from other housing authorities	\$ 4,973
Receivable from other governments	349
Fraud recovery receivables	10,425
Allowance for doubtful accounts - fraud	(5,904)
Other receivables	<u>527</u>
Receivables, net of allowances	<u><u>\$ 10,370</u></u>

NOTE 6 - CAPITAL ASSETS

A summary of capital assets for the year ended December 31, 2021 is as follows:

	December <u>31, 2020</u>	Additions	Deletions	December <u>31, 2021</u>
Capital assets being depreciated				
Buildings	\$ 36,517	\$ -	\$ -	\$ 36,517
Furniture & equipment-administration	<u>36,226</u>	<u>-</u>	<u>-</u>	<u>36,226</u>
Total capital assets being depreciated	<u>72,743</u>	<u>-</u>	<u>-</u>	<u>72,743</u>
Accumulated depreciation	<u>(49,970)</u>	<u>(4,015)</u>	<u>-</u>	<u>(53,985)</u>
Capital assets, net	<u><u>\$ 22,773</u></u>	<u><u>\$ (4,015)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,758</u></u>

NOTE 7 - LONG-TERM LIABILITIES

A summary of activity for long-term liabilities are summarized as follows:

	December <u>31, 2020</u>	Addition	Reductions	December <u>31, 2021</u>	Current Portion
Compensated absences	\$ 57,854	\$ 48,525	\$ (44,535)	\$ 61,844	\$ 1,855
Accrued employee benefits	<u>57,854</u>	<u>48,525</u>	<u>(44,535)</u>	<u>61,844</u>	<u>1,855</u>
Rent	\$ 71,820	\$ -	\$ (7,980)	\$ 63,840	\$ 7,980
OPEB plan	201,078	16,647	-	217,725	-
Pension plan	<u>474,755</u>	<u>-</u>	<u>(252,225)</u>	<u>222,530</u>	<u>-</u>
Related-party obligations	<u>747,653</u>	<u>16,647</u>	<u>(260,205)</u>	<u>504,095</u>	<u>7,980</u>
Other long-term liabilities	<u><u>\$ 805,507</u></u>	<u><u>\$ 65,172</u></u>	<u><u>\$ (304,740)</u></u>	<u><u>\$ 565,939</u></u>	<u><u>\$ 9,835</u></u>

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8 - JOINT POWERS AGREEMENT

The Authority is 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, 2021, is summarized below:

Total assets	<u>\$ 31,854,836</u>
Total liabilities	16,175,772
Net position	<u>15,679,064</u>
Total liabilities and net position	<u>\$ 31,854,836</u>
Operating revenues	\$ 5,027,130
Operating expenses	<u>4,636,233</u>
Operating income/(loss)	<u>\$ 390,897</u>

NOTE 9 - NET POSITION

Net investment in capital assets was comprised of the following as of December 31, 2021:

Capital assets, net of accumulated depreciation	<u>\$ 18,758</u>
Net investment in capital assets	<u>\$ 18,758</u>

Restricted net position was comprised of the following as of December 31, 2021:

Restricted cash and cash equivalents	\$ 927,730
Less: current liabilities covered by restricted assets	<u>(308,811)</u>
Restricted net position	<u>\$ 618,919</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Government Examination

The Authority has received funds from Federal and Local grant programs. It is possible that at some future date, it may be determined that the Authority was 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, the Authority do not expect such disallowed amounts, if any, to materially affect the financial statements.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 11 - BUSINESS RISKS AND CONCENTRATIONS

Concentration - Major Contributor

For the year ended December 31, 2021, approximately 99% 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.

NOTE 12 - RELATED PARTY TRANSACTIONS

Shared Administration

The Authority shares management and a majority of Authority's resources with City of Eureka Housing Authority, including personnel and facilities. However, the Authority maintains a separate governing body and therefore are considered separate and unique organizations for reporting purposes.

Notes Receivable

During November 2017, the Authority provided \$36,000 of funds to City of Eureka Housing Authority (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, 2021, the balance of the note was \$6,600.

Liability for Pension Plan

The Authority does not have a pension plan. However, all of the salaries and wages in the Authority's financial statements are allocations of staff members from City of Eureka Housing Authority which does participate in a defined benefit plan with the State of California (PERS). City of Eureka Housing Authority implemented GASB 68 *Accounting and Financial Reporting for Pensions* during fiscal year 2015. This resulted in the Authority establishing a note payable to City of Eureka Housing Authority for the Authority's agreed upon allocable portion of the net pension liability. As of December 31, 2021, the balance of the note was \$222,530. This liability is reassessed annually based on 30% of the Net Pension Liability for City of Eureka Housing Authority and adjusted as required.

Liability for OPEB Plan

The Authority does not have an OPEB plan. However, all of the salaries and wages in the Authority's financial statements are allocations of staff members from City of Eureka Housing Authority which does offer other post-employment benefits. City of Eureka Housing Authority implemented GASB 75 during fiscal year 2018. This resulted in the Authority establishing a note payable to City of Eureka Housing Authority for the Authority's agreed upon allocable portion of the net pension liability. As of December 31, 2021, the balance of the note was \$217,725. This liability is reassessed annually based on 30% of the OPEB Liability for City of Eureka Housing Authority and adjusted as required.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 12 - RELATED PARTY TRANSACTIONS - CONT'D

Liability for Rent

The Authority is charged rental expense for the Authority's usage of the office facilities that are owned by City of Eureka Housing Authority. In 2011 The Authority did not have adequate cash flow to pay City of Eureka Housing Authority 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, 2021 the Authority has accrued \$63,840 in unpaid office rental fees from prior years. The Authority currently pays \$665 monthly on this liability.

SINGLE AUDIT SECTION

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development (HUD)		
<u>Direct Programs:</u>		
Section 8 Housing Choice Vouchers	14.871	\$ 6,192,398
CARES Act Section 8 Housing Choice Vouchers	14.871	137,513
Emergency Housing Vouchers (EHV)	14.EHV	30,461
Mainstream Vouchers	14.879	53,747
CARES Act Mainstream Vouchers	14.879	<u>14,458</u>
Total U.S. Department of Housing and Urban Development (HUD)		<u>6,428,577</u>
Total expenditures of federal awards		<u>\$ 6,428,577</u>

See the accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the County of Humboldt Housing Authority (the "Authority") under programs of the federal government for the year ended December 31, 2021. 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 the Authority's operations, it is not intended to and does not present the Authority's financial position, changes in net positions, or cash flows.

The amounts presented in the Schedule agree to the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule is presented using the accrual basis of accounting, the method used to prepare the Authority's basic financial statements. Note 2 of the Authority's basic financial statements describes the significant accounting policies used by the Authority. Such expenses are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE 3 - SUBRECIPIENTS

The Authority reported no subrecipient grant activity.

NOTE 4 - INDIRECT COST

The Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

COMPLIANCE SECTION

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

To the Governing Body of
County of Humboldt Housing Authority
Humboldt, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of County of Humboldt Housing Authority (the "Authority") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 26, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

Oakland, California
August 26, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Governing Body of
County of Humboldt Housing Authority
Humboldt, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited County of Humboldt Housing Authority's (the "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, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 control 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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Harshmal & Company LLP

Oakland, California
August 26, 2022

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance in accordance with major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Uniform Guidance 2 CFR 200.516(a)</i> ?	No

Identification of major programs:

<u><i>Federal Assistance Listing Number</i></u>	<u><i>Name of Federal Program or Cluster</i></u>
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes
Instances where results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding?	No

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

The Authority had no finding or questioned cost noted in the prior year that requires a status.