



HOUSING AUTHORITIES CITY OF EUREKA & COUNTY OF HUMBOLDT



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AGENDA REGULAR MEETING OF THE HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT BOARD OF COMMISSIONERS

DATE AND TIME
Monday, November 13, 2023
12:00pm

LOCATION

Housing Authority of the County of Humboldt
735 W. Everding Street, Eureka CA 95503

All or portions of this meeting will be conducted by teleconferencing in accordance with Government Code Section 54953(b). Teleconference locations are as follows: 735 W. Everding St., Eureka California. The location is accessible to the public, and members of the public may address the Housing Authority of the County of Humboldt Board of Commissioners from any teleconference location.

PUBLIC PARTICIPATION

Public access to this meeting is available in person at the location above.

Persons wishing to address the Board of Commissioners are asked to submit comments for the public speaking portion of the agenda as follows:

- Send an email with your comment(s) to heatherh@eurekahumboldtha.org prior to the Board of Commissioners meeting.
- Call and leave a message at (707) 443-4583 ext. 219.

When addressing the Board, on agenda items or business introduced by Commissioners, members of the public may speak for a maximum of five minutes per agenda item when the subject is before the Board.

1. Roll Call

2. Public Comment (Non-Agenda):

This time is reserved for members of the public to address the Committee relative to matters of the Housing Authority of the County of Humboldt not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to five minutes per person and twenty minutes in total.

3. Approve Minutes of the Board of Commissioners meeting held October 16, 2023.

4. Bills and Communications: None



The Housing Authorities are Equal Housing Opportunity Organizations



5. Report of the Secretary:

The Report of the Secretary is intended to brief the Commission on items, issues, key dates, etc., that do not require specific action, and are not separate items on the Board of Commissioners Agenda.

5a. Occupancy and Leasing Report

5b. HCV Utilization Reports

6. Reports of the Commissioners:

This time is reserved for Commissioners to share any relevant news or housing related endeavors undertaken by Commissioners.

7. Unfinished Business: None.

8. New Business:

8a. Resolution 501, HACH 2022 Financial Audit Report

Recommended Board Action: Accept and Adopt for Approval

8b. HACH Board of Commissioners, current Board, and Commissioner terms;
Informational

9. Closed Session – If needed.

10. Adjournment

* * * Note * * *

Documents related to this agenda are available on-line at:

<https://eurekaumboldt.org/governance/>

Know Your RIGHTS Under The Ralph M. Brown Act: Government's duty is to serve the public, reaching its decisions in full view of the public. The Board of Commissioners exists to conduct the business of its constituents. Deliberations are conducted before the people and are open for the people's review.

MINUTES

MEETING OF THE HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT BOARD OF COMMISSIONERS

MONDAY, October 16, 2023

Chairperson Conner declared a quorum present and called the meeting to order at 12:06p.m.

1. Roll Call:

Present: Chairperson Conner, Vice Chairperson Fitzgerald, Commissioner Escarda,
Commissioner Leon, Commissioner Zondervan-Droz
Absent: Commissioner Derooy
Staff: Churchill, Humphreys, Wiesner

2. Public Comment (Non-Agenda): None heard.

3. Approve minutes of the board of commissioners meeting held August 14, 2023.

Motion to approve the minutes of the meeting of August 14, 2023, made by Commissioner Zondervan-Droz.

Second – Commissioner Escarda

Roll call:

Ayes: Conner, Escarda, Zondervan-Droz, Fitzgerald, Leon
Nays: None
Abstain: None
Absent: Derooy

Chairperson Conner declared the motion carried to approve the minutes of August 14, 2023.

4. Bills and Communication: None

5. Report of the Secretary:

5a. Occupancy and Leasing Report
Secretary Churchill briefs the board on this report.

5b. HCV Utilization Reports

Secretary Churchill goes over this report with the board and points out key items of the report. Secretary Churchill notes that we are expecting the PBV projects with Laurel Canyon and Providence Mother Bernard to lease up by the end of the year. Secretary Churchill goes on to note that all 182 Emergency Housing Vouchers are issued and are either leased up or out searching.

6. Reports of the Commissioners: None heard.

7. Unfinished Business: None.

8. New Business:

- 8a. Resolution 498, CA086 Revised 5-Year Plan 2022-2026
Recommended Board Action: Accept and Adopt for Approval

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
RESOLUTION 498

RESOLUTION TO APPROVE 5 - YEAR AGENCY PLAN

WHEREAS, In order to be in compliance with regulations of the United States Department of Housing and Urban Development, the Housing Authority of the County of Humboldt must submit a 5 year Plan every 5 years and update the agency plan on an annual basis; and

WHEREAS, The Agency Plans have been reviewed for accuracy and completeness; and

WHEREAS, A Public Notice stating the Agency Plans were available for review at the Housing Authority offices with a Public Hearing to be held on September 19, 2023 was published on the Housing Authority of the County of Humboldt website and front lobby of the Housing Authority office; and

WHEREAS, The Public Hearing was held on September 19, 2023; and

WHEREAS, There were no changes or corrections to the agency plans suggested.

NOW, THEREFORE, BE IT RESOLVED, That the Commissioners of the Housing Authority of the County of Humboldt do hereby approve the revised 5 Year Agency Plan for 2022-2026 as submitted for review.

Motion to approve the Resolution 498 by Commissioner Escarda.

Second - Commissioner Leon

Roll Call:

Ayes: Conner, Fitzgerald, Escarda, Leon, Zondervan-Droz
Nays: None
Abstain: None
Absent: Derooy

Chairperson Conner declared the motion carried and Resolution 498 approved.

- 8b. Resolution 499, Annual Operating Budget for FY Ending December 31, 2024
Recommended Board Action: Accept and Adopt for Approval

RESOLUTION NO. 499

TO APPROVE ANNUAL OPERATING BUDGET
FOR HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT,
INCLUDING SECTION 8 HOUSING CHOICE VOUCHER, CA086
FOR FISCAL YEAR ENDING DECEMBER 31, 2024

WHEREAS, The Housing Authority of the County of Humboldt Board of Commissioners directed the Executive Director to prepare an Operating Budget for Section 8 Housing Choice Voucher program, CA086, for fiscal year ending December 31, 2024; and

WHEREAS, The Operating Budget has been submitted for the Board's review and has been found to be substantially correct.

NOW, THEREFORE, BE IT RESOLVED, That the Commissioners of the Housing Authority of the County of Humboldt do hereby approve and adopt the Operating Budget for the Housing Authority of the County of Humboldt, including the CA086 Section 8 Housing Choice Voucher program, for fiscal year ending December 31, 2024.

Motion to approve the Resolution 499 by Commissioner Zondervan-Droz.

Second - Commissioner Escarda

Roll Call:

Ayes: Conner, Fitzgerald, Escarda, Leon, Zondervan-Droz

Nays: None

Abstain: None

Absent: Derooy

Chairperson Conner declared the motion carried and Resolution 499 approved.

- 8c. Resolution 500, HCV Payment Standards 2024
Recommended Board Action: Accept and Adopt for Approval

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT

RESOLUTION 500

A RESOLUTION FOR THE PURPOSE OF SETTING THE 2024 PAYMENT STANDARD FOR
RESIDENTS WITH THE HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
HOUSING CHOICE VOUCHERS

WHEREAS, the Department of Housing and Urban Development (HUD) has published the 2024 Fair Market Rents on October 1, 2023; and

WHEREAS, the Housing Authority of the County of Humboldt (HACH) must adopt a Payment Standard within 90% and 110% of the established Fair Market Rents within 90 days of publication; and

WHEREAS, HACH's existing 2023 Payment Standards are currently set at 120% of the 2023 Fair Market Rents; and

WHEREAS, HUD's published 2024 Fair Market Rents increased by an average of 14% across bedroom sizes from 2023; and

WHEREAS, HACH wishes to adopt the 2024 Payment Standards at 110% of the Fair Market Rents for 2024, the maximum allowed by HUD without waiver, in order to match the trends in the current rental market, allowing Housing Choice Voucher participants the opportunity to competitively access decent, safe and affordable housing. HACH would be adopting a payment standard within the allowable range by HUD and continue to serve the voucher participants appropriately; and

NOW THEREFORE, be it resolved that the Board of Commissioners of the Housing Authority of the County of Humboldt approves adopting Humboldt County Payment Standards at 110% of the 2024 HUD Fair Market Rents for Humboldt County, effective December 1, 2023.

Motion to approve the Resolution 500 by Commissioner Leon.

Second - Commissioner Zondervan-Droz

Roll Call:

Ayes: Conner, Fitzgerald, Escarda, Leon, Zondervan-Droz

Nays: None

Abstain: None

Absent: Derooy

Chairperson Conner declared the motion carried and Resolution 500 approved.

9. Closed Session: None needed.

10. Adjournment

There being no further business to come before the Commissioners, the meeting was adjourned at 12:34p.m.

Secretary

Chairperson

**Occupancy and Leasing Report
April 2023 - September 2023**

**Housing Authorities of the
City of Eureka and County of Humboldt**

| Program | Total Units Available | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Wait List End of Month |
|-------------------------|-----------------------|------------|------------|------------|------------|------------|------------|------------------------|
| Eureka | | | | | | | | |
| Public Housing | 195 | 183 | 185 | 185 | 186 | 188 | 186 | 674 * |
| Eureka Family Housing | 51 | 49 | 49 | 48 | 48 | 46 | 46 | 652 |
| Eureka Senior Housing | 22 | 21 | 21 | 21 | 21 | 21 | 21 | 243 |
| Total City units | 268 | 253 | 255 | 254 | 255 | 255 | 253 | |

Humboldt

| Tenant Based Vouchers | | | | | | | | | |
|---|-------------|------------------------------|------------|-------------|-------------|-------------|-------------|---------|---|
| Housing Choice Vouchers | 1234 | 783 | 775 | 780 | 790 | 785 | 784 | 1168 | |
| VASH Vouchers | 95 | 61 | 62 | 61 | 60 | 62 | 62 | N/A | |
| Mainstream vouchers | 75 | 50 | 50 | 51 | 52 | 53 | 50 | N/A *** | |
| Emergency Housing Vouchers (EHV) | 182 | 108 | 111 | 114 | 127 | 127 | 137 | N/A ‡ | |
| Total All Vouchers | 1586 | 1002 | 998 | 1006 | 1029 | 1027 | 1033 | | |
| Project Based Vouchers (note that these are a subset of HCV & VASH voucher counts shown above) | | | | | | | | | |
| PBV-VASH - Bayview Heights (Eureka) | 22 | 22 | 22 | 22 | 22 | 22 | 22 | N/A ** | |
| PBV-HCV - Bayview Heights (Eureka) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 0 ** | |
| PBV-HCV - Sorrell Place (Arcata) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 15 ** | |
| PBV-HCV - Providence (Eureka) | 42 | (Projects not yet completed) | | | | | | | |
| PBV-HCV - 7th & Myrtle Senior (Eureka) | 35 | | | | | | | | † |
| Total PBVs | 107 | 30 | 30 | 30 | 30 | 30 | 30 | | |

| | |
|--|----|
| Vouchers issued but not under contract, end of month (aka "Searching") | 56 |
|--|----|

*Total PH units is 198; 3 units are exempted for EPD use, Boys & Girls Club, and Maintenance use and are unavailable for tenant rental

**25 Project Based Vouchers at Bayview Heights Veteran's housing at 4th & C Street, Eureka; contract signed 6/30/2020.
5 Project Based HCV vouchers at Sorrell Place, extremely low income units at 7th & I Street, Arcata; effective 6/1/2022.

*** Mainstream vouchers were awarded December 2020. Funding and voucher issuance began April 2021.
25 Mainstream vouchers will be allocated via waitlist pulls; 50 will be via referral from CoC partners.

‡ No PHA waitlist for EHV's; all are issued based on referral from HHHC or HDVS. Referrals began Q4 2021.

† HUD-approved PBVs; projects expected to complete construction in 2023.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
All Voucher Programs
For the month of September 2023

| | January | February | March | April | May | June | July | August | September | Total |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------------|
| Traditional HCV & VASH (Includes PBVs) | | | | | | | | | | |
| HAP income (budget authority) | \$ 554,989 | \$ 561,152 | \$ 561,152 | \$ 561,152 | \$ 561,152 | \$ 513,444 | \$ 513,444 | \$ 513,444 | \$ 513,444 | \$ 4,853,369 |
| HAP expenses | (526,451) | (537,222) | (542,783) | (543,583) | (543,351) | (545,994) | (553,858) | (554,820) | (555,264) | (4,903,326) |
| Surplus (Deficit) | 28,538 | 23,930 | 18,369 | 17,569 | 17,801 | (32,551) | (40,415) | (41,377) | (41,821) | (49,958) |
| * % Total income utilized | 94.86% | 95.74% | 96.73% | 96.87% | 96.83% | 106.34% | 107.87% | 108.06% | 108.15% | 101.03% |
| Administrative/Other Income | 75,927 | 91,889 | 76,230 | 75,898 | 75,742 | 76,587 | 76,007 | 107,199 | 136,664 | 792,143 |
| Operating expenses | (57,389) | (65,305) | (70,107) | (62,912) | (60,073) | (59,020) | (59,984) | (61,826) | (69,929) | (566,546) |
| Surplus (Deficit) | 18,538 | 26,584 | 6,123 | 12,986 | 15,669 | 17,567 | 16,023 | 45,373 | 66,734 | 225,597 |
| B Remaining HAP Cash | 15,197 | 2,741 | 29,886 | (3,180) | 93,597 | 18,802 | 17,902 | 21,091 | 86,035 | |
| Remaining Non-HAP Cash | 546,993 | 597,179 | 567,907 | 610,780 | 469,621 | 556,625 | 577,095 | 623,326 | 630,324 | |
| Total HCV Cash | 562,189 | 599,919 | 597,793 | 607,600 | 563,218 | 575,427 | 594,997 | 644,416 | 716,359 | |
| Cash Increase/(Decrease) | 14,569 | 37,730 | (2,126) | 9,806 | (44,381) | 12,209 | 19,570 | 49,420 | 71,942 | |
| # of Households Assisted | 843 | 844 | 844 | 844 | 838 | 841 | 849 | 847 | 846 | 7,596 |
| Average HAP Payment | \$ 624 | \$ 637 | \$ 643 | \$ 644 | \$ 648 | \$ 649 | \$ 652 | \$ 655 | \$ 656 | \$ 646 |
| Mainstream (disabled & non-elderly) | | | | | | | | | | |
| HAP income (budget authority) | \$ 23,639 | \$ 23,639 | \$ 24,287 | \$ 24,287 | \$ 23,833 | \$ 23,833 | \$ 23,833 | \$ 23,833 | \$ 23,833 | \$ 215,017 |
| HAP expenses | (29,831) | (30,983) | (32,401) | (33,608) | (33,704) | (34,267) | (34,480) | (35,043) | (33,614) | (297,931) |
| Surplus (Deficit) | (6,192) | (7,344) | (8,114) | (9,321) | (9,871) | (10,434) | (10,647) | (11,210) | (9,781) | (82,914) |
| A % Total income utilized | 126.19% | 131.07% | 133.41% | 138.38% | 141.42% | 143.78% | 144.67% | 147.04% | 141.04% | 138.56% |
| Administrative/Other Income | 2,768 | 2,768 | 9,761 | 2,811 | 2,949 | 7,175 | 2,949 | 8,636 | 10,467 | 50,284 |
| Operating expenses | (2,659) | (3,434) | (3,623) | (3,001) | (4,218) | (3,640) | (3,170) | (3,570) | (4,020) | (31,335) |
| Surplus (Deficit) | 109 | (666) | 6,138 | (190) | (1,269) | 3,535 | (221) | 5,066 | 6,447 | 18,949 |
| B Remaining HAP Cash | (1,723) | 122 | 5,938 | (1,852) | 5,074 | 2,916 | 2,495 | (2,476) | 5,784 | |
| Remaining Non-HAP Cash | 42,711 | 42,545 | 41,764 | 48,416 | 42,822 | 53,790 | 53,358 | 58,187 | 57,129 | |
| Total MSV Cash | 40,988 | 42,667 | 47,702 | 46,564 | 47,896 | 56,706 | 55,853 | 55,711 | 62,913 | |
| Cash Increase/(Decrease) | (1,906) | 1,679 | 5,035 | (1,138) | 1,332 | 8,810 | (853) | (142) | 7,203 | |
| # of Households Assisted | 43 | 45 | 48 | 50 | 50 | 51 | 52 | 53 | 50 | 442 |
| Average HAP Payment | \$ 694 | \$ 689 | \$ 675 | \$ 672 | \$ 674 | \$ 672 | \$ 663 | \$ 661 | \$ 672 | \$ 674 |
| Emergency Housing Vouchers (EHVs) | | | | | | | | | | |
| HAP income (budget authority) | \$ 37,098 | \$ 37,098 | \$ 37,098 | \$ 37,098 | \$ 55,647 | \$ 55,647 | \$ 55,647 | \$ 55,647 | \$ 55,647 | \$ 426,626.38 |
| HAP expenses | (76,264) | (82,314) | (86,565) | (88,899) | (90,776) | (99,809) | (101,882) | (102,098) | (109,125) | (837,732) |
| Surplus (Deficit) | (39,166) | (45,216) | (49,467) | (51,801) | (35,129) | (44,162) | (46,235) | (46,451) | (53,478) | (411,106) |
| A % Total income utilized | 205.57% | 221.88% | 233.34% | 239.63% | 163.13% | 179.36% | 183.09% | 183.47% | 196.10% | 196.36% |
| Administrative/Other Income | 11,884 | 27,313 | 25,144 | 20,721 | 37,745 | 35,438 | 72,519 | 37,667 | 43,275 | 311,706 |
| Operating expenses | (16,160) | (37,880) | (27,311) | (21,459) | (31,262) | (32,921) | (64,475) | (32,622) | (41,481) | (305,570) |
| Surplus (Deficit) | (4,276) | (10,566) | (2,167) | (738) | 6,483 | 2,517 | 8,044 | 5,045 | 1,794 | 6,136 |
| B Remaining HAP Cash | 27,743 | - | 1,538 | 1,177 | 14,662 | 3,259 | 1,639 | 80 | (9,160) | |
| Remaining Non-HAP Cash | 149,958 | 114,694 | 96,854 | 82,378 | 51,376 | 50,163 | 162,206 | 142,969 | 275,805 | |
| Total EHV Cash | 177,701 | 114,694 | 98,391 | 83,555 | 66,037 | 53,422 | 163,845 | 143,049 | 266,645 | |
| C Cash Increase/(Decrease) | (107,282) | (63,007) | (16,303) | (14,836) | (17,518) | (12,615) | 110,422 | (20,796) | 123,597 | |
| # of Households Assisted | 86 | 100 | 102 | 108 | 111 | 114 | 127 | 127 | 137 | 1,012 |
| Average HAP Payment | \$ 887 | \$ 823 | \$ 849 | \$ 823 | \$ 818 | \$ 876 | \$ 802 | \$ 804 | \$ 797 | \$ 828 |

COUNTY OF HUMBOLDT HOUSING AUTHORITY
All Voucher Programs
For the month of September 2023

| | January | February | March | April | May | June | July | August | September | Total |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Total All Voucher Programs | | | | | | | | | | |
| HAP income (budget authority) | \$ 615,726 | \$ 621,889 | \$ 622,537 | \$ 622,537 | \$ 640,631 | \$ 592,923 | \$ 592,923 | \$ 592,923 | \$ 592,923 | \$ 5,495,012 |
| HAP expenses | (632,546) | (650,519) | (661,749) | (666,090) | (667,831) | (680,070) | (690,220) | (691,961) | (698,003) | (6,038,989) |
| Surplus (Deficit) | <u>(16,821)</u> | <u>(28,631)</u> | <u>(39,213)</u> | <u>(43,554)</u> | <u>(27,200)</u> | <u>(87,147)</u> | <u>(97,297)</u> | <u>(99,038)</u> | <u>(105,080)</u> | <u>(543,977)</u> |
| A % Total income utilized | 102.73% | 104.60% | 106.30% | 107.00% | 104.25% | 114.70% | 116.41% | 116.70% | 117.72% | 109.90% |
| Administrative/Other Income | 90,579 | 121,971 | 111,134 | 99,430 | 116,436 | 119,200 | 151,475 | 153,502 | 190,405 | 1,154,133 |
| Operating expenses | (76,208) | (106,619) | (101,040) | (87,372) | (95,553) | (95,581) | (127,629) | (98,018) | (115,430) | (903,451) |
| Surplus (Deficit) | <u>14,371</u> | <u>15,352</u> | <u>10,094</u> | <u>12,058</u> | <u>20,884</u> | <u>23,619</u> | <u>23,846</u> | <u>55,484</u> | <u>74,975</u> | <u>250,682</u> |
| Remaining HAP Cash | 41,217 | 2,863 | 37,362 | (3,855) | 113,332 | 24,977 | 22,035 | 18,694 | 82,659 | |
| Remaining Non-HAP Cash | 739,662 | 754,418 | 706,525 | 741,574 | 563,819 | 660,578 | 792,659 | 824,481 | 963,258 | |
| Total Program Cash | <u>780,878</u> | <u>757,280</u> | <u>743,886</u> | <u>737,719</u> | <u>677,151</u> | <u>685,555</u> | <u>814,694</u> | <u>843,175</u> | <u>1,045,917</u> | |
| Cash Increase/(Decrease) | (94,619) | (23,598) | (13,394) | (6,168) | (60,568) | 8,404 | 129,139 | 28,481 | 202,742 | |
| # of Households Assisted | 972 | 989 | 994 | 1,002 | 999 | 1,006 | 1,028 | 1,027 | 1,033 | 9,050 |
| Average HAP Payment | \$ 651 | \$ 658 | \$ 666 | \$ 665 | \$ 668 | \$ 676 | \$ 671 | \$ 674 | \$ 676 | \$ 667 |

Notes

* Larger increase than expected to HCV budget authority for 2023. Expecting award to get reduced after federal budget finalization, or for excess funds to be placed in reserves.

A Spending above 100% indicates full utilization of monthly funding plus spending down of HUD-held reserves (which is encouraged/required by HUD).

B HAP cash on hand is minimal, but sufficient HAP reserves are held with HUD. HUD held reserve requests submitted as necessary. Restricted cash position may go "negative" while waiting for HUD held reserve deposits and is temporarily funded with excess unrestricted funds.

HUD Held Reserves as of 10/19/2023

HCV - \$2,942,273
MSV - \$208,112
EHV - \$617,508

**Additional \$2,142,682 awarded to reserves to support voucher growth.*

C Cash decrease due to timing of HUD stopping EHV HAP and Admin Fee disbursements; expecting cash to continue to decrease as initial program funding is utilized per HUD program mandate. Once initial program funding gets below a certain level, HUD will initiate monthly funding again. Second installment of EHV Services Fees received in July of 2023 for \$159,250. Third and final installment of EHV Services Fees received in September of 2023 for \$159,250.

Housing Authority of the County of Humboldt

Board of Commissioners Meeting

November 13, 2023

Agenda Item 8a

Memorandum

To: Commissioners

From: Dustin Wiesner, Director of Finance, Administration, and Technology

Subject: Housing Authority of the County of Humboldt 2022 Financial Audit Report

BACKGROUND AND HISTORY:

Presented is the Housing Authority of Humboldt County's 2022 Financial Audit Report. We had zero findings. Below is a list of financial highlights and a reference to relevant discussion points.

Net position decreased by \$598,784 (71%) during 2022 (pg. 7 of audit report) primarily due to:

- A decrease in restricted cash from utilization of start-up fees received for the Mainstream Voucher (MSV) and Emergency Housing Voucher (EHV) Programs in the previous year.
- An increase in pension and other post-employment benefit (OPEB) liabilities. This was an expected "pendulum" effect from last year's unexpected *decrease* in liabilities due to changes in stock market conditions, etc. This liability, and the associated increase in expense listed later, are long-term in nature and the agency has no concern in paying this liability down over time.
- An increase in unrestricted cash resulting from an increase in earned administrative fees due to voucher growth.

Total revenues increased \$6,524 (0%) during 2022 (pg. 8 of audit report). Revenues related to voucher lease-ups increased by 6% due to voucher growth and an increase to the payment standard but was offset by comparatively less earned start-up fee revenue in our MSV and EHV programs, resulting in a marginal total increase in revenue from the prior year.

Total expenses increased by \$1,681,907 (26%) during 2022 (pg. 8 of audit report) primarily due to a combination of voucher growth, payment standard increases, and increases to our pension and OPEB liabilities.

FISCAL IMPACT:

HUD requires an annual audited financial report. Failure to submit an annual audited financial report may result in sanctions including, but not limited to, a permanent reduction or offset of funding.

STAFF RECOMMENDATION:

Staff recommends that the Board approve the Housing Authority of the County of Humboldt's 2022 Financial Audit Report.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
HUMBOLDT, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022



**COUNTY OF HUMBOLDT HOUSING AUTHORITY
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DECEMBER 31, 2022**

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**COUNTY OF HUMBOLDT HOUSING AUTHORITY
LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2022**

The following table lists the Board Members as of December 31, 2022:

| <u>Board Members</u> | <u>Position</u> |
|-----------------------|------------------|
| Elizabeth Conner | Chairperson |
| Maureen Fitzgerald | Vice-Chairperson |
| Sylvia Derooy | Commissioner |
| Kaylen Escarda | Commissioner |
| Lisa Leon | 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 the 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, 2022, 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, 2022, and 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities 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, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 06, 2023, 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. 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.

Harshmal & Company LLP

Oakland, California
September 06, 2023

COUNTY OF HUMBOLDT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2022

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's 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 decreased by \$598,784 during 2022. Since the Authority engage only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$244,937 and \$843,721 for 2022 and 2021, respectively.

Total revenues increased by \$7,196 during 2022 and were \$7,535,151 and \$7,527,955 for 2022 and 2021, respectively.

Total expenses increased by \$1,681,907 during 2022 and were \$8,133,935 and \$6,452,028 for 2022 and 2021, 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, 2022**

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, 2022**

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

**TABLE 1
Statement of Net Position**

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>Change</u> |
|---|------------------------------|------------------------------|---------------------|
| Current and other assets | \$ 1,263,301 | \$ 1,795,022 | \$ (531,721) |
| Capital assets, net | <u>90,071</u> | <u>18,758</u> | <u>71,313</u> |
| Total assets | <u>1,353,372</u> | <u>1,813,780</u> | <u>(460,408)</u> |
| Current liabilities | 194,847 | 413,956 | (219,109) |
| Noncurrent liabilities | <u>913,588</u> | <u>556,103</u> | <u>357,485</u> |
| Total liabilities | <u>1,108,435</u> | <u>970,059</u> | <u>138,376</u> |
| Net investment in capital assets | 45,343 | 18,758 | 26,585 |
| Restricted | 127,803 | 618,919 | (491,116) |
| Unrestricted | <u>71,791</u> | <u>206,044</u> | <u>(134,253)</u> |
| Total net position | <u>244,937</u> | <u>843,721</u> | <u>(598,784)</u> |
| Total liabilities and net position | <u>\$ 1,353,372</u> | <u>\$ 1,813,780</u> | <u>\$ (460,408)</u> |

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

The Authority's total net position decreased by \$598,784, largely as a result of the following items:

Current assets decreased by \$531,721 mostly due to the following factors:

- Unrestricted cash increased by \$154,715 primarily due to an increase in Housing Choice Voucher (HCV) administrative fees, as well as an increase in administrative fees as a result in growth of Emergency Housing Vouchers (EHV) and Mainstream Vouchers (MSV).
- Restricted cash decreased by \$689,665 mostly due to the consumption of cash used for EHV housing assistance payments (HAP) and services fees prefunded in the prior year.

Total liabilities increased by \$138,376 primarily due to the following:

- Current liabilities decreased by \$219,109 mostly due to the consumption of EHV services fees prefunded in the prior year and the resulting reduction in unearned revenue.
- Noncurrent liabilities increased by \$357,485 mostly due to an increase in the Authority's pension plan liability (see Note 13) of \$360,098, in addition to recognition of our long-term lease liabilities in accordance with the new Government Accounting Standard Board's (GASB) pronouncement GASB 87 (see Note 8) of \$33,042, and offset by a reduction in our Other Post-Employment Benefits (OPEB) (See Note 13) liability of \$49,408.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>Change</u> |
|----------------------------------|------------------------------|------------------------------|----------------------------|
| Operating grants and subsidies | \$ 7,478,730 | \$ 7,399,241 | \$ 79,489 |
| Other operating revenues | 55,235 | 128,200 | (72,965) |
| Depreciation expense | (6,262) | (4,015) | (2,247) |
| Housing assistance payments | (6,739,757) | (5,879,102) | (860,655) |
| Other operating expenses | <u>(1,387,916)</u> | <u>(568,911)</u> | <u>(819,005)</u> |
| Operating Income (Loss) | (599,970) | 1,075,413 | (1,675,383) |
| Nonoperating revenues (expenses) | <u>1,186</u> | <u>514</u> | <u>672</u> |
| Change in net position | <u>(598,784)</u> | <u>1,075,927</u> | <u>(1,674,711)</u> |
| Net position, beginning of year | <u>843,721</u> | <u>(232,206)</u> | <u>1,075,927</u> |
| Net position, end of year | <u><u>\$ 244,937</u></u> | <u><u>\$ 843,721</u></u> | <u><u>\$ (598,784)</u></u> |

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

The Authority's change in net position decreased \$598,784 in 2022 compared to 2021's increase of \$1,075,927 due to the following factors:

Revenues

- Operating grants and subsidies increased by \$79,489 mostly due to funding earned related to the growth of the Authority's EHV and MSV programs, as well as an increase in HCV administrative and HAP funding.
- Other operating revenue decreased \$72,965 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 \$1,681,907 mostly as a result of the following items:

- Housing assistance payments expense increased \$860,655 mostly due to a planned increase in payment standard as well as voucher growth due to the EHV and MSV programs.
- Other operating expenses increased by \$819,005 mostly due to an increase in pension expense as a result of an increase to pension liability (see Note 13). Compared to the previous year's pension credit of \$252,225, our expense increased by \$612,323. Additionally, general program expenses increased due to EHV program growth.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of fiscal year ended December 31, 2022, the Authority had \$45,343 invested in an inspection vehicle, site improvements, and a shop building, in addition to \$44,384 in intangible capital assets for equipment leases. Assets are reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$71,313 from the end of last year.

**TABLE 3
Capital Assets**

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>Change</u> |
|--|------------------------------|------------------------------|-------------------------|
| Buildings | \$ 36,517 | \$ 36,517 | \$ - |
| Furniture and equipment - administration | 69,417 | 36,226 | 33,191 |
| Intangible capital assets | 53,740 | - | 53,740 |
| Less: Accumulated depreciation | (60,247) | (53,985) | (6,262) |
| Less: Accumulated amortization | <u>(9,356)</u> | <u>-</u> | <u>(9,356)</u> |
| Total | <u><u>\$ 90,071</u></u> | <u><u>\$ 18,758</u></u> | <u><u>\$ 71,313</u></u> |

Debt Outstanding

At December 31, 2022, 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, 2022

ASSETS

| | |
|---|------------------|
| Current assets | |
| Cash and cash equivalents | \$ 977,978 |
| Accounts receivable, net | 386 |
| Accrued interest receivables | 1,194 |
| Prepaid expenses | <u>45,678</u> |
| Total current assets | <u>1,025,236</u> |
| Restricted assets | |
| Cash and cash equivalents, restricted | <u>238,065</u> |
| Total restricted assets | <u>238,065</u> |
| Noncurrent assets | |
| Capital assets, net | 45,687 |
| Intangible capital assets - right to use leased assets, net | <u>44,384</u> |
| Total noncurrent assets | <u>90,071</u> |
| Total assets | <u>1,353,372</u> |

LIABILITIES AND NET POSITION

LIABILITIES

| | |
|---|------------------|
| Current liabilities | |
| Accounts payable | 23,250 |
| Unearned revenue | 110,287 |
| Other current liabilities | 39,117 |
| Related-party obligations, current portion | 7,980 |
| Lease liability, current portion | 11,686 |
| Accrued employee benefits, current portion | <u>2,527</u> |
| Total current liabilities | <u>194,847</u> |
| Noncurrent liabilities | |
| Accrued employee benefits, net of current portion | 81,720 |
| Lease liability, net of current portion | 33,042 |
| Related-party obligations, net of current portion | <u>798,826</u> |
| Total noncurrent liabilities | <u>913,588</u> |
| Total liabilities | <u>1,108,435</u> |

NET POSITION

| | |
|------------------------------------|---------------------|
| Net investment in capital assets | 45,343 |
| Restricted | 127,803 |
| Unrestricted | <u>71,791</u> |
| Total net position | <u>244,937</u> |
| Total liabilities and net position | <u>\$ 1,353,372</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, 2022

OPERATING REVENUES

| | |
|--------------------------------|------------------|
| Operating grants and subsidies | \$ 7,478,730 |
| Other operating revenue | <u>55,235</u> |
| Total operating revenues | <u>7,533,965</u> |

OPERATING EXPENSES

| | |
|-------------------------------------|------------------|
| Administration | 1,045,370 |
| Tenant services | 175,483 |
| Utilities | 13,765 |
| Ordinary maintenance and operations | 14,458 |
| Insurance premiums | 32,169 |
| General expenses | 97,315 |
| Depreciation | 6,262 |
| Housing assistance payments | 6,739,757 |
| Amortization expenses | <u>9,356</u> |
| Total operating expenses | <u>8,133,935</u> |
| Operating income (loss) | (599,970) |

NONOPERATING REVENUES (EXPENSES)

| | |
|---------------------------------|--------------------------|
| Interest expenses | (1,333) |
| Interest income | <u>2,519</u> |
| Total nonoperating revenues | <u>1,186</u> |
| Change in net position | <u>(598,784)</u> |
| Net position, beginning of year | <u>843,721</u> |
| Net position, end of year | <u><u>\$ 244,937</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---------------------------------------|------------------|
| Cash collected from | |
| Other operating revenue | \$ 65,207 |
| Cash receipts from grants | 7,221,637 |
| Cash paid for | |
| Housing assistance payments | (6,739,757) |
| Tenant services | (175,483) |
| Payment for expenses | <u>(871,219)</u> |
| Net cash used in operating activities | <u>(499,615)</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|---|-----------------|
| Acquisition of capital assets | (33,191) |
| Principal paid on right to use leased assets | (9,012) |
| Interest paid on right to use leased assets | <u>(1,199)</u> |
| Net cash used in capital and related financing activities | <u>(43,402)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|----------------------------|
| Receipts from notes receivable | 6,600 |
| Interest received on investments | <u>1,467</u> |
| Net cash provided by investing activities | <u>8,067</u> |
| Net change in cash and cash equivalents | (534,950) |
| Cash and cash equivalents, beginning of year | <u>1,750,993</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 1,216,043</u></u> |

RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:

| | |
|----------------------------------|----------------------------|
| Cash and equivalents - operating | \$ 977,978 |
| Restricted cash and equivalents | <u>238,065</u> |
| Total cash and cash equivalents | <u><u>\$ 1,216,043</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, 2022

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

| | |
|--|----------------------------|
| Operating income (loss) | \$ (599,970) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | |
| Depreciation | 6,262 |
| Amortization expense | 9,356 |
| Change in operating assets and liabilities: | |
| Accounts receivable | 9,984 |
| Prepaid expenses | (18,761) |
| Accounts payable | 18,798 |
| Accrued employee benefits | 22,404 |
| Unearned revenue | (257,105) |
| Related party obligations | 302,711 |
| Other current liabilities | <u>6,706</u> |
| Net cash used in operating activities | <u><u>\$ (499,615)</u></u> |

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

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - NATURE OF BUSINESS AND ORGANIZATION

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

Intangible Capital Assets: The Authority has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Net Position - Cont'd

- Unrestricted - This component of net position consists of amounts that do not meet the definition of “restricted” or “net investment in capital assets.”

Lease

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as intangible capital assets, and lease liabilities are reported separately in the statement of net position.

Lessor

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Lease Liabilities

On January 1, 2022, the Authority adopted GASB 87 Leases and adopted the changes to conform to the provisions of GASB 87 Implementation Guide. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The Authority has leases for office equipment. The lease liability is measured at the present value of the remaining lease payments, using a discount rate based on the rate implicit in the lease, if readily determinable. Otherwise, the Authority uses its incremental borrowing rate at commencement date to determine the present value of future payments.

Income Taxes

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

Effects of New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which are effective for the Authority during the year. The following are new GASB pronouncements adopted by the Authority for the fiscal year 2022:

GASB Statement No. 87, Leases

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

GASB Statement No. 91, Conduit Debt Obligations

GASB Statement No. 92, Omnibus 2020

GASB Statement No. 93, Replacement of Interbank Offered Rates

GASB Statement No. 97, Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans an Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32.

Except GASB 87, the Authority had no reportable impacts for the fiscal year 2022. The provisions of GASB 87 have been implemented on January 1, 2022. GASB Statement No. 87 requires that government lessees recognize a lease liability and intangible assets representing the lessee's right to use the leased asset and report in its financial statements amortization expense for using the lease asset for the shorter of the lease term or the useful life of the underlying asset, interest expense on the lease liability and note disclosures about the lease.

New Accounting Standards to be Adopted in Future Years

GASB Statement No. 96, Subscription Based Technology Arrangements, the requirements of this statement are effective for periods beginning after June 15, 2022.

GASB Statement No. 99, Omnibus 2022, The requirements of this statement are effective immediately for certain provisions and other provisions are effective for fiscal years beginning after June 15, 2022 and June 15, 2023.

GASB Statement No. 100, Accounting Changes and Error Corrections, an amendment of GASB statement No. 62, The requirements of this statement are effective for periods beginning after June 15, 2023.

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

New Accounting Standards to be Adopted in Future Years - Cont'd

GASB Statement No. 101, Compensated Absences, will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. The requirements of this statement are effective for fiscal years beginning after December 15, 2023 and all reporting periods thereafter.

The Authority's management is currently evaluating these new standards to determine what impact they will have on the Authority.

Subsequent Events

The management of the Authority has evaluated subsequent events through September 06, 2023, 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, 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, 2022, 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, 2022, 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, 2022:

| | |
|--|-------------------|
| Cash balances associated with Mainstream Vouchers | \$ 156 |
| Cash balances associated with Housing Choice Vouchers | 10,884 |
| Cash balances associated with Emergency Housing Vouchers | <u>227,025</u> |
| Total restricted cash and equivalents | <u>\$ 238,065</u> |

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2022 comprised of the following:

| | |
|---|----------------------|
| Fraud recovery receivables | \$ 10,246 |
| Allowance for doubtful accounts - fraud | (9,877) |
| Allowance for doubtful accounts - other | (112) |
| Other receivables | <u>129</u> |
| Receivables, net of allowances | <u><u>\$ 386</u></u> |

NOTE 6 - CAPITAL ASSETS

A summary of capital assets for the year ended December 31, 2022 is as follows:

| | December 31, 2021 | Additions | Deletions | December 31, 2022 |
|--|-------------------------|-------------------------|--------------------|-------------------------|
| Capital assets being depreciated | | | | |
| Buildings | \$ 36,517 | \$ - | \$ - | \$ 36,517 |
| Furniture & equipment-administration | <u>36,226</u> | <u>33,191</u> | <u>-</u> | <u>69,417</u> |
| Total capital assets being depreciated | <u>72,743</u> | <u>33,191</u> | <u>-</u> | <u>105,934</u> |
| Accumulated depreciation | <u>(53,985)</u> | <u>(6,262)</u> | <u>-</u> | <u>(60,247)</u> |
| Capital assets, net | <u><u>\$ 18,758</u></u> | <u><u>\$ 26,929</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 45,687</u></u> |

Intangible capital assets activity for the year ended December 31, 2022, was as follows:

| | December 31, 2021 | Adjustment GASB 87 | January 01, 2022, restated | Increase/ (Decrease) | December 31, 2022 |
|--|----------------------|-------------------------|-------------------------------|--------------------------|-------------------------|
| Intangible capital asset - right-to-use leased assets | | | | | |
| Right-to-use leased equipment | \$ - | \$ 53,740 | \$ 53,740 | \$ - | \$ 53,740 |
| Total intangible capital asset right-to-use leased assets | <u>-</u> | <u>53,740</u> | <u>53,740</u> | <u>-</u> | <u>53,740</u> |
| Less: accumulated amortization | | | | | |
| Right-to-use leased equipment | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,356)</u> | <u>(9,356)</u> |
| Total accumulated amortization | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,356)</u> | <u>(9,356)</u> |
| Total intangible capital asset right-to-use leased assets, net | <u><u>\$ -</u></u> | <u><u>\$ 53,740</u></u> | <u><u>\$ 53,740</u></u> | <u><u>\$ (9,356)</u></u> | <u><u>\$ 44,384</u></u> |

Depreciation expense for the year ended December 31, 2022, was \$6,262. The amortization expense for the year ended December 31, 2022, was \$9,356.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 - LONG-TERM LIABILITIES

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

| | December 31, 2021 | Addition | Reductions | December 31, 2022 | Current Portion |
|-----------------------------|----------------------|-------------------|--------------------|----------------------|--------------------|
| Compensated absences | \$ 61,844 | \$ 59,550 | \$ (37,147) | \$ 84,247 | \$ 2,527 |
| Accrued employee benefits | <u>61,844</u> | <u>59,550</u> | <u>(37,147)</u> | <u>84,247</u> | <u>2,527</u> |
| Rent | 63,840 | - | (7,980) | 55,860 | 7,980 |
| OPEB plan | 217,725 | - | (49,408) | 168,317 | - |
| Pension plan | <u>222,530</u> | <u>360,099</u> | <u>-</u> | <u>582,629</u> | <u>-</u> |
| Related-party obligations | <u>504,095</u> | <u>360,099</u> | <u>(57,388)</u> | <u>806,806</u> | <u>7,980</u> |
| Other long-term liabilities | <u>\$ 565,939</u> | <u>\$ 419,649</u> | <u>\$ (94,535)</u> | <u>\$ 891,053</u> | <u>\$ 10,507</u> |

NOTE 8 - LEASE LIABILITY

The Authority has entered into agreements to lease office equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

- 1) Copier Equipment: The Authority and City of Eureka Housing Authority have been leasing and sharing copier equipment (78.67%, and 21.33%, respectively). The lease agreement includes a fixed and variable portion. The agreement was executed in April 2022 to lease equipment and requires 60 monthly payments of \$1,353.

The lease liability was measured at the Authority's incremental borrowing rate. Variable payments based on the future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability. These variable payments include insurance, taxes, and other common area operating costs and are recognized as an expense in the period in which the obligation for those payments is incurred. Any components of those variable payments that are fixed in substance are included in the measurement of the lease liability.

- 2) Postage Equipment: The Authority and City of Eureka Housing Authority have been leasing and sharing postage equipment (78.67%, and 21.33%, respectively). The agreement was executed in January 2019 to lease postage equipment and requires 20 quarterly payments of \$747. The lease liability is measured using the Authority's incremental borrowing rate at the commencement date.

| | December 31, 2021 | Addition | Reductions | December 31, 2022 | Current Portion |
|-----------------|----------------------|------------------|-----------------|----------------------|--------------------|
| Lease liability | \$ - | \$ 53,740 | \$ 9,012 | \$ 44,728 | \$ 11,686 |
| | <u>\$ -</u> | <u>\$ 53,740</u> | <u>\$ 9,012</u> | <u>\$ 44,728</u> | <u>\$ 11,686</u> |

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 - LEASE LIABILITY - CONT'D

The future minimum payments schedule at year end, was as follows:

| Year ending December 31, | Principal | Interest | Total |
|-----------------------------|------------------|-----------------|------------------|
| 2023 | \$ 11,686 | \$ 1,420 | \$ 13,106 |
| 2024 | 10,042 | 1,030 | 11,072 |
| 2025 | 10,400 | 672 | 11,072 |
| 2026 | 10,770 | 301 | 11,071 |
| 2027 | 1,830 | 16 | 1,846 |
| Total | <u>\$ 44,728</u> | <u>\$ 3,439</u> | <u>\$ 48,167</u> |

NOTE 9 - 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, 2022, is summarized below:

| | |
|------------------------------------|----------------------|
| Total assets | <u>\$ 30,151,074</u> |
| Total liabilities | 15,993,620 |
| Net position | <u>14,157,454</u> |
| Total liabilities and net position | <u>30,151,074</u> |
| Total revenues | 5,385,976 |
| Total expenses | <u>6,907,586</u> |
| Change in net position | (1,521,610) |
| net position, beginning of year | <u>15,679,064</u> |
| net position, end of year | <u>\$ 14,157,454</u> |

NOTE 10 - NET POSITION

Net investment in capital assets was comprised of the following as of December 31, 2022:

| | |
|---|------------------|
| Capital assets, net of accumulated depreciation | \$ 45,687 |
| Intangible capital asset, net of accumulated amortization | 44,384 |
| Less: lease liability | <u>44,728</u> |
| Net investment in capital assets | <u>\$ 45,343</u> |

Restricted net position was comprised of the following as of December 31, 2022:

| | |
|--|-------------------|
| Restricted cash and cash equivalents | \$ 238,065 |
| Less: current liabilities covered by restricted assets | <u>(110,262)</u> |
| Restricted net position | <u>\$ 127,803</u> |

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 11 - 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.

NOTE 12 - BUSINESS RISKS AND CONCENTRATIONS

Concentration - Major Contributor

For the year ended December 31, 2022, 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 13 - 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. During the year, the note was fully received.

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, 2022, the balance of the note was \$582,629. This liability is reassessed annually based on 30% of the Net Pension Liability for City of Eureka Housing Authority and adjusted as required.

COUNTY OF HUMBOLDT HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - RELATED PARTY TRANSACTIONS - CONT'D

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, 2022, the balance of the note was \$168,317. This liability is reassessed annually based on 30% of the OPEB Liability for City of Eureka Housing Authority and adjusted as required.

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, 2022 the Authority has accrued \$55,860 in unpaid office rental fees from prior years. The Authority currently pays \$665 monthly on this liability.

SUPPLEMENTARY INFORMATION

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

| <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> | | |
| Housing Voucher Cluster: | | |
| Section 8 Housing Choice Vouchers | 14.871 | \$ 6,831,384 |
| Emergency Housing Vouchers (EHV) | 14.EHV | 671,373 |
| Mainstream Vouchers | 14.879 | <u>294,013</u> |
| Total U.S. Department of Housing and Urban Development (HUD) | | <u>7,796,770</u> |
| Total expenditures of federal awards | | <u>\$ 7,796,770</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, 2022

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, 2022. 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 06, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

Oakland, California
September 06, 2023

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 identified as subject to audit 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, 2022. 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, 2022.

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
September 06, 2023

**COUNTY OF HUMBOLDT HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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:

Federal Assistance Listing Number

Name of Federal Program or Cluster

14.871 and 14.879

Housing Voucher Cluster

| | |
|---|-----------|
| 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, 2022**

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, 2022**

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

RESOLUTION 501

**TO ACCEPT AGENCY AUDIT REPORTS
FISCAL YEAR ENDING DECEMBER 31, 2022**

WHEREAS, It is a requirement of the United States Department of Housing and Urban Development that the Housing Authority have an independent audit of Compliance and Internal Control Over Financial Reporting based on Audit of Financial Statements Performed in Accordance with Government Audit Standards; and

WHEREAS, It is a requirement of the United States Department of Housing and Urban Development that the Housing Authority have an independent audit of Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133; and

WHEREAS, The Housing Authority has contracted with Harshwal & Company LLP, Certified Public Accountants, to complete the audit; and

WHEREAS, Annual Audit has been completed and the Auditors Report has been submitted to the members of the Board of Commissioners for review and approval; and

WHEREAS, The Commissioners have reviewed the audit report and found it to be substantially correct.

NOW, THEREFORE, BE IT RESOLVED, that the Commissioners of the Housing Authority of the County of Humboldt do hereby accept the Audited Financial Statements for the fiscal year ending December 31, 2022.

PASSED AND ADOPTED on the 13 day of November 2023 by the following vote:

AYES:
NAYS:
ABSENT
ABSTAIN:

Name

Name

Title

Title

Signature

Signature

Housing Authority of the County of Humboldt

Board of Commissioners Meeting

November 13, 2023

Agenda Item 8b

Memorandum

To: Commissioners

From: Cheryl Churchill, Executive Director

Subject: Current Board and Commissioner Terms

BACKGROUND AND HISTORY:

The Housing Authority of the County of Humboldt Board of Commissioners bylaws allows for seven elected individuals representing five local districts, a senior tenant member, and a non-elderly tenant. Each term of a district commissioner is four years from the date of appointment. Each term of a tenant commissioner is two years from the date of appointment. At this time, there is a commissioner vacancy for district two.

The current board roster from the County of Humboldt clerk's office has been attached. As a reminder, below are the sections of the California state code regarding commissioner appointments.

California Health and Safety Code

CHAPTER 1. Housing Authorities Law 34200-34380

ARTICLE 3. Officers and Employees 34270-34286

Section 34271 - Appointment of commissioners; tenant commissioners

When the governing body of a county adopts such a resolution it shall appoint five persons as commissioners of the authority. The governing body shall appoint two additional commissioners who are tenants of the authority if the authority has tenants, or within one year after the authority first does have tenants. One such tenant commissioner shall be over 62 years of age if the authority has tenants of such age.

Section 34273 - Filing of certificate of appointment

A certificate of the appointment or reappointment of any commissioner shall be filed with the clerk and the certificate is conclusive evidence of the due and proper appointment of the commissioner.

STAFF RECOMMENDATION:

For discussion only.

HOUSING AUTHORITY COMMISSION (HUMBOLDT COUNTY)

AUTHORITY: Resolution Nos. 77-180 and 70-104

APPOINTING POWER: Board of Supervisors

MEMBERS: 7 (1 per district and 2 at-large tenant commissioners)

QUALIFICATIONS: Resident of the County

TERM: 4 years (District) and 2 years (Tenant)

FUNCTION: Authorized to exercise or transact County housing functions

DISCLOSURE CATEGORIES: 2, 3, 6, and 7

| <u>NAME</u> | <u>APPOINTED</u> | <u>REAPPOINTED</u> | <u>EXPIRES</u> |
|-------------|------------------|--------------------|----------------|
|-------------|------------------|--------------------|----------------|

District 1

| | | | |
|---|---------|----------------------------------|----------|
| MAUREEN FITZGERALD Eureka, Ca. 95501 morenie@hotmail.com | 10/9/07 | 09/04/12, 9/1/20 08/23/16 | 09/04/24 |
|---|---------|----------------------------------|----------|

District 2

VACANCY

District 3

| | | | |
|---|----------|----------------------------------|----------|
| ELIZABETH CONNER Arcata, Ca. 95521 econner@humboldt1.com | 09/06/11 | 08/25/15 09/03/19 08/22/23 | 09/04/27 |
|---|----------|----------------------------------|----------|

District 4

| | | | |
|---|----------|--|----------|
| KAYLEN ESCARDA Eureka, Ca. 95501 | 10/07/08 | 09/04/12 09/05/14 08/23/16 09/01/20 | 09/04/24 |
|---|----------|--|----------|

District 5

| | | | |
|--|----------|----------|----------|
| LESLIE ZONDERVAN-DROZ Trinidad, Ca. 95570 | 09/29/20 | 10/24/23 | 10/24/27 |
|--|----------|----------|----------|

TENANT COMMISSIONERS (ONE OVER 62 YEARS OF AGE, IF POSSIBLE) – 2 YEAR TERMS

Senior Tenant

| | | | |
|---------------|----------|---------|---------|
| Sylvia DeRooy | 08/27/19 | 11/7/23 | 11/7/27 |
|---------------|----------|---------|---------|

Non-Elderly Tenant

| | | | |
|-----------|----------|--|----------|
| LISA LEON | 10/18/22 | | 10/18/24 |
|-----------|----------|--|----------|

Contact: Cheryl Churchill, Executive Director
735 W. Everding St..
Eureka, CA 95501
443-4583 cherylr@eureka-humboldt-hsg.org

Meetings: The Humboldt County Housing Authority meets on the 2nd Monday of each month at noon at the Housing Authority Office at 735 Everding St., Eureka