

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT

Financial Statements & Independent Auditors' Report

For the Year Ended December 31, 2024



Housing Authority of the County of Humboldt

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For the Year Ended December 31, 2024

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Board of Commissioners

Housing Authority of the County of Humboldt
Eureka, CA

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Housing Authority of the County of Humboldt, as of and for the year ended December 31, 2024, and the related notes to financial statements, which collectively comprise the Housing Authority of the County of Humboldt's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the County of Humboldt, as of December 31, 2024, and the respective changes in financial position, and 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 (GAAS) 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 Housing Authority of the County of Humboldt, 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

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

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Humboldt's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is 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 August 6, 2025, on our consideration of the Housing Authority of the County of Humboldt'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 Housing Authority of the County of Humboldt'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 Housing Authority of the County of Humboldt's internal control over financial reporting and compliance.

August 5, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (the MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Housing Authority of the County of Humboldt's, (the Authority) financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent years' challenges), and (d) identify issues or concerns. This will now be presented at the front of each year's financial statements.

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 financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- Net position increased \$258,629 (76.97%) in 2024. Net position was \$594,663 and \$336,034 for 2024 and 2023, respectively.
- Total revenue increased \$1,912,196 (19.79%) in 2024. Total revenues were \$11,576,729 and \$9,664,533 for 2024 and 2023, respectively.
- Total expenses increased \$1,744,662 (18.22%) in 2024. Total expenses were \$11,318,098 and \$9,573,436 for 2024 and 2023, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. This MD&A is intended to serve as an introduction to the Authority's basic financial statements.

The following statements are included:

- Statement of Net Position - reports current financial resources (short-term expendable resources) with capital assets and long-term obligations.
- Statement of Revenue, Expenses, and Changes in Fund Net Position - reports operating and nonoperating revenue, by major source along with operating and nonoperating expenses and capital contributions.
- Statement of Cash Flows - reports cash flows from operating, investing, capital, non-capital activities.

Housing Authority of the County of Humboldt

Management's Discussion and Analysis
For the Year Ended December 31, 2024

FINANCIAL ANALYSIS

The following tables focus on the Net Position and the change in net position of the primary government as a whole.

TABLE 1 - STATEMENT OF NET POSITION

	2024	2023	Change	
			Dollar	Percentage
ASSETS				
Current assets	\$ 1,590,637	\$ 1,414,856	\$ 175,781	12.42%
Capital & non-current assets	52,335	69,594	(17,259)	-24.80%
Total assets	1,642,972	1,484,450	158,522	10.68%
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	N/A
LIABILITIES				
Current liabilities	106,819	180,816	(73,997)	-40.92%
Non-current liabilities	941,490	967,600	(26,110)	-2.70%
Total liabilities	1,048,309	1,148,416	(100,107)	-8.72%
DEFERRED INFLOWS OF RESOURCES	-	-	-	N/A
NET POSITION				
Investment in capital assets	29,335	36,552	(7,217)	-19.74%
Restricted net position	14,800	35,064	(20,264)	-57.79%
Unrestricted net position	550,528	264,418	286,110	108.20%
Total net position	\$ 594,663	\$ 336,034	\$ 258,629	76.97%

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

The Authority's net position increased by \$258,629 (76.97%) due to the following factors:

Total assets increased by \$158,522 (10.68%) primarily due to the following:

- **Total cash increased \$165,375 (11.97%)**, driven by a \$231,925 increase in unrestricted cash primarily resulting from an increase in voucher utilization, while restricted cash decreased \$66,550. The decrease in restricted cash was a result of planned utilization of the Emergency Housing Voucher (EHV) services fees reserve to support program costs.
- **Total capital & non-current assets decreased \$17,259 (24.80%)** primarily as a result of regular depreciation of the Authority's capital assets.

Total Liabilities decreased by \$100,107 (8.72%) primarily due to the following:

- **Current liabilities decreased \$73,997 (40.92%)** primarily due to the utilization of EHV services fees and the related reduction in unearned revenue.
- **Non-current liabilities decreased \$26,110 (2.7%)** primarily due to a reduction in the Authority's long-term pension and other post-employment benefits (OPEB) liability (See Note 10).

Housing Authority of the County of Humboldt

Management's Discussion and Analysis
For the Year Ended December 31, 2024

TABLE 2 - STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION

The following schedule compares the revenue and expenses for the current and previous fiscal years. The Authority is engaged only in business-type activities.

	2024	2023	Change	
			Dollar	Percentage
Government grants	\$ 11,531,205	\$ 9,621,156	\$ 1,910,049	19.85%
Other income	33,575	34,722	(1,147)	-3.30%
Interest income	11,949	8,655	3,294	38.06%
TOTAL REVENUES	11,576,729	9,664,533	1,912,196	19.79%
Administration	943,732	898,821	44,911	5.00%
Tenant services	84,579	320,921	(236,342)	-73.64%
Utilities	15,447	13,783	1,664	12.07%
Maintenance and operations	17,579	13,916	3,663	26.32%
Insurance	32,524	32,170	354	1.10%
Other expenses	99,876	101,142	(1,266)	-1.25%
Housing Assistance Payments	10,106,073	8,170,786	1,935,287	23.69%
Depreciation and amortization	17,259	20,477	(3,218)	-15.72%
Interest expense	1,029	1,420	(391)	-27.54%
TOTAL EXPENSES	11,318,098	9,573,436	1,744,662	18.22%
CHANGE IN NET POSITION	258,631	91,097	167,534	183.91%
BEGINNING NET POSITION	336,032	244,935		
ENDING NET POSITION	\$ 594,663	\$ 336,032		

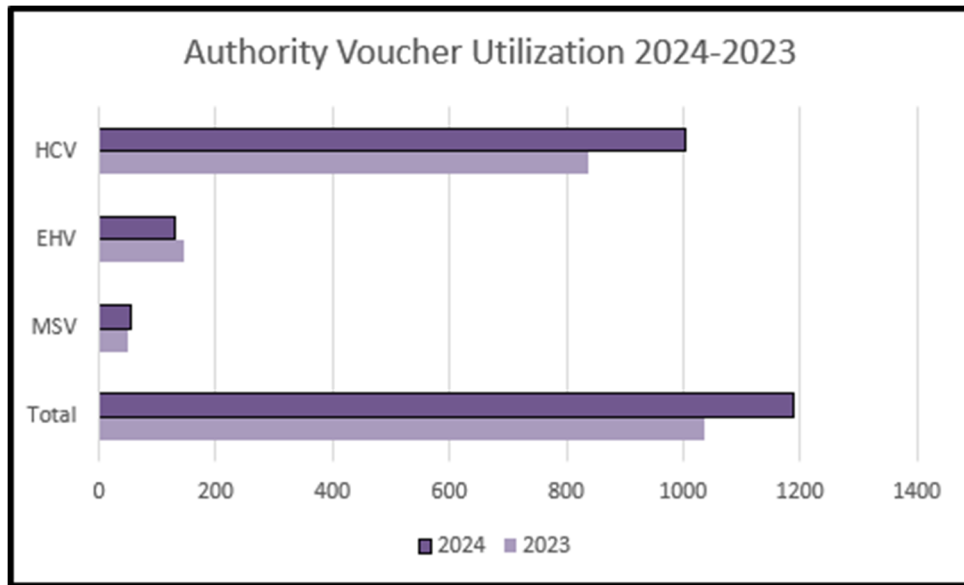
MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION

Total Revenues increased by \$1,912,196 (19.79%) primarily due to an increase in voucher growth across all programs of 154 vouchers (14.86%) and the associated increase in both administrative and Housing Assistance Payment (HAP) funding. For illustration, our year-end voucher counts across our Housing Choice Voucher (HCV), Emergency Housing Voucher (EHV) and Mainstream Voucher (MSV) programs are as follows:

Program	2024	2023	Voucher Utilization Change	Voucher Utilization % Change
HCV	1,003	838	165	19.69%
EHV	131	147	(16)	-10.88%
MSV	56	51	5	9.80%
Total	1,190	1,036	154	14.86%

Housing Authority of the County of Humboldt

Management's Discussion and Analysis
For the Year Ended December 31, 2024



Total Expenses increased by \$1,744,662 (18.22%) due to the voucher growth discussed previously. As our voucher programs grow, so do the associated HAP and administrative costs that are needed to support the Authority's programs. HAP costs increased \$1,935,287 (23.69%) and administrative costs increased \$44,911 (5.00%) directly related to supporting voucher growth. The voucher program expense increases were partially offset by a reduction in Tenant services expense related to EHV services fees of \$236,342 (73.64%). This decline reflects HUD's planned discontinuance of new EHV voucher issuance and the reduced need for initial lease-up support for new vouchers.

CAPITAL ASSETS

As of December 31, 2024, investment in capital assets for its business-type activities was \$52,335 net of accumulated depreciation and accumulated amortization. This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress.

	2024	2023	Change	
			Dollar	Percentage
Buildings and improvements	\$ 36,517	\$ 36,517	\$ -	0.00%
Equipment	69,417	69,417	-	0.00%
Right to use, equipment	49,816	53,740	(3,924)	-7.30%
	155,750	159,674	(3,924)	-2.46%
Accumulated depreciation	(76,017)	(68,878)	(7,139)	10.36%
Accumulated amortization	(27,398)	(21,202)	(6,196)	29.22%
Net capital assets	<u>\$ 52,335</u>	<u>\$ 69,594</u>	<u>\$ (17,259)</u>	-24.80%

LEASE PAYABLE

As of December 31, 2024, the Housing Authority of the County of Humboldt had \$23,000 of lease payable outstanding, a decrease of \$10,042 from the prior fiscal year. The change in the lease payable is presented in detail in the Notes to the Financial Statements.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflation, recession, and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL CONTACT

This financial report is designed to provide users of these financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The individual to be contacted regarding this report is Cheryl Churchill, Executive Director for the Housing Authority of the County of Humboldt, at (707) 443-4583.

Specific requests may be submitted to:

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

Housing Authority of the County of Humboldt

Statement of Net Position

December 31, 2024

ASSETS**Current Assets**

Cash and cash equivalents	
Unrestricted	\$ 1,495,136
Restricted	51,565
Subtotal	1,546,701
Accounts receivable, net	16,179
Prepaid expenses	27,757
Total Current Assets	1,590,637

Non-Current Assets

Capital assets, net	29,917
Right-to-use leased assets, net	22,418
Total Non-Current Assets	52,335

TOTAL ASSETS**1,642,972****DEFERRED OUTFLOWS OF RESOURCES****-****LIABILITIES****Current Liabilities**

Accounts payable	6,052
Compensated absences current	2,637
Unearned revenue	37,131
Other liabilities current	42,619
Related party obligation, current	7,980
Lease payable current	10,400
Total Current Liabilities	106,819

Non-Current Liabilities

Compensated absences	85,274
Related party obligations	843,616
Lease payable	12,600
Total Non-Current Liabilities	941,490

TOTAL LIABILITIES**1,048,309****DEFERRED INFLOWS OF RESOURCES****-****NET POSITION**

Net investment in capital assets	29,335
Restricted	14,800
Unrestricted	550,528
TOTAL NET POSITION	\$ 594,663

Housing Authority of the County of Humboldt
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2024

Operating Revenues	
Government grants	\$ 11,531,205
Other income	33,575
Total Operating Revenues	11,564,780
Operating Expenses	
Administration	943,732
Tenant services	84,579
Utilities	15,447
Maintenance and operations	17,579
Insurance expense	32,524
General expense	99,876
Housing Assistance Payments	10,106,073
Depreciation and amortization	17,259
Total Operating Expenses	11,317,069
NET OPERATING INCOME (LOSS)	247,711
Non-Operating Revenues (Expenses)	
Interest income	11,949
Interest expense	(1,029)
Total Non-Operating Revenues (Expenses)	10,920
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	258,631
CHANGE IN NET POSITION	258,631
BEGINNING NET POSITION	336,032
ENDING NET POSITION	\$ 594,663

Housing Authority of the County of Humboldt

Statement of Cash Flows
For the Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and users	\$ -
Receipts from operating grants	11,445,632
Receipts from other sources	29,022
Payments for goods and services	(403,974)
Payments for Housing Assistance Payments	(10,106,073)
Payments to employees for services	(800,110)

NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES

164,497

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments on loans	(10,042)
Payments of interest	(1,029)

NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES

(11,071)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from investment activities	11,949
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NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES

11,949

NET INCREASE (DECREASE) IN CASH

165,375

BEGINNING CASH

1,381,326

ENDING CASH

\$ 1,546,701

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

Operating income (loss)	\$ 247,711
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Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation and amortization	17,259
Related party obligations	(21,142)

Change in Assets and Liabilities

(Increase) decrease in accounts receivable	(11,019)
(Increase) decrease in prepaid expenses	889
Increase (decrease) in accounts payable	(3,091)
Increase (decrease) in accrued liabilities	12,997
Increase (decrease) in unearned revenue	(79,107)

Total Adjustments

(83,214)

Net Cash Provided (Used) by Operating Activities

\$ 164,497

Interest Paid

\$ 1,029

NOTE 01 - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY

Introduction

The financial statements of the Housing Authority of the County of Humboldt (the Authority) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and, therefore, presents only the financial statements required for enterprise funds, in accordance with GASB. For these governments, basic financial statements and required supplemental information consist of:

- Management's Discussion and Analysis (MD&A)
- Enterprise fund financial statements consist of:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
- Notes to Financial Statements
- Required supplemental information other than MD&A and supplemental information

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

The Authority was incorporated on December 1, 1970, California State Health and Safety Code, Section 34240. The Authority was established to provide clean, decent, safe, sanitary, and affordable housing to low-income families in the County of Humboldt, CA. Commissioners are appointed by the Authority's board of supervisors. Regular commissioners serve terms of four years, and tenant commissioners serve two years. The board consists of six commissioners. The Executive Director is appointed by the Board and is responsible for the daily functions of the Authority.

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 the 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 participant's rent at 30% of household income.

GASB Statement No. 14 established criteria for determining the governmental reporting entity. Under provisions of this statement, the Housing Authority of the County of Humboldt is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB 14, fiscally independent means that the Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

Housing Authority of the County of Humboldt

Notes to Financial Statements
For the Year Ended December 31, 2024

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards* and Statement No. 14 and No. 61 of the *Government Accounting Standards Board, the Financial Reporting Entity*.

- The organization is legally separate (can sue and be sued in their own name).
- The Authority holds the corporate powers of the organization.
- The Authority appoints a voting majority.
- The Authority is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Authority.
- There is fiscal dependency by the organization on the Authority.

Based on the aforementioned criteria and relationship between the Housing Authority of the County of Humboldt and Humboldt County (the County), the Authority has determined not to be a component unit of the County on the following:

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the County, and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority. The County provides the Authority no ongoing funding. Additionally, the County 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 the Housing Authority of the City of Eureka (HACE). HACE and the Authority function together as a combined public housing authority while maintaining separate boards and by-laws. Although two distinct corporate entities, HACE and the Authority operate in a cooperative manner, efficiently sharing administrative functions to deliver housing resources and services. One executive director oversees both entities with shared staff, office space, and equipment. Costs for shared resources are allocated based on actual usage and other appropriate methods.

Management applied the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14* to determine whether the component units should be reported as blended or discretely presented component units. The criteria included whether the Authority appoints the voting majority of the governing board, there is a financial benefit/burden relationship, the Authority is able to impose its will, the component unit is fiscally dependent on the Authority, the component unit's governing body is substantially the same as the Authority, and management of the Authority have operational responsibility for the activities of the component unit. These criteria were used to determine the Authority has no component units.

Basis of Presentation

The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the Statement of Net Position. In the Statement of Net Position, equity is classified as net position and displayed in three components:

Housing Authority of the County of Humboldt

Notes to Financial Statements
For the Year Ended December 31, 2024

- Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets.
- Restricted net position - Consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- Unrestricted net position - All other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

Basis of Accounting

The Authority uses the accrual basis of accounting in the proprietary funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Enterprise Fund

This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided. When both restricted and unrestricted net positions are available for use, generally it is the Authority’s policy to use restricted resources first.

Budgetary Data

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets that are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD. These budgets are adopted using a HUD outline that is not consistent with generally accepted accounting principles and are used for HUD purposes only.

Cash and Equivalents

The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

The Board

<u>Name</u>	<u>Term Expires</u>	<u>Position</u>
Elizabeth Conner	9/4/2027	Chairperson
Maureen Fitzgerald	9/4/2028	Vice-Chairperson
Kaylen Escarda	9/4/2028	Commissioner
Leslie Zondervan-Droz	10/24/2027	Commissioner
Sylvia Derooy	11/7/2025	Commissioner
Lisa Leon	10/18/2028	Commissioner

In addition to the above, the Administrator of the Authority is Ms. Cheryl Churchill, the Executive Director. Based upon the above criteria all the operations of the Authority are included in these financial statements.

Accounts Receivable

Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

Amounts due from other governments and other housing authorities related to Housing Choice Voucher Port In vouchers are deemed by management as fully collectible and no allowance has been established for those types of accounts receivable.

Prepaid Expenses

When applicable, prepaid expenses represent payments made to vendors for service that will provide a future benefit beyond December 31, 2024.

Revenues and Expenses

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority are operating activities including interest, income, and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include HUD funding for operating expenses.

Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the non-operating revenue and expense.

Use of 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. The most significant estimates relate to depreciation and useful lives.

Capital Assets and Depreciation

Capital assets are stated at historical cost. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. If the initial cost of a piece of equipment and/or other personal property is five thousand dollars (\$5,000) or more and the anticipated life or useful value of said equipment or property is more than one (1) year, the purchased property/equipment will be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

The Authority has recorded the 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 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.

The estimated useful lives for each major class of depreciable capital assets are as follows:

<u>Category</u>	<u>Useful Life</u>
Buildings, structures, and site improvements	5 - 40 Years
Vehicles	7 Years

Deferred Inflows/Outflows of Resources

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 criteria.

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 no items that meet this criteria.

Compensated Absences

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation and sick pay are recorded as an expense and related liability in the year earned by employees.

Insurance

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of insurance, but should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the Authority. As of the date of the report, the Authority had necessary insurance coverage in force.

Leases

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 the 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 leased 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) the 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 prices 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.

Lease Liabilities

Per GASB 87, leases and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the 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 the commencement date to determine the present value of future payments.

Income Taxes

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

Internal Activity and Balances

All transfers, intercompany charges and other interfund activity balances have been eliminated from the basic financial statements in accordance with GASB pronouncements.

Authorized Investments

Investments of the Authority are limited to investment types prescribed by HUD in PIH Notice 1996-33 or as amended by future HUD notices.

Additionally, the Authority limits investment types to those that are authorized in accordance with Section 53601 of the California Government Code.

Investment Policy

The investment policy of the Authority, 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.

Subsequent Events

Management evaluated the activity of the Authority through August 5, 2025, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statement.

Fair Market Value

Accounting pronouncements define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. These pronouncements established a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The estimated fair value of the Authority's financial instruments has been determined by management using available market information. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the fair values are not necessarily indicative of the amounts that the Authority could be realized in a current market exchange. The use of different market assumptions may have a material effect on the estimated fair value amounts.

The carrying amounts of cash and cash equivalents, receivables, payables, and accrued liabilities are a reasonable estimate of their fair value, due to their short-term nature and method of computation. All financial assets that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. All of the Authority's investments are valued using Level 3 inputs.

NOTE 02 - CASH AND CASH EQUIVALENTS

At December 31, 2024, the Authority's deposits amounted to \$1,546,701. Of the bank balances held in various financial institutions, \$250,000 was covered by Federal Depository Insurance and the remainder was covered by collateral held under the Dedicated Method.

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares. Separate LAIF financial statements are available from the California State Treasurer's Office at www.treasurer.ca.gov. The Authority's investment in this pool is reported in the accompanying financial statements at cost, which approximates fair value at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities. LAIF's exposure to risk (credit, market, or legal) is not currently available.

All deposits of the Authority are with financial institutions meeting State and Federal deposit requirements.

Cash and cash equivalents were comprised of the following as of December 31, 2024:

Unrestricted	
Checking, Money Market, and LAIF accounts	\$ 1,495,136
Subtotal	1,495,136
Restricted	
Housing Assistance Payments	14,800
Other restricted funds	36,765
Subtotal	51,565
Total Cash and Equivalents	\$ 1,546,701

Interest rate risk - As a means of limiting its exposure to market value losses arising from rising interest rates, the Authority typically limits its investment portfolio to maturities of 12 months or less. The Authority has no specific policy regarding interest rate risk.

Credit risk - Custodial credit risk for investments is the risk that, in the event of institution failure, a government's investments may not be returned. State statute governs collateral requirements and forms of collateral under state statutes. Authorized security for investments enumerated under law includes direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. The Authority does not have a custodial credit risk policy that is more restrictive than state statutes.

Concentration of credit risk - The Authority places no limit on the amount that it may invest in any one issuer. The Authority has no policy regarding credit risk and has the following deposit amounts at these institutions.

Custodial credit risk - For a deposit or investment account, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the deposits of the Authority are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the Federal Depository Insurance Coverage level are collateralized with securities held by the Authority's agents in these units' names.

Housing Authority of the County of Humboldt

Notes to Financial Statements
For the Year Ended December 31, 2024

NOTE 03 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2024, consisted of the following:

Tenant fraud recovery receivables	\$ 47,581
Allowance for receivables	(43,135)
Net receivable	4,446
Due from other governments	8,414
Miscellaneous receivables	129
Interest receivable	3,190
Accounts Receivable, Net	\$ 16,179

NOTE 04 - CAPITAL ASSETS

A summary of changes in capital assets were as follows:

	Balance at 12/31/23	Additions	Deletions	Balance at 12/31/24
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings and improvements	36,517	-	-	36,517
Furniture and equipment	69,417	-	-	69,417
Total capital assets being depreciated	105,934	-	-	105,934
Accumulated depreciation	(68,878)	(7,139)	-	(76,017)
Net capital assets being depreciated	37,056	(7,139)	-	29,917
Capital Assets, Net	\$ 37,056	\$ (7,139)	\$ -	\$ 29,917
	Balance at 12/31/23	Additions	Deletions	Balance at 12/31/24
Right to use, equipment	\$ 53,740	\$ -	\$ (3,924)	\$ 49,816
Accumulated amortization	(21,202)	(10,120)	3,924	(27,398)
Right to Use, Net	\$ 32,538	\$ (10,120)	\$ -	\$ 22,418

For the year ended December 31, 2024, the Authority reported depreciation and amortization expense of \$17,259.

NOTE 05 - LONG-TERM LIABILITIES

The following is a summary of the activity for non-current liabilities for the year ended December 31, 2024:

	Balance at 12/31/23	Additions	Deletions	Balance at 12/31/24	Due within One Year
Compensated absences	\$ 74,085	\$ 96,544	\$ (82,718)	\$ 87,911	\$ 2,637
Related party obligations	880,718	-	(29,122)	851,596	7,980
Lease payable	33,042	-	(10,042)	23,000	10,400
Total	\$ 987,845	\$ 96,544	\$ (121,882)	\$ 962,507	\$ 21,017

Housing Authority of the County of Humboldt

Notes to Financial Statements
For the Year Ended December 31, 2024

NOTE 06 - LEASE PAYABLE

Lease liability at December 31, 2024, consisted of the following:

Copier Lease

The Authority and Housing Authority of the City of Eureka have been leasing and sharing copier equipment (78.66% and 21.34%, 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 (4.23%). 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.

	\$ 23,000
Total lease payable	<u>\$ 23,000</u>

Aggregate maturities of principal and interest due in future years are as follows:

Years Ended December 31,	Principal	Interest	Total
2025	\$ 10,400	\$ 672	\$ 11,072
2026	10,770	302	11,072
2027	1,830	16	1,846
2028	-	-	-
2029	-	-	-
2030 - 2034	-	-	-
Total	<u>\$ 23,000</u>	<u>\$ 990</u>	<u>\$ 23,990</u>

NOTE 07 - NET POSITION

The Authority calculates net investment in capital assets and restricted net position as follows:

Capital assets not being depreciated	\$ -
Capital assets, net	29,917
Right to use leased assets, net	22,418
Related debt	(23,000)
Net Investment in Capital Assets	<u>\$ 29,335</u>
Restricted cash	\$ 51,565
Unearned EHV fees	(36,765)
Restricted Net Position	<u>\$ 14,800</u>

NOTE 08 - COMMITMENTS AND CONTINGENCIES

Legal: The Authority is party to no pending or threatened legal actions arising from the normal course of its operations.

Grants and Contracts: The Authority participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of December 31, 2024.

Insurance: The Authority participates in the Housing Authorities Risk Retention Pool (HARRP), which is a public entity pool for housing authorities in California, Oregon, Washington, and Nevada. The Authority pays an annual premium to HARRP for property, auto and errors and omissions coverage. The pool reinsures through commercial insurance companies for excess insurance as determined by the board. Additionally, the Authority participates in the California Housing Workers Compensation Authority (CHWCA), an intergovernmental risk-sharing joint powers authority created pursuant to California Government Code Section 6500, et. Seq. The Authority pays quarterly premiums to CHWCA for workers compensation coverage.

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors, and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 09 - ECONOMIC DEPENDENCE

For the year ended December 31, 2024, approximately 99.61% of revenues reflected in the financial statement are directly or indirectly from HUD. The Authority's operations are concentrated in the low-income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operation of the Authority is 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 cost, including the additional administrative burden to comply with the change.

NOTE 10 - RELATED PARTY TRANSACTIONS**Shared Administration**

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

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 allocated to staff members from the Housing Authority of the City of Eureka, which participates in a defined benefit plan with the State of California (PERS). The Housing Authority of the City of Eureka implemented GASB 68 Accounting and Financial Reporting for Pensions during the fiscal year 2015. This resulted in the Authority establishing a note payable to the Housing Authority of the City of Eureka for the Authority's agreed-upon allocable portion of the net pension liability. As of December 31, 2024, the balance of the note was \$635,073. This liability is reassessed annually based on 30% of the Net Pension Liability for the Housing Authority of the City of Eureka and adjusted as required.

Liability for OPEB Plan

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 the Housing Authority of the City of Eureka, which does offer other post-employment benefits. The Housing Authority of the City of Eureka implemented GASB 75 during the fiscal year 2018. This resulted in the Authority establishing a note payable to the Housing Authority of the City of Eureka for the Authority's agreed-upon allocable portion of the net OPEB liability. As of December 31, 2024, the balance of the note was \$176,623. This liability is reassessed annually based on 30% of the OPEB Liability for the Housing Authority of the City of Eureka and adjusted as required.

Housing Authority of the County of Humboldt

Notes to Financial Statements
For the Year Ended December 31, 2024

Liability for Rent

The Authority is charged rental expenses for the Authority's usage of the office facilities that are owned by the Housing Authority of the City of Eureka. In 2011, the Authority did not have adequate cash flow to pay the Housing Authority of the City of Eureka for rent charges during the year. A note payable was established as a zero percent non-interest bearing note payable. For the year ended December 31, 2024, the Authority has accrued \$39,900 in unpaid office rental fees from prior years. The Authority currently pays \$665 monthly on this liability.

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Housing Authority of the County of Humboldt

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2024

	Assistance Listing Number(s)	Award Type	Expenditures
U.S. Department of HUD			
Housing Choice Vouchers			\$ 9,230,444
Emergency Housing Vouchers			1,731,725
Total Housing Choice Voucher	14.871	Direct	10,962,169
Mainstream Vouchers	14.879	Direct	569,036
Total Housing Voucher Center Cluster			11,531,205
Totals U.S. Department of HUD			11,531,205
Total Expenditures of Federal Awards			\$ 11,531,205
Award Type			
Direct			\$ 11,531,205
Indirect			\$ -

NOTE 1: SCOPE OF PRESENTATION

The accompanying schedule presents the expenditures incurred (and related awards received) by the Housing Authority of the County of Humboldt (Authority) that are reimbursable under federal programs of federal agencies providing financial assistance awards. For the purpose of this schedule, only the portion of the program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with local or other nonfederal funds are excluded from the accompanying schedule. This schedule also only includes the amounts expended by the Authority, none of the amount expended, if any, by the blended or discretely present component units have been included.

NOTE 2: BASIS OF ACCOUNTING

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Expenditures are recognized in the accounting period in which the related liability is incurred. Expenditures reported included any property or equipment acquisitions incurred under the federal program. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 3: 10% DE MINIMIS INDIRECT COST RATE

The Authority has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, section 414.

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Board of Commissioners

Housing Authority of the County of Humboldt
Eureka, CA

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*

Independent Auditors' Report

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 the Housing Authority of the County of Humboldt as of and for the year ended December 31, 2024, and the related notes to financial statements, which collectively comprise the Housing Authority of the County of Humboldt's basic financial statements, and have issued our report thereon dated August 5, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the County of Humboldt's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Humboldt's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Humboldt'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 Housing Authority of the County of Humboldt's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal controls 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Housing Authority of the County of Humboldt's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of Humboldt's control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the County of Humboldt's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 5, 2025

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Board of Commissioners

Housing Authority of the County of Humboldt
Eureka, CA

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Independent Auditors' Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of the County of Humboldt's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the County of Humboldt's major federal programs for the year ended December 31, 2024. The Housing Authority of the County of Humboldt'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 Housing Authority of the County of Humboldt 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, 2024.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Housing Authority of the County of Humboldt 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 Housing Authority of the County of Humboldt'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 the Housing Authority of the County of Humboldt'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 Housing Authority of the County of Humboldt'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 GAAS, *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 Housing Authority of the County of Humboldt's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Housing Authority of the County of Humboldt'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 Housing Authority of the County of Humboldt'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 Housing Authority of the County of Humboldt'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.

August 5, 2025

Housing Authority of the County of Humboldt

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Internal controls over financial reporting:

Material weakness(es) identified

Significant deficiency(ies) identified

Noncompliance material to financial statements noted

Federal Awards

Internal control over major federal programs

Material weakness(es) identified

Significant deficiency(ies) identified

Type of auditors' report issued on compliance for major federal programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

Identification of major federal programs:

ALN(s)	Name of Federal Program or Cluster
14.871	Housing Choice Vouchers
14.879	Mainstream Vouchers

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as a low-risk auditee:

Section II Financial Statement Findings

No findings

Section III Federal Awards Findings

No findings to reported under 2CFR200 Section 516(a) of the Uniform Guidance

Housing Authority of the County of Humboldt
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2024

Financial Statement Findings

Prior Year Findings Number	Findings Title	Status/Current Year Findings Number
N/A	N/A	N/A

Federal Award Findings and Questioned Costs

Prior Year Findings Number	Findings Title	Status/Current Year Findings Number
N/A	N/A	N/A