



# **HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA**

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**Financial Statements & Independent Auditors' Report**

**For the Year Ended March 31, 2024**



**smithmarion**

# Housing Authority of the City of Santa Barbara

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For the Year Ended March 31, 2024

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**Board of Commissioners**  
**Housing Authority of the City of Santa Barbara**  
Santa Barbara, CA

## **Independent Auditors' Report**

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of business-type activities and the aggregated discretely presented component units of business-type activities of the Housing Authority of the City of Santa Barbara as of and for the year ended March 31, 2024, 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, discretely presented component units and combining schedule of business-type activities of the Housing Authority of the City of Santa Barbara, as of March 31, 2024, and the respective change in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Villa Santa Fe, L.P., Santa Barbara Housing Partnership IV, 813 East Carrillo Street, L.P., 251 South Hope Associates, L.P., Grace Village Apartments, L.P. or Vera Cruz, L.P., which represent 100% percent, 100% percent, and 100% percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors.

#### ***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. The financial statements of the aggregate discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of Housing Authority of the City of Santa Barbara 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 Housing Authority of the City of Santa Barbara'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 Housing Authority of the City of Santa Barbara'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 Housing Authority of the City of Santa Barbara'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 i-vi and schedule of net OPEB liability on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Santa Barbara’s basic financial statements. The supplemental information, as described in The Table of Contents, and the Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information 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 November 26, 2024, on our consideration of the Housing Authority’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Housing Authority of the City of Santa Barbara’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 Housing Authority of the City of Santa Barbara’s internal control over financial reporting and compliance.

November 26, 2024

**HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA**  
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2024

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As management of the Housing Authority of the City of Santa Barbara, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2024.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- Total operating revenue for all programs, net of interfund eliminations, was approximately \$64.2 million. Tenant rental revenue generated approximately \$10.8 million and HUD operating grants provided approximately \$52.7 million.
- Total operating expenses for all programs, net of interfund eliminations, was approximately \$61.7 million. Housing assistance payments to landlords on behalf of tenants represented approximately \$38.4 million. Administrative expenses (\$8.0 million), maintenance and operations (\$5.9 million) and tenant services (\$2.2 million) were other significant expense categories.
- The assets of the Housing Authority exceeded its liabilities at the close of the year by \$205.8 million. Of that amount, \$71.7 million was considered unrestricted net position and \$13.1 million was restricted net position. The remaining balance of \$120.9 million was net investment in capital assets.
- The Housing Authority's total net position increased by \$4.2 million (2.1%) from the prior fiscal year (Table 1).

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements, which are comprised of the Combined Statement of Net Position, the Combined Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement of Cash Flows. This report also includes notes to the financial statements and supplementary information.

The financial statements report information on the Authority net of interfund activity.

The *Combined Statement of Net Position* presents information on the Authority's assets, including deferred outflows of resources, and liabilities, including deferred inflows of resources, with the difference between the two reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Combined Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Combined Statement of Cash Flows* presents the change in the Authority's cash and cash equivalents during the most recent fiscal year.

**HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA**  
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2024

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**Fund Accounting.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by the United States Department of Housing and Urban Development (HUD). However, the Authority has established other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other moneys. All funds of the Authority are categorized as Enterprise Funds.

Enterprise Funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of enterprise funds is on income measurement which, together with the maintenance of equity, is an important financial indication.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

**Supplemental Information.** Certain information is required to be included in this report by various federal agencies. This information is included after the notes to the financial statements, under the title "Supplementary Information."

### **Financial Analysis**

As noted earlier, the Authority uses funds to help it control and manage money for particular purposes. The analysis below focuses on the net position (Table 1) and the changes in the net position (Table 3) of the Authority as a whole. The Authority's net investment in capital assets (e.g. land, buildings and improvements, furniture, equipment, and machinery) represents approximately 58.7% of total net position. The Authority uses these capital assets to provide services to clients; consequently, these assets are not available for future spending.

Table 1, on the next page, presents a summary of changes in the Authority's statement of net position from the fiscal year ended March 31, 2023 to the fiscal year ended March 31, 2024. The following is an explanation of some of the changes between fiscal years, as shown in Table 1.

- **Current assets** increased approximately \$5.2 million (11.2%). Combined cash and investments, both restricted and unrestricted, accounts for the entirety of the increase, increasing approximately \$5.5 million (10.4%). The increase was due to the results of operating activity for the year.
- **Non-Current assets** (excluding capital assets) increased slightly from the prior fiscal year-end, with an increase of \$1.8 million (4.0%).
- **Capital assets** (net of depreciation) increased from the prior fiscal year-end with an increase of approximately \$10.2 million (6.4%) as a result of the acquisition of additional rental properties during the fiscal year. Table 2, on the next page, summarizes the changes in capital assets.

**HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA**  
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2024

Table 1

	<u>3/31/2023</u>	<u>3/31/2024</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 46,331,923	\$ 51,524,410	\$ 5,192,487	11.2%
Capital Assets, Net of Depreciation	160,111,645	170,358,873	10,247,228	6.4%
Non-Current Assets	44,911,708	46,707,821	1,796,113	4.0%
Deferred Outflow of Resources	<u>171,396</u>	<u>154,511</u>	<u>(16,885)</u>	-9.9%
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 251,526,672</u>	<u>\$ 268,745,615</u>	<u>\$ 17,218,943</u>	6.8%
Current Liabilities	\$ 3,312,786	\$ 3,370,821	\$ 58,035	1.8%
Non-Current Liabilities	<u>41,652,502</u>	<u>52,903,810</u>	<u>11,251,308</u>	27.0%
<b>Total Liabilities</b>	<u>\$ 44,965,288</u>	<u>\$ 56,274,631</u>	<u>\$ 11,309,343</u>	25.2%
Deferred Inflows of Resources	5,002,208	6,701,474	1,699,266	34.0%
Net Position				
Net Investment in Capital	\$ 121,591,042	\$ 120,867,973	\$ (723,069)	-0.6%
Restricted Net Position	12,425,997	13,159,536	733,539	5.9%
Unrestricted Net Position	<u>67,542,137</u>	<u>71,742,001</u>	<u>4,199,864</u>	6.2%
<b>Net Position</b>	<u>\$ 201,559,176</u>	<u>\$ 205,769,510</u>	<u>\$ 4,210,334</u>	2.1%
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 251,526,672</u>	<u>\$ 268,745,615</u>	<u>\$ 15,519,677</u>	6.2%

- **Total liabilities** increased approximately \$11.3 million (25.2%). Of that amount, \$58,035 (1.8%) was an increase in current liabilities and approximately \$11.3 million (27.0%) was an increase in non-current liabilities. The entire increase in non-current liabilities is in long-term debt (capital projects/mortgages), which increased approximately \$11 million (29.1%). The increase was due to additional mortgage debt associated with property acquisitions during the fiscal year.

- **Total net position** increased approximately \$4.2 million (2.1%).

Table 2

**FIXED ASSETS**

	<u>3/31/2023</u>	<u>3/31/2024</u>	<u>Change</u>	<u>% Change</u>
Land	\$ 82,216,743	\$ 89,766,743	\$ 7,550,000	9.2%
Depreciable Capital Assets	116,403,767	123,554,429	7,150,662	6.1%
Less Accumulated Depreciation	<u>(38,508,865)</u>	<u>(42,962,299)</u>	<u>(4,453,434)</u>	11.6%
<b>Net Capital Assets</b>	<u>\$ 160,111,645</u>	<u>\$ 170,358,873</u>	<u>\$ 10,247,228</u>	6.4%



**HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA**  
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2024

Table 3, below, presents a comparison of the Authority's Combined Statement of Revenues, Expenses and Change in Net Position for the fiscal years ended March 31, 2023 and 2024. The following are some of the changes between fiscal years as shown in the table.

**Table 3**  
**CHANGE IN NET POSITION**

<b>Operating Revenues</b>	<b>3/31/2023</b>	<b>3/31/2024</b>	<b>Change</b>	<b>% Change</b>
Tenant Revenue	\$ 9,788,026	\$ 10,770,788	\$ 982,762	10.0%
HUD Operating Grants	47,924,963	52,693,753	4,768,790	10.0%
Other Operating Income	3,841,344	689,546	(3,151,798)	-82.0%
<b>Total Operating Revenue</b>	<b>\$ 61,554,333</b>	<b>\$ 64,154,087</b>	<b>\$ 2,599,754</b>	<b>4.2%</b>
<b>Operating Expenses</b>				
Administration	\$ 6,473,007	\$ 8,039,810	\$ 1,566,803	24.2%
Utilities	1,634,499	1,264,258	(370,241)	-22.7%
Maintenance & Operations	4,689,307	5,895,771	1,206,464	25.7%
Insurance	549,188	700,554	151,366	27.6%
General	1,264,395	724,464	(539,931)	-42.7%
Depreciation	4,201,996	4,453,434	251,438	6.0%
Housing Assistance Payments	34,766,747	38,447,910	3,681,163	10.6%
Tenant Services	1,966,478	2,218,757	252,279	12.8%
<b>Total Operating Expenses</b>	<b>\$ 55,545,617</b>	<b>\$ 61,744,958</b>	<b>\$ 6,199,341</b>	<b>11.2%</b>
<b>Net operating income</b>	<b>\$ 6,008,716</b>	<b>\$ 2,409,129</b>	<b>\$ (3,599,587)</b>	<b>-59.9%</b>
<b>Non-Operating Revenue (Expenses)</b>				
Investment income	\$ 2,086,053	\$ 3,183,065	\$ 1,097,012	52.6%
Interest Expense	(1,262,336)	(1,391,860)	(129,524)	10.3%
Gain on Disposal of Capital Assets	-	10,000	10,000	n/a
<b>Total Non-Operating Revenue (Expenses)</b>	<b>\$ 823,717</b>	<b>\$ 1,801,205</b>	<b>\$ 977,488</b>	<b>118.7%</b>
<b>Net income</b>	<b>\$ 6,832,433</b>	<b>\$ 4,210,334</b>	<b>\$ (2,622,099)</b>	<b>-38.4%</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	
<b>Change in net position</b>	<b>\$ 6,832,433</b>	<b>\$ 4,210,334</b>	<b>\$ (2,622,099)</b>	<b>-38.4%</b>

**Operating Revenue:** Overall, total operating revenue was stable, with an increase of \$2.6 million (4.2%) over the prior fiscal year. Increases in tenant rent (\$982,762 or 10%) and HUD operating grants (\$4.8 million or 10%) were offset by a decrease in other operating income (\$3.2 million or 82%). The increase in the Authority's HUD Section 8 HCV of approximately \$4.8 million allowed a corresponding increase in

**HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA**  
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2024

housing assistance payments to landlords on behalf of the Authority's voucher holders.

**Operating Expenses:** Operating expenses increased approximately \$6.2 million (11.2%). More than half of the increase was in the line item for Section 8 housing assistance payments to landlords, which increased \$3.7 million (10.6%) in line with the increased HUD Section 8 HCV operating grant, mentioned above. Administrative expenses increased approximately \$1.6 million (24.2%) primarily as a result of cost-of-living wage, benefit cost increases and market adjustments to staff compensation. Maintenance expense increased (\$1.2 million or 25.7%) and insurance expense increased \$151,366 (27.6%) as a result of the hard property insurance market.

**Non-Operating Revenue / (Expenses):** Within this category, investment income increased by approximately \$1.1 million (52.6%) from the prior fiscal year due to the substantial increase market interest rates, which the Authority was well positioned to take advantage of.

**Fund Net Position Analysis**

Table 4 shows a summary of the beginning net position, net income or loss, and the resulting fiscal year-end net position for the individual funds making up the agency-wide "primary government" financial statements.

**Table 4**

	Net Position by Fund					Total
	Business Activities	Central Office Cost Center	Section 8, ROSS, Mainstream, EHV & MTW	Shelter Plus Care	SBAHG Component Unit (blended)	
Net position, beginning of year	\$ 204,042,803	\$ 1,201,769	\$ 5,662,289	\$ 3,393	\$ (9,351,078)	\$201,559,176
Net income (loss)	4,432,196	448,537	717,652	2,090	(1,390,141)	4,210,334
Equity Transfers	-	-	-	-	-	-
Net position, end of year	<u>\$ 208,474,999</u>	<u>\$ 1,650,306</u>	<u>\$ 6,379,941</u>	<u>\$ 5,483</u>	<u>\$ (10,741,219)</u>	<u>\$205,769,510</u>

**Debt.** The Agency's long-term debt consists of mortgage loans and notes payable. Additional detail about the long-term liabilities can be found in the notes to the financial statements.

**Economic Factors and Outlook.** The Authority is primarily dependent upon the federal Department of Housing and Urban Development (HUD) for the funding of operations; therefore, the federal budget more directly affects the Authority than do state or local budgets or local economic conditions. One way in which the local economy does affect the Authority and its clients is the continuing tight rental market in Santa Barbara. With rental housing vacancy rates under one percent, local rents, already very expensive, continue to rise. Higher rents mean that Section 8 voucher holders often have a difficult time finding available apartments within the rent levels allowed under the Section 8 HCV program. It also means that the average rent subsidy per voucher is increasing as well, putting further pressure on the Authority's federal voucher funding. Fortunately, as mentioned above, the Authority's Section 8 HCV grant from HUD increased in 2024.

**HOUSING AUTHORITY OF THE CITY OF SANTA BARBARA**  
Santa Barbara, California

Management's Discussion and Analysis

March 31, 2024

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Given the likelihood of future pressure on federal spending levels, including housing programs funded by HUD, the Authority, like all housing authorities, faces the possibility of further constraints on federal funding. In one respect, the Authority's exposure to federal funding risk has been substantially reduced as it has taken advantage of the Rental Assistance Demonstration (RAD) program to remove all 316 units from the Public Housing program. The Authority no longer has any Public Housing units directly dependent on federal funding. However, any federal funding reductions would likely affect the Authority's Section 8 voucher program. It will continue to be a challenge adjusting to limits on Section 8 HCV funding while still administering the voucher program in an expensive and tight rental market.

**Requests for Information.** This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for resources it receives. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Department at the Housing Authority of the City of Santa Barbara, 808 Laguna Street, Santa Barbara, CA 93101.

# Housing Authority of the City of Santa Barbara

Statement of Net Position

March 31, 2024

	Primary Government	Discretely Presented Component Units
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents		
Unrestricted	\$ 9,487,595	\$ 4,251,218
Restricted	5,838,787	4,155,601
<b>Subtotal</b>	<b>15,326,382</b>	<b>8,406,819</b>
Investments	34,108,073	227,344
Accounts receivable, net	1,672,200	51,872
Inventory, net	163,300	-
Prepaid expenses	254,455	1,373,464
Notes and lease receivable current	-	-
<b>Total Current Assets</b>	<b>51,524,410</b>	<b>10,059,499</b>
<b>Non-Current Assets</b>		
Notes and lease receivable	46,707,821	-
Intangibles, net	-	11,007,784
Capital assets, net	170,358,873	106,282,498
<b>Total Non-Current Assets</b>	<b>217,066,694</b>	<b>117,290,282</b>
<b>TOTAL ASSETS</b>	<b>268,591,104</b>	<b>127,349,781</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	<b>154,511</b>	-
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	574,373	194,132
Accrued liabilities	239,829	70,931
Deposits held in trust	765,993	253,499
Compensated absences current	124,563	909
Unearned revenue	707,771	39,740
Other liabilities current	83,661	2,255,725
Debt current	864,450	398,702
Lease payable current	10,181	-
<b>Total Current Liabilities</b>	<b>3,370,821</b>	<b>3,213,638</b>
<b>Non-Current Liabilities</b>		
Compensated absences	373,688	2,727
Funds held in trust	1,557,887	-
Other employee benefit (OPEB) liability	2,355,966	-
Debt payable	48,597,928	88,014,036
Leases payable	18,341	-
<b>Total Non-Current Liabilities</b>	<b>52,903,810</b>	<b>88,016,763</b>
<b>TOTAL LIABILITIES</b>	<b>56,274,631</b>	<b>91,230,401</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	<b>6,701,474</b>	-
<b>Net Position</b>		
Net investment in capital assets	120,867,973	17,869,760
Restricted	13,159,536	3,902,102
Unrestricted	71,742,001	14,347,518
<b>TOTAL NET POSITION</b>	<b>\$ 205,769,510</b>	<b>\$ 36,119,380</b>

**Housing Authority of the City of Santa Barbara**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended March 31, 2024

	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
<b>Operating Revenues</b>		
Rental revenues, net	\$ 10,770,788	\$ 8,045,043
Government grants	52,693,753	-
Other income	689,546	1,399,924
<b>Total Operating Revenues</b>	<b>64,154,087</b>	<b>9,444,967</b>
<b>Operating Expenses</b>		
Administration	8,039,810	1,356,110
Tenant services	2,218,757	226,750
Utilities	1,264,258	580,244
Maintenance and operations	5,895,771	939,623
Insurance expense	700,554	236,418
General expense	724,464	183,998
Housing Assistance Payments	38,447,910	-
Depreciation and amortization	4,453,434	3,020,664
<b>Total Operating Expenses</b>	<b>61,744,958</b>	<b>6,543,807</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>2,409,129</b>	<b>2,901,160</b>
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	3,183,065	26,351
Gain on disposal of capital assets	10,000	-
Interest expense	(1,391,860)	(2,726,601)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>1,801,205</b>	<b>(2,700,250)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>4,210,334</b>	<b>200,910</b>
<b>CHANGE IN NET POSITION</b>	<b>4,210,334</b>	<b>200,910</b>
<b>BEGINNING NET POSITION</b>	<b>201,559,176</b>	<b>35,918,470</b>
<b>ENDING NET POSITION</b>	<b>\$ 205,769,510</b>	<b>\$ 36,119,380</b>

**Housing Authority of the City of Santa Barbara**

Statement of Cash Flows

For the Year Ended March 31, 2024

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from tenants and users	\$ 17,130,889
Receipts from operating grants	45,934,447
Payments for goods and services	(11,872,207)
Payments for Housing Assistance Payments	(38,708,733)
Payments to employees for services	(4,996,454)
	<b>7,487,942</b>

**NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES**

**7,487,942**

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital asset purchases	(14,690,662)
Principle payments on leases and loans	(1,059,175)
Interest payments on leases and loans	(1,391,860)
Proceeds from new loans	12,401,309
	<b>(4,740,388)</b>

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

**(4,740,388)**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from investment activities	3,183,065
Proceeds from collection on notes receivable	(1,509,411)
(Purchase) or redemption of investments	(2,169,213)
	<b>(495,559)</b>

**NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES**

**(495,559)**

**NET INCREASE (DECREASE) IN CASH**

**2,251,995**

**BEGINNING CASH**

**13,074,387**

**ENDING CASH**

**\$ 15,326,382**

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

Operating income (loss)	\$ 2,409,129
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**Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Depreciation	4,453,434
Other employee benefits program (OPEB)	1,759,254

**Change in Assets and Liabilities**

(Increase) decrease in accounts receivable	(1,314,045)
(Increase) decrease in inventory and prepaid	(115,773)
Increase (decrease) in accounts payable	(367,333)
Increase (decrease) in accrued liabilities	308,467
Increase (decrease) in unearned revenue	367,569
Increase (decrease) in deposits held in trust	(12,760)
	<b>5,078,813</b>

**Total Adjustments**

**5,078,813**

**Net Cash Provided (Used) by Operating Activities**

**\$ 7,487,942**

**Interest Paid**

**\$ 1,153,617**

## NOTE 01 – SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES

### Introduction

The financial statements of the Housing Authority of the City of Santa Barbara (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 consisting 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 is a public body organized in October 1969, under laws of the State of California's Health and Safety Code. The Authority was created for the purpose of providing safe and sanitary housing for qualified economically disadvantaged and elderly individuals in areas where a shortage of such housing exists. The Board of Commissioners of the Authority is composed of seven members and is appointed to four-year terms (except for tenant commissioners who serve two-year terms) by the Santa Barbara City Council (the City Council), but the Authority designates its own management. The City Council provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the Board is appointed by the City Council, no other criteria established by Section 2100 and 2600 of the Codification of Governmental Accounting Standards Board, the Financial Accounting Standards Board, and Governmental Accounting Standards Board Statement No. 39 for inclusion of the Authority in the City of Santa Barbara's financial statements are met. Therefore, a separate financial report is prepared for the Authority. All of the operations of the Authority are included in the audited financial statements and there are no operations or activities which have been excluded. Additionally, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (HUD) to be administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

## Housing Authority of the City of Santa Barbara

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

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GASB Statement No. 14 established criteria for determining the governmental reporting entity. Under provisions of this statement, the Authority is considered a primary government, since it is a special-purpose government that has a separate 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.

The Authority's primary operations comprise a number of housing and grant programs as follows:

- Authority Owned Housing
- Housing Assistance Payment Program
- Property Management Program
- Non-HUD Program
- Shelter Plus Care

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 the control and relationship between the Authority and the component units, the Authority has determined that the following entities are considered component units of the Authority and are required to be blended within the Authority's financial statements:

### ***Blended Component Units***

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Authority's Board of Commissioners or the component units provide services entirely to the Authority. These component units' funds are blended into those of the Authority's by appropriate activity type to compose the primary government presentation.

Currently, the Authority has one component unit that meets the criteria for blending.

**Santa Barbara Affordable Housing Group (SBAHG)** is a legally separate non-profit organization. The Board of Directors of SBAHG consists of the same members as the Board of Commissioners of the Authority. The SBAHG is an instrumentality of the Authority and is fiscally dependent on the Authority. Based on the above, it has been determined that the SBAHG is a component unit of the Housing Authority and should be included in the Housing Authority's financial statements through a blended presentation. SBAHG operates on the same fiscal year as the Housing Authority March 31, 2024.



***Discretely Presented Component Units***

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

As of March 31, 2024, the Authority, along with its blended component unit, is the manager and operator of five low-income residential real estate developments organized as real estate limited partnerships. Under a Management Agreement and a Guarantee Agreement with each of the limited partnerships, the Authority is financially accountable for the limited partnerships as the Authority is legally obligated to fund operating deficits in accordance with the terms of the partnership, management, and guarantee agreements. The Authority also holds the right to purchase the properties from the limited partnerships under a Purchase Option/Right of First Refusal at the end of the 15-year tax compliance period. The Authority has outstanding loans and advances to the limited partnerships amounting to \$46,702,601 at March 31, 2024. The limited partnerships do not serve the primary government exclusively, or almost exclusively, and therefore are shown as discretely presented component units. Balances presented for discretely presented component units on the accompanying Statement of Net Position and Statement of Revenues, Expenses, and Other Changes in Net Position are as of December 31, 2023.

The Authority has six discretely presented component units as follows:

**Villa Santa Fe, L.P.**, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2012, for the purpose of purchasing, rehabilitating, and operating two separate properties in Santa Barbara totaling 167 units. The Authority manages the two properties under a contractual management agreement with the limited partnership.

**Santa Barbara Housing Partnership IV**, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2014, for the purpose of purchasing, rehabilitating, and operating two separate properties in Santa Barbara totaling 35 units. The Authority manages the two properties under a contractual management agreement with the limited partnership.

**813 East Carrillo Street, L.P.**, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2018, for the purpose of purchasing, rehabilitating, and operating 17 units of multifamily rental housing. The Authority manages property under a contractual management agreement with the limited partnership.

**251 South Hope Associates, L.P.**, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2018, for the purpose of purchasing, rehabilitating, and operating 90 units of multifamily rental housing. The Authority manages property under a contractual management agreement with the limited partnership.

**Grace Village Apartments, L.P.**, a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2015, for the purpose of purchasing, rehabilitating, and operating 58 units of multifamily rental housing.

**116 E. Cota St. Associates, L.P.** a legally separate entity, was formed as a limited partnership under the laws of the State of California in 2020, for the purpose of purchasing, rehabilitating, and operating 28 units of multifamily rental housing.

Complete financial statements for each of the individual discretely presented component may be obtained at the Authority's administrative office. There are no separate financial statements issued for the blended component units.

Housing Authority of the City of Santa Barbara, 808 Laguna Street, Santa Barbara, CA 93101.

# Housing Authority of the City of Santa Barbara

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

## 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.

## Basis of Presentation, Basis of Accounting and Measurement Focus

**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.

**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 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:

- a) 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.
- b) 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.
- c) Unrestricted net position – All other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

**Proprietary Fund. 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.

Name	Position	Term
Patricia Wheatley	Chairperson	July 2025
Lisa Carlos	Vice-Chairperson	June 2026
David Rowell	Director	August 2027
Mary Fenger	Director	June 2024
Steven Faulstich	Director	July 2025

In addition to the above Commissioners, the Administrator of the Housing Authority is Rob Fredericks, who serves as CEO and is the Executive Director.

## Inventories

Inventories are recorded at cost with cost being determined on the first-in, first-out basis. The consumption method is used to account for inventories. Under the consumption method, inventories are charged to expense when consumed. Management has deemed no allowance for obsolete inventory is necessary.

### 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 rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for operating expenses.

In accordance with GASB standards dwelling income has been netted with bad debt expense of \$2,000. Collection losses on accounts receivable are expensed, in the appropriate Fund, on the specific write-off method.

### 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. The principal operating revenues of the Authority are charges to customers for rents. 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.

### Cash and Investments

All deposits of the Authority are made in Board-designated official depositories and are secured as required by HUD regulations and the California Government Code. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and Certificates of Deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. 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.
3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. The deposits and the above-described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.

### 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.

Accounts for which no possibility of collection is anticipated are charged to bad debts expense which is netted against dwelling rent revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

## Housing Authority of the City of Santa Barbara

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

### Capital Assets, Right of Use (ROU) Assets, Depreciation, and Amortization

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. Right-of-use assets are recognized at the net present value of future lease payments. 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 estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings	30 years
Site improvements, modernization, and rehabilitation	10 years
Furniture, equipment, and vehicles (including ROU)	5 - 7 years

### Leases (GASB 87)

A lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease receivable is recognized at the net present value of the leased asset at a borrowing rate either explicitly described in the agreement or implicitly determined by the Authority and is reduced by principal payments received. The deferred inflow of resources is recognized in an amount equal to the sum of the lease receivable and any payments relating to a future period which were received prior to the lease commencement. These deferred inflows of resources are amortized equal to the amount of the annual payments.

A lessee is required to recognize a lease payable and a right-to-use asset. A lease payable is recognized at the net present value of future lease payments and is adjusted over time by interest and payments. Future lease payments include fixed payments, variable payments based on index or rate, reasonably certain residual guarantees. The right to use asset is initially recorded at the amount of the lease liability plus prepayments less any lease incentives received prior to lease commencement and is subsequently amortized over the life of the lease.

All existing and newly acquired leases during the current fiscal year were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions.

### 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 had deferred outflows of resources consisting of a change in assumption on the OPEB liability of \$154,511.

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 deferred inflows of resources as of March 31, 2024, was as follows:

Related to OPEB plan	\$ 1,705,299
Unearned ground lease	1,143,466
Advances HAP from HUD	<u>3,852,709</u>
	<u>\$ 6,701,474</u>

**Compensated Absences**

Compensated absences are absences for which employees will be paid, i.e., vacation, and other approved leaves. The Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Upon separation from the Authority, an employee shall be paid for all accumulated annual leave and a percentage of their sick leave based on tenure with the Authority, as of their final date of employment. Leave accrued, but not yet paid as of March 31, 2024, is shown as a liability allocated between current and noncurrent.

**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.

**Unearned Revenues**

Unearned revenues (included in other current liabilities) consist of \$707,771 in rental payments made by tenants in advance of their due date.

**Subsequent Events**

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Management evaluated the activity of the Authority through November 26, 2024, (the date the financial statements were available to be issued) and concluded that nothing should be disclosed to the reader of the financial statements.

**NOTE 02 – CASH AND CASH EQUIVALENTS**

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.

All deposits of the Authority are with financial institutions meeting State and Federal deposit requirements. The Authority's cash and investments consist of checking, Money Market, commercial paper, mutual funds, and corporate bonds. The Authority's checking and Money Market bank accounts are short-term highly liquid investments that are considered cash and cash equivalents.

Changes in fair value that occur during a fiscal year are recognized as investment income for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon liquidation, maturity, or sale of investments. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The three levels of the fair value hierarchy are as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability - either directly or indirectly.

**Level 3:** Unobservable inputs - market data are not available and are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Authority considers all the investments as Level 1.

## Housing Authority of the City of Santa Barbara

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

Cash and investments are stated at fair value and consist of the following:

<i>Unrestricted:</i>	
Checking & Money Market accounts	\$ 9,487,595
Subtotal	9,487,595
<i>Restricted:</i>	
Restricted - Tenant SD	765,993
Restricted - HAP	-
Restricted - debt service	3,732,321
Restricted-other	1,340,473
Subtotal	5,838,787
<b>Total Cash &amp; Equivalents</b>	<b>\$ 15,326,382</b>

<i>Unrestricted investments:</i>	
Cal Trust liquidity fund	\$ 16,916,255
Cash sweeps	2,290,303
Corporate bonds	4,600,588
US treasury bonds	599,742
Subtotal	24,406,888
<i>Restricted investments:</i>	
Cal Trust liquidity fund	9,701,185
<b>Total Investments</b>	<b>\$ 34,108,073</b>

*Interest rate risk* - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with the Authority's Investment Policy, the Authority manages its exposure to interest rate risks by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity needed for operations.

*Credit risk* - Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

The Authority's debt investments ratings at March 31, 2024, are presented below (excludes CDs, Money Market Funds and mutual funds):

	Fair Value	AA	A	BBB
Corporate bonds	\$ 4,600,588	\$ 288,877	\$ 4,310,871	\$ 840

*Custodial credit risk* - For an investment, 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. The Authority has no policy on custodial credit risk.

Authorized security for deposits 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.

## Housing Authority of the City of Santa Barbara

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

*Concentration of credit risk* - More than 5 percent of the Authority's investments are in the following investments:

Cal TRUST	\$ 26,617,440	78%
Union Bank	<u>7,490,633</u>	22%
	<u><u>\$ 34,108,073</u></u>	

### NOTE 03 – ACCOUNTS RECEIVABLE

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

Tenant rent receivables, gross	\$ 378,620	
Allowance for doubtful accounts	<u>(7,400)</u>	
Tenant rent receivables, net		371,220
Due from other Gov'ts		1,174,131
Miscellaneous	126,849	
Allowance for doubtful accounts	<u>-</u>	
Miscellaneous, net		126,849
Accounts receivable, net		<u><u>\$ 1,672,200</u></u>

### NOTE 04 – NOTES RECEIVABLE AND LEASE RECEIVABLE

Notes and lease receivable at March 31, 2024, consisted of the following:

Interest Rate	Description	Maturity Date	Principal	Interest Accrued	Total Due
2.33%	SBHP IV RAD 4 Pearl	3/23/2071	\$ 3,751,779	\$ 613,877	\$ 4,365,656
2.33%	SBHP IV RAD 4 Sycamore Gardens	3/23/2071	4,662,111	710,881	5,372,992
0.00%	SBHP IV RAD 4 Pearl	3/23/2071	1,313,863	-	1,313,863
0.00%	SBHP IV RAD 4 Sycamore Gardens	3/23/2071	1,532,767	-	1,532,767
3.90%	Villa Santa Fe Apt	4/1/2049	10,780,042	420,422	11,200,464
3.06%	251 South Hope Assoc	12/31/2073	7,250,000	1,266,397	8,516,397
4.00%	Grace Village Apt., L.P.	12/1/2071	7,105,000	2,070,131	9,175,131
4.00%	Grace Village Apt., L.P.	12/1/2071	970,994	31,632	1,002,626
0.00%	Predevelopment costs	NA	238,726	-	238,726
3.00%	Predevelopment costs	NA	604,974	55,693	660,667
4.00%	Predevelopment costs	NA	1,250,000	54,293	1,304,293
2.00%	2nd Story Mobile Homes	6/1/2024	285,918	6,432	292,350
3.00%	821 State L.L.C. Pre Dev Advances	3/5/2020	1,350,000	21,649	1,371,649
6.00%	Predevelopment costs	NA	345,417	9,603	355,020
6.00%	Miscellaneous	NA	4,974	246	5,220
			<u>\$ 41,446,565</u>	<u>\$ 5,261,256</u>	<u>\$ 46,707,821</u>

The above does not include various notes receivable between the Authority and SBAHG (blended component unit) which have been eliminated in the consolidation process.

## Housing Authority of the City of Santa Barbara

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

### NOTE 05 – INTER-PROGRAM

At March 31, 2024, inter-program receivables and payables consisted of the following:

	Receivables	Payables
COCC	\$ -	\$ -
SBAHG (blended unit)	-	-
Section 8	-	-
Business activities	-	-
Shelter Plus Care	-	-
	\$ -	\$ -

These inter-program transactions have been eliminated in preparing the basic financial statements.

In addition, in June 2013, 180 Public Housing AMP3 units were disposed and sold to SBAHG (blended component unit) for \$34,590,000, as approved by HUD. The Authority (Non-HUD program) financed the entire sales proceeds with a 30-year loan at an interest rate of 3% per annum, payable only from surplus cash and at the end of the 30-year term, which is secured by a deed of trust recorded on the Property.

Also, during the years ended March 31, 2016, and 2017, the Authority converted certain public housing units to RAD and sold certain public housing units to SBAHG (blended component unit). The Authority (Non-HUD program) financed the entire sales proceeds with five 99-year loans at an interest rate of 3% per annum, payable only from surplus cash commencing on the dates below and each July 1<sup>st</sup> thereafter until paid in full.

The loan balances and accrued interest as of March 31, 2024, are as follows:

	Payments Commencing	Principal	Interest Accrued	Total Due
RAD Promissory Note 1	July 1, 2015	\$ 1,090,000	\$ 70,828	\$ 1,160,828
RAD Promissory Note 2	July 1, 2015	9,760,000	634,203	10,394,203
RAD Promissory Note 3	July 1, 2015	7,400,000	503,600	7,903,600
RAD Promissory Note 5	July 1, 2017	42,890,000	3,080,350	45,970,350
RAD Promissory Note 6	July 1, 2017	10,145,000	653,518	10,798,518
		\$ 71,285,000	\$ 4,942,499	\$ 76,227,499

These inter-program transactions have been eliminated in preparing the basic financial statements.

### NOTE 06 – PENSION PLAN

The Authority provides a defined contribution pension plan (The Plan) for eligible employees. The plan is administered by Empower Retirement (which is owned by Great-West Life & Annuity Insurance Company). The Plan is managed by a committee of trustees comprised of senior management of the Authority (specifically, the Executive Director/CEO; the Deputy Executive Director/Chief Operating Officer; the Finance Director and the Director of Property Development and Administration). Plan changes are allowed. All plan changes must be approved by the Authority's governing body (the Commission). The Commission authorized the Authority's participation in the retirement plan. Employees who work full or part-time are eligible for participation in the Plan. Participants who reach age 55 are entitled to a benefit which can be paid in a single payment or in equal monthly payments under various payment plans available to participants. Employer contributed retirement benefits fully vest after 5 years of employment. The Authority contributes (on a monthly basis) an amount equal to 12% of each employee's annual compensation to the plan. The Authority also matches up to 5% of any employee deferred compensation. Employer contributions totaled \$795,273 on \$5,044,538 covered payroll for the year ended March 31, 2024.



## Housing Authority of the City of Santa Barbara

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

### NOTE 07 – CAPITAL ASSETS

A summary of changes in capital assets were as follows:

	Balance at 04/01/23	Additions	Deletions	Balance at 03/31/24
<b>Nondepreciable Capital Assets</b>				
Land	\$ 82,216,743	\$ 7,550,000	\$ -	\$ 89,766,743
<b>Subtotal</b>	<b>82,216,743</b>	<b>7,550,000</b>	<b>-</b>	<b>89,766,743</b>
<b>Depreciable Capital Assets</b>				
Buildings & improvements	114,476,619	6,900,000	-	121,376,619
Furniture & equipment	1,879,903	250,662	-	2,130,565
Leased equipment	47,245	-	-	47,245
<b>Subtotal</b>	<b>116,403,767</b>	<b>7,150,662</b>	<b>-</b>	<b>123,554,429</b>
Accumulated depreciation	(38,498,122)	(4,442,691)		(42,940,813)
Accumulated amortization	(10,743)	(10,743)	-	(21,486)
Net depreciable capital assets	77,894,902	2,697,228	-	80,592,130
<b>Capital Assets, Net</b>	<b>\$ 160,111,645</b>	<b>\$ 10,247,228</b>	<b>\$ -</b>	<b>\$ 170,358,873</b>

For the year ended March 31, 2024, the Authority reported depreciation expense of \$4,442,691 and reported amortization expense of \$10,743. During the fiscal year ended March 31, 2024, the Authority experienced no losses or material impairments.

### NOTE 08 – NON-CURRENT LIABILITIES CHANGES

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

	Balance at 04/01/23	Additions	Deletions	Balance at 03/31/24
Compensated absences	\$ 382,663	\$ 76,652	\$ (85,627)	\$ 373,688
OPEB payable	2,312,863	152,554	(109,451)	2,355,966
Debt and lease payable	37,645,972	12,292,916	(1,322,619)	48,616,269
Accrued liabilities	1,291,038	340,995	(74,146)	1,557,887
<b>Total</b>	<b>\$ 41,632,536</b>	<b>\$ 12,863,117</b>	<b>\$ (1,591,843)</b>	<b>\$ 52,903,810</b>

The majority of the long-term debt on the discretely presented component units is related to the Notes Receivable. For further details about discretely presented component units' debt see those separately issue financial statements.

### NOTE 09 – COMMITMENTS AND CONTINGENCIES

**Legal:** At March 31, 2024, the Authority was not a defendant to any material lawsuit. No provision was made in the financial statements for any contingent liabilities. In the opinion of management, there are no legal matters that would have a materially adverse effect on the Authority's financial position.

**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 March 31, 2024.

## Housing Authority of the City of Santa Barbara

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

### NOTE 10 – NOTES PAYABLE

All loans are direct borrowing as listed below:

Non-HUD Programs	Note Balance	Accrued Interest	Total Due
<p>Loan agreement, secured by a deed of trust on the property known as Bradley Studios at 512-518 Bath St., payable to the Redevelopment Agency of the City of Santa Barbara, interest at 0% through June 2011 (thereafter 3%). Beginning with the project year beginning with January 1, 2015 and ending December 31, 2015, and any subsequent year that the project has annual net cash flows that exceed annual costs, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable July 1, 2066. Secured by real property.</p>	\$ 4,621,735	\$ -	\$ 4,621,735
<p>Mortgage revenue secured note payable to Santa Barbara Bank &amp; Trust (U.S. Bank), dated July 11, 2003, with an interest rate of 4.375% (through September 2013). Interest rate adjusted to 2.72% in September 2013 and in September 2023 to 95% of ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of \$41,690 until September 2013 when it changed to \$16,699. All unpaid principal and interest is due and payable September 1, 2033. Secured by real property.</p>	1,663,022	-	1,663,022
<p>Mortgage revenue secured note payable to Santa Barbara Bank &amp; Trust (U.S. Bank), dated October 1, 2008, with an initial interest rate of 4.0% (through November, 2018). Interest rate adjusted in November, 2018 to 2.977%, based on 95% of the ten-year Constant Maturity Treasury index. Interest rate will adjust again in November, 2028, to 95% of the then-current ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of \$7,639 until December, 2018 when it changed with the interest rate reset to \$7,033. All unpaid principal and interest is due and payable November 1, 2038. Secured by real property.</p>	988,628	-	988,628
<p>Mortgage revenue secured note payable to Santa Barbara Bank &amp; Trust (U.S. Bank), dated October 28, 2003, with an interest rate of 4.375% (through November 2013). Interest rate adjusted to 2.875% in November 2013 and in November 2023 to 95% of ten-year Constant Maturity Treasury Index. Due in monthly principal and interest payments of \$25,464 until November 2013, when it changed to \$22,307. All unpaid principal and interest is due and payable November 1, 2033. Secured by real property.</p>	2,245,752	-	2,245,752

## Housing Authority of the City of Santa Barbara

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

<p>Mortgage revenue secured note payable to Wilcox Family Trust, dated November 7, 2007, with an interest rate of 5%, monthly interest only payments of \$4,000 until Nov. 1, 2017, thereafter monthly interest and principal payments of \$7,592. All unpaid principal and interest is due and payable on November 1, 2027. Secured by real property.</p>	634,722	-	634,722
<p>Loan agreement, secured by a deed of trust on the property known as Casa de Las Fuentes, payable to the Redevelopment Agency of the City of Santa Barbara, dated May 21, 2001, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable June 1, 2030.</p>	1,195,540	-	1,195,540
<p>Note payable to City of Santa Barbara, dated April 1, 2000, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. Unpaid principal and interest is due and payable June 1, 2030. Secured by a deed of trust against the property known as Villa La Cumbre.</p>	769,293	-	769,293
<p>Loan agreement, secured by a deed of trust against the property known as El Carrillo, payable to the City of Santa Barbara, dated July 26, 2002, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash low. All unpaid principal and interest is due and payable August 1, 2032.</p>	1,115,358	-	1,115,358
<p>Loan agreement, secured by a deed of trust against the property known as Paseo Voluntario, payable to the Redevelopment Agency of the City of Santa Barbara, dated December 20, 2002, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable January 1, 2033. Secured by real property.</p>	980,000	339,794	1,319,794
<p>Loan agreement, secured by a deed of trust against the property known as Artisan Court, payable to the Redevelopment Agency of the City of Santa Barbara, dated December 17, 2009, interest at 3%. Beginning with the project year beginning with January 1, 2028 and ending December 31, 2028, and any subsequent year that the project has annual net cash flows that exceed annual costs, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable January 1, 2065.</p>	4,000,000	1,713,205	5,713,205

## Housing Authority of the City of Santa Barbara

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

Loan agreement, secured by a deed of trust against property located at 2941 State Street, payable to the Redevelopment Agency of the City of Santa Barbara, dated October 13, 2010, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable December 1, 2065.

343,399                      -                      343,399

Loan agreement, secured by a deed of trust against property located at 518 East Canon Perdido, payable to the City of Santa Barbara, dated October 13, 2016, interest at 3%. Beginning with the first month following a project year in which the project has positive annual net cash flow, the note requires monthly payments in an amount equal to one-twelfth of the annual cash flow. All unpaid principal and interest is due and payable October 13, 2046.

633,000                      149,629                      782,629

Mortgage revenue secured note payable to several individuals, dated December 22, 2015, with an interest rate of 4.50% through January 1, 2021. On January 1, 2021, January 1, 2026, January 1, 2031 and January 1, 2036, the interest rate will be adjusted to the ten-year Constant Maturity Treasury Index plus 2.00%; provided that the change in interest rate is not in excess of 2.00%, the interest rate shall never exceed 8.50%, and shall never be less than 4.50%. Due in monthly principal and interest payments commencing on February 1, 2016, in an amount based upon a 25-year amortization. All unpaid principal and interest is due and payable January 1, 2041. Secured by real property.

1,882,461                      -                      1,882,461

Mortgage secured note payable to Deborah Ann Saucedo Revocable Trust, dated November 29, 2017, with an interest rate of 4.50% per annum from the date of the note until December 1, 2037, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a thirty year amortization with level monthly payments of principal and interest during such period. Secured by real property.

1,923,677                      -                      1,923,677

Mortgage secured note payable to several individuals, dated January 23, 2018, with an interest rate of 2.75% per annum from the date of the note until January 1, 2048, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a thirty year amortization with level monthly payments of principal and interest during such period. Secured by real property.

1,666,986                      -                      1,666,986

## Housing Authority of the City of Santa Barbara

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

Mortgage revenue secured note payable to Montecito Bank & Trust, dated October 10, 2018, with an initial interest rate of 4.57%. Interest rate will be adjusted in November, 2028, and again in November, 2038 to the then-current ten-year Constant Maturity Treasury Index, plus a margin of 1.75%. In no case shall the loan interest rate be less than 4.57%. Due in initial monthly principal and interest payments of \$28,886. All unpaid principal and interest is due and payable October 25, 2048. Secured by real property.

5,068,068                      -                      5,068,068

Mortgage revenue secured note payable to Montecito Bank & Trust, dated October 9, 2019, with an initial interest rate of 3.875%. Interest rate will be adjusted in November, 2029, and again in November, 2038, to the then-current ten-year Constant Maturity Treasury Index, plus a margin of 1.75%. Due in initial monthly principal and interest payments of \$6,403. All unpaid principal and interest is due and payable October 25, 2049. Secured by real property.

1,238,335                      -                      1,238,335

Mortgage secured note payable to Gonzales Trust, dated November 8, 2022, with an interest rate of 5.0% per annum from the date of the note until December 1, 2037, on which date any unpaid interest and principal of this note shall be paid in full. Principal and interest shall be payable on the first day of each month with principal payable on the basis of a forty year amortization with level monthly payments of principal and interest during such period. Secured by real property.

2,571,871                      -                      2,571,871

Mortgage revenue secured note payable to Pacific Western Bank, dated October 19, 2021, with an interest rate of 3.75%. Due in monthly principal and interest payments of \$8,403. All unpaid principal and interest is due and payable October 2031. Secured by real property.

1,717,903                      -                      1,717,903

Loan payable to the City of Santa Barbara in the amount of \$6 million, interest rate of 3% simple interest per annum, from and after Effective Date (March 15, 2024) and continuing until paid in full with payments to be made on a residual receipts per the terms of the note with a maturity date 30 years from the Effective date of the agreement, which is secured by a deed of trust against the property known as 3055 De La Vina Street.

6,000,000                      -                      6,000,000

Note payable to Johnman Holdings LLC, dated December 12, 2023, interest rate 3.5%. compounding annually from the date of the note, payable in arrears in monthly interest only installments of Thirteen Thousand One Hundred Twenty Five Dollars (\$13,125), beginning on January 1, 2024, with a maturity date of July 1, 2025, secured by a deed of trust against the property known as 15 S. Hope Avenue.

4,500,000                      -                      4,500,000

## Housing Authority of the City of Santa Barbara

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

Loan payable to the Santa Barbara Foundation in the amount of \$1.5 million, interest rate of 3% simple interest, payable in twelve (12) interest only installments of \$3,750 beginning on April 15, 2024, and continuing monthly on the fifteenth (15th) day of each month thereafter until maturity on March 14, 2026 (Maturity Date) at which time all sums of principal and interest then remaining update shall be due and payable in full. Loan agreement is secured by a deed of trust against the property known as 3055 De La Vina Street.

	1,500,000	-	1,500,000
Total debt	47,259,750	2,202,628	49,462,378
Less current maturities	(864,450)	-	(864,450)
Long-term debt	\$ 46,395,300    \$ 2,202,628    \$ 48,597,928		

As of March 31, 2024, the annual requirements for debt retirement are:

<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 864,450	\$ 1,053,857	\$ 1,918,307
2026	6,908,271	916,965	8,676,593
2027	941,398	786,338	2,547,201
2028	1,347,401	744,661	2,878,400
2029	5,378,574	613,452	6,736,686
2030 to 2034	9,867,282	3,864,344	17,908,466
2035 to 2039	5,300,133	1,027,845	7,598,059
2040 to 2044	780,839	171,382	1,157,773
2045 to 2049	1,299,090	628,242	2,576,369
2050 to 2054	45,662	662	50,741
2055 to 2059	6,000,000	-	6,000,000
2060 to 2064	5,593,205	6,600,000	12,193,205
2065 to 2069	5,136,074	7,479,395	12,615,469
	\$ 49,462,379	\$ 23,887,143	\$ 82,857,269

### NOTE 11 – LEASE PAYABLE

	<u>Balance</u> <u>04/01/23</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>03/31/24</u>
Lease payable	\$ 38,429	\$ -	\$ (9,907)	\$ 28,522
Total	\$ 38,429	\$ -	\$ (9,907)	\$ 28,522

## Housing Authority of the City of Santa Barbara

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

### Leases Payable

The Authority has leased a Kyocera TASKalfa 6053ci copier on a 60 month lease with an interest rate of 8.5% and \$199 monthly payment. The lease began January 2020, and will end December 2024.

\$ 1,729

The Authority has leased three Kyocera TASKalfa copiers on a 60 month lease with an interest rate of 8.5% and \$670 monthly payment. The lease began January 2022, and will end December 2026.

19,654

The Authority has leased a postage machine on a 60 month lease with an interest rate of 8.5% and \$595.50 quarterly payment. The lease began November 2022, and will end October 2027.

7,139

### Subtotal

28,522

Less current portion

(10,181)

Long-term lease

\$ 18,341

Aggregate annual maturities of the lease payable over each of the next five years and five year increments thereafter are as follows:

### Year Ending March 31,

	<u>Principal</u>	<u>Interest</u>
2025	\$ 10,181	\$ 2,032
2026	9,199	1,223
2027	7,988	424
2028	1,154	37
2029	-	-
2029-2033	-	-
	<u>\$ 28,522</u>	<u>\$ 3,716</u>

**NOTE 12 – RISK MANAGEMENT**

The Authority carries commercial insurance against all risks of loss, including property and general liability, auto, workers' compensation, fidelity, and public officials' liability insurance. There have been no significant reductions in insurance coverage in the prior year and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

The Authority participates in two joint ventures under joint powers agreements as follows:

**CHWCA (California Housing Workers' Compensation Authority)** – The California Housing Workers' Compensation Authority (CHWCA) is a California joint powers insurance authority established in 1991 for the purpose of providing workers' compensation coverage to California public housing authority members. CHWCA is a special district in the State of California providing its members with a comprehensive workers' compensation coverage program for the sharing of risk for self-insured losses, as well as jointly purchasing claims adjusting services, actuarial services, risk control services, and legal services connected with the program. CHWCA provides coverage for both workers' compensation and employer's liability for its Members from dollar one up to \$500,000 per occurrence. CHWCA is also a member of the Safety National Casualty Corporation for commercial excess coverage. When losses exceed the \$500,000 per occurrence limit, Safety National will provide coverage up to Statutory limits.

CHWCA is governed by a seven (7) member Executive Committee which is elected by the 33-member Board of Directors. Each of CHWCA's 33 member agencies appoint one primary and one alternate member to serve on the Board of Directors. In 2005, CHWCA formed a six (6) member Risk Management Committee, which expanded to nine (9) members, whose responsibilities include reviewing and developing risk control policies and drafting an annual Risk Control Work Plan. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

**HARRP (Housing Authorities Risk Retention Pool)** – HARRP was formed to provide property and liability insurance coverage for member housing authorities. HARRP members fully self-insure their exposures without recourse to reinsurance on excess insurance.

The coverage limits are \$2 million per occurrence and in the aggregate for auto liability and \$2 million per occurrence and in the aggregate for general liability, errors and omissions liability and employment practices liability. Through the act of self-insuring its exposures, HARRP and its members maintain direct control over the adjustment, defense, and settlement of the claims. HARRP purchases excess property coverage for losses exceeding \$2,000,000. As of March 31, 2018, the limit of such excess property coverage is \$45 million above the self-insured coverage. There is no coverage for flood or earthquake damage. As of March 31, 2024, there were approximately 90 members. The relationship between the Authority and HARRP is such that HARRP is not a component unit of the Authority for financial reporting purposes.



**Housing Authority of the City of Santa Barbara**

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

**NOTE 13 – UNEARNED GROUND LEASE**

During the year ended March 31, 2016, the Authority leased land to Santa Barbara Housing Partnership IV, L.P. (a tax credit entity) – related to the RAD 4 sale. The leases were for a term of 75 years. As of March 31, 2016, Santa Barbara Housing Partnership IV, L.P. paid the Authority \$1,280,000 for the two ground leases (\$520,000 for the Pearl Gardens property and \$760,000 for the Sycamore Gardens property). This prepayment of lease income was recorded as deferred inflow of resources and will be recognized as revenue over the period to which the lease applies. As of March 31, 2024, the current portion of the unearned ground lease income is \$17,066 (which is included in “Other current liabilities”) and the long-term portion is \$1,228,800 (which is included in “Other non-current liabilities”). The Authority will recognize the remaining lease income during the 75-year life of the leases as follows:

Year Ended March 31,	Amount	Year Ended March 31,	Amount
2025	\$ 17,067	2050 to 2054	\$ 85,333
2026	17,067	2055 to 2059	85,333
2027	17,067	2060 to 2064	85,333
2028	17,067	2065 to 2069	85,333
2029	17,067	2070 to 2074	85,333
2030 to 2034	85,334	2075 to 2079	85,333
2035 to 2039	85,334	2080 to 2084	85,333
2040 to 2044	85,334	2085 to 2089	85,333
2045 to 2049	85,334	2090 to 2094	34,131
Subtotal	\$ 426,671	Subtotal	716,795
		Total	\$ 1,143,466

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**NOTE 14 – OTHER POST-EMPLOYMENT BENEFIT PLAN LIABILITY**

***Plan Description***

For employees hired prior to April 1, 2009, the Authority provides medical coverage for employees who retire with the Authority at the age of 55 or older with 5 or more years of service or who become permanently disabled after 5 or more years of service. For employees hired after April 1, 2009, the Authority provides medical coverage for employees who retire with the Authority at the age of 55 or older with 15 or more years of service or who become permanently disabled after 15 or more years of service.

The required contribution is based on projected pay-as-you-go financing requirements. Covered employees are required to contribute premiums in excess of the \$340 per month provided by the Authority.

Active employees	63
Inactive employees	<u>13</u>
<b>Total</b>	<b><u>76</u></b>

***Net OPEB Liability***

The Authority’s net OPEB liability was measured as of March 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated March 31, 2024, based on the following actuarial methods and assumptions.

<b>Actuarial Assumptions:</b>	
Valuation date:	March 31, 2024
Funding method:	Entry Age Normal Cost, level percent of pay
Discount rate:	3.96% as of March 31, 2024
Participants valued:	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary increase:	3.00% per year, since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years.
Assumed wage inflation:	3.00% per year; a component of assumed salary increases
General inflation rate:	2.50% per year
Mortality improvement:	MacLeod Watts Scale 2023
Healthcare trend rate:	Medical plan premiums and claims costs by are assumed to increase once each year.

The Authority does not presently fund an OPEB trust. Therefore, the net OPEB liability is equal to the total OPEB liability.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 2.83%. The discount rate depends on the nature of underlying assets for funded plans. For an unfunded plan, the discount rate is based on the Fidelity 20 Year AA General Obligation Municipal Bond Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 2.27% as of March 31, 2023, and 2.83% as of March 31, 2024.

## Housing Authority of the City of Santa Barbara

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

### **Change in the OPEB Liability**

The changes in the net OPEB liability for the OPEB Plan are as follows:

	(a) <u>Total OPEB</u>	(b) <u>Plan Fiduciary Net</u>	(a) - (b) = (c) <u>Net OPEB Liability</u>
Balance at March 31, 2023	\$ 2,312,863	\$ -	\$ 2,312,863
<i>Changes recognized for measurement period:</i>			
Service cost	64,386	-	64,386
Interest	88,168	-	88,168
Changes of assumptions	(39,887)	-	(39,887)
Contributions – employer	-	89,544	(89,544)
Benefit payments	(89,544)	(89,544)	-
Plan experience	19,980	-	19,980
Net changes	<u>43,103</u>	<u>-</u>	<u>43,103</u>
Balance at March 31, 2024	<u>\$ 2,355,966</u>	<u>\$ -</u>	<u>\$ 2,355,966</u>

### **Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended March 31, 2024.

	Discount Rate <u>-1% (2.96%)</u>	Valuation Discount Rate <u>(3.96%)</u>	Discount Rate <u>+1% (4.96%)</u>
Net OPEB liability	<u>\$ 2,670,184</u>	<u>\$ 2,355,966</u>	<u>\$ 2,095,698</u>

### **Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended March 31, 2024.

	Current Trend <u>-1%</u>	Current Trend <u>Current Trend</u>	Current Trend <u>+1%</u>
Net OPEB liability	<u>\$ 2,141,910</u>	<u>\$ 2,355,966</u>	<u>\$ 2,668,720</u>

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## Housing Authority of the City of Santa Barbara

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

### **Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 18,061	\$ 1,212,275
Changes in assumptions	136,450	493,024
Net difference between projected and actual earnings on plan investments	-	-
Contributions subsequent to the measurement date	-	-
Totals	<u>\$ 154,511</u>	<u>\$ 1,705,299</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

#### **For the Fiscal Year Ending March 31.**

2025	\$ (260,452)
2026	(260,452)
2027	(260,452)
2028	(240,147)
2029	(167,439)
Thereafter	(361,846)
	<u>\$ (1,550,788)</u>

#### ***OPEB Expense***

For the fiscal year ended March 31, 2024, the Authority recognized OPEB expense of \$5,948.

### **NOTE 15 – NET POSITION**

The net position on the Statement of Net Position has been calculated as follows:

Capital assets, net	\$ 170,358,873
Less capital debt and interest	(49,490,900)
<b>Net Investment in Capital Assets</b>	<b><u>\$ 120,867,973</u></b>
Restricted cash and investments	\$ 15,539,972
Less FSS escrow	(1,557,887)
Less security deposits	(765,993)
Less restricted escrows and unearned revenue	(56,556)
<b>Restricted Net Assets</b>	<b><u>\$ 13,159,536</u></b>

**Housing Authority of the City of Santa Barbara**

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

**NOTE 16 - CONDENSED FINANCIAL STATEMENTS**

As required by GASB the condensed financial statements with elimination, for additional information see the detail supplementary information schedules.

	Housing Authority	Total Blended Component Units	Eliminations	Primary Government Totals
<b><u>Condensed Statement of Net Position</u></b>				
Current assets	\$ 43,991,795	\$ 7,532,615	\$ -	\$ 51,524,410
Capital assets	71,772,545	98,586,328	-	170,358,873
Other assets	156,477,242	5,220	(109,774,641)	46,707,821
<b>Total Assets</b>	<b>272,241,582</b>	<b>106,124,163</b>	<b>(109,774,641)</b>	<b>268,591,104</b>
Deferred outflow of resources	108,471	46,040	-	154,511
Current liabilities	2,500,857	869,964	-	3,370,821
Noncurrent liabilities	47,148,721	115,529,730	(109,774,641)	52,903,810
<b>Total Liabilities</b>	<b>49,649,578</b>	<b>116,399,694</b>	<b>(109,774,641)</b>	<b>56,274,631</b>
Deferred inflow of resources	6,189,746	511,728	-	6,701,474
Net investment in capital assets	27,349,713	93,518,260	-	120,867,973
Restricted net position	9,704,761	3,454,775	-	13,159,536
Unrestricted net position	179,456,255	(107,714,254)	-	71,742,001
<b>Net Position</b>	<b>\$ 216,510,729</b>	<b>\$ (10,741,219)</b>	<b>\$ -</b>	<b>\$ 205,769,510</b>

**Condensed Statement of Revenues, Expenses, and  
Change in Net Position**

Operating revenues	\$ 63,505,250	\$ 11,433,808	\$ (10,784,971)	\$ 64,154,087
Depreciation expense	(1,865,579)	(2,587,855)	-	(4,453,434)
Other operating expenses	(60,938,863)	(7,137,632)	10,784,971	(57,291,524)
<b>Operating Income (Loss)</b>	<b>700,808</b>	<b>1,708,321</b>	<b>-</b>	<b>2,409,129</b>
Nonoperating revenues	6,053,284	256,008	(3,116,227)	3,193,065
Nonoperating expenses	(1,153,617)	(3,354,470)	3,116,227	(1,391,860)
<b>Nonoperating Revenue (Expense)</b>	<b>4,899,667</b>	<b>(3,098,462)</b>	<b>-</b>	<b>1,801,205</b>
<b>Income (Loss) Before Transfers and Capital Contributions</b>	<b>5,600,475</b>	<b>(1,390,141)</b>	<b>-</b>	<b>4,210,334</b>
Transfers	-	-	-	-
Capital contributions	-	-	-	-
<b>Change in Net Position</b>	<b>5,600,475</b>	<b>(1,390,141)</b>	<b>-</b>	<b>4,210,334</b>
Net position, beginning of year	210,910,254	(9,351,078)	-	201,559,176
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net position, end of year	<b>\$ 216,510,729</b>	<b>\$ (10,741,219)</b>	<b>\$ -</b>	<b>\$ 205,769,510</b>

**Condensed Statement of Cash Flows**

Net cash flows provided/(used) by operating activities	\$ 3,544,145	\$ 3,943,797	\$ -	\$ 7,487,942
Net cash flows provided/(used) by capital and related financing activities	(4,701,860)	(3,154,755)	3,116,227	(4,740,388)
Net cash flows provided/(used) by investing activities	4,611,843	(1,991,175)	(3,116,227)	(495,559)
Net increase/(decrease) in cash and cash equivalents	3,454,128	(1,202,133)	-	2,251,995
Cash, beginning of year	10,467,173	2,607,214	-	13,074,387
Cash, end of year	<b>\$ 13,921,301</b>	<b>\$ 1,405,081</b>	<b>\$ -</b>	<b>\$ 15,326,382</b>

**Housing Authority of the City of Santa Barbara**

RSI 10-Year History of Changes in Net OPEB Liability

For the Year Ended March 31, 2024

<b>Fiscal Year Ending</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Measurement date	3/31/2024	3/31/2023	3/31/2022	3/31/2021	3/31/2020	3/31/2019
Discount rate on measurement date	3.96%	3.78%	2.83%	2.27%	2.48%	3.42%
<b>Total OPEB Liability</b>						
Service costs	\$ 64,386	\$ 80,922	\$ 143,220	\$ 131,520	\$ 134,881	\$ 123,673
Interest	88,168	73,624	89,934	92,631	155,095	153,171
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	19,980	-	(1,110,135)	-	(1,032,792)	-
Change in assumptions	(39,887)	(308,316)	(304,001)	115,344	66,383	130,330
Benefit payments	(89,544)	(107,973)	(126,041)	(122,910)	(117,165)	(135,644)
<b>Net Change in Total OPEB Liability</b>	<b>43,103</b>	<b>(261,743)</b>	<b>(1,307,023)</b>	<b>216,585</b>	<b>(793,598)</b>	<b>271,530</b>
<b>Total OPEB Liability - Beginning</b>	<b>2,312,863</b>	<b>2,574,606</b>	<b>3,881,629</b>	<b>3,665,044</b>	<b>4,458,642</b>	<b>4,187,112</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 2,355,966</b>	<b>\$ 2,312,863</b>	<b>\$ 2,574,606</b>	<b>\$ 3,881,629</b>	<b>\$ 3,665,044</b>	<b>\$ 4,458,642</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>\$ 2,355,966</b>	<b>\$ 2,312,863</b>	<b>\$ 2,574,606</b>	<b>\$ 3,881,629</b>	<b>\$ 3,665,044</b>	<b>\$ 4,458,642</b>
<b>Covered-Employee Payroll</b>	<b>\$ 5,682,992</b>	<b>\$ 5,044,538</b>	<b>\$ 4,808,871</b>	<b>\$ 4,542,425</b>	<b>\$ 4,637,642</b>	<b>\$ 4,427,154</b>
<b>Net OPEB Liability as a % of Covered-Employee Payroll</b>	<b>41.46%</b>	<b>45.85%</b>	<b>53.54%</b>	<b>85.45%</b>	<b>79.03%</b>	<b>100.71%</b>

**Housing Authority of the City of Santa Barbara**

RSI 10-Year History of Changes in Net OPEB Liability

For the Year Ended March 31, 2024

**Notes to Schedules**

<b>Fiscal Year Ending</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Measurement date:	3/31/2024	3/31/2023	3/31/2022	3/31/2021	3/31/2020	3/31/2019
Discount rate on measurement date:	3.96%	3.78%	2.83%	2.27%	2.48%	3.42%
Valuation date:	3/31/2024	3/31/2022		3/31/2020		3/31/2018
Actuarial cost method:	Entry Age Normal, Level % of Pay	Entry Age Normal, Level % of Pay		Entry Age Normal, Level % of Pay		Entry Age Normal, Level % of Pay
Inflation:	2.50%	2.50%		2.50%		2.75%
Healthcare cost trend rates:	6.0% in 2026, fluctuating down to 3.9% by 2075	5.8% in 2023 fluctuating down to 3.9% by 2076		4.9% in 2021 fluctuating down to 4.0% by 2075		8.0% in 2019 decreasing by 0.5% to 5.0% by 2025
Salary increase:	3.00%	3.00%		3.00%		3.25%
Retirement age:	from 50 to 75	from 50 to 75		from 50 to 75		from 50 to 75
Mortality:	2021 CalPERS Experience Study	2021 CalPERS Experience Study		2017 CalPERS Experience Study		2014 CalPERS Experience Study
Mortality improvement:	MW Scale 2022	MW Scale 2022		MW Scale 2020		MW Scale 2017

\*This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Housing Authority of the City of Santa Barbara**

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2024

	<b>Assistance Listing Number(s)</b>	<b>Award Type</b>	<b>Expenditures</b>
<b><u>U.S. Department of HUD</u></b>			
Housing Choice Vouchers			\$ 2,008,125
Emergency Housing Vouchers			2,372,861
	14.871	Direct	<u>4,380,986</u>
Mainstream Vouchers	14.879	Direct	5,677,870
<b>Total Housing Voucher Center Cluster</b>			<b><u>10,058,856</u></b>
Moving to Work Demonstration Program	14.881	Direct	41,626,296
Resident Opportunity and Supportive Services	14.870	Direct	362,439
Shelter Plus Care	14.238	Direct	128,458
<b>Totals U.S. Department of HUD</b>			<b><u>52,176,049</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 52,176,049</u></b>
<b><u>Award Type</u></b>			
Direct			\$ 52,176,049
Indirect			-
			<u>\$ 52,176,049</u>



## Housing Authority of the City of Santa Barbara

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2024

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### **NOTE 01 - SCOPE OF PRESENTATION**

The accompanying schedule presents the expenditures incurred (and related awards received) by the Housing Authority of the City of Santa Barbara (the Authority) that are reimbursable under federal programs of federal agencies providing financial assistance and state awards. For the purposes of this schedule, only the portion of program expenditures reimbursable with such federal or state funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal or state reimbursement authorized or the portion of the program expenditures that were funded with local or other nonfederal funds are excluded from the accompanying schedule.

### **NOTE 02 - 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. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

### **NOTE 03 - INDIRECT COST RATE**

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

## Housing Authority of the City of Santa Barbara

Combining Statement of Net Position - Discretely Presented Component Unit

March 31, 2024

	<u>SB Housing Partnership IV</u>	<u>Villa Sante Fe, L.P.</u>	<u>813 East Carrillo Street, L.P.</u>	<u>251 S Hope Associates, L.P.</u>	<u>Grace Village Apartments, L.P.</u>	<u>116 E Cota St Assoc.,L.P.</u>	<u>DPCU Total</u>
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents							
Unrestricted	\$ 304,954	\$ 2,253,080	\$ 213,036	\$ 584,806	\$ 870,095	\$ 25,247	\$ 4,251,218
Restricted	214,004	1,305,679	513,543	956,114	1,138,261	28,000	4,155,601
<b>Subtotal</b>	<b>518,958</b>	<b>3,558,759</b>	<b>726,579</b>	<b>1,540,920</b>	<b>2,008,356</b>	<b>53,247</b>	<b>8,406,819</b>
Investments	91,108	136,236	-	-	-	-	227,344
Accounts receivable, net	9,795	9,944	10,025	21,006	-	1,102	51,872
Inventory, net	-	-	-	-	-	-	-
Prepaid expenses	1,175,428	127,228	11,745	6,508	6,231	46,324	1,373,464
Notes and lease receivable current	-	-	-	-	-	-	-
Interfund due from	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>1,795,289</b>	<b>3,832,167</b>	<b>748,349</b>	<b>1,568,434</b>	<b>2,014,587</b>	<b>100,673</b>	<b>10,059,499</b>
<b>Non-Current Assets</b>							
Notes and lease receivable	-	-	-	-	-	-	-
Intangibles, net	12,938	10,703,288	25,898	102,741	68,629	94,290	11,007,784
Capital assets, net	14,285,421	19,289,952	7,384,993	25,130,171	19,888,546	20,303,415	106,282,498
<b>Total Non-Current Assets</b>	<b>14,298,359</b>	<b>29,993,240</b>	<b>7,410,891</b>	<b>25,232,912</b>	<b>19,957,175</b>	<b>20,397,705</b>	<b>117,290,282</b>
<b>TOTAL ASSETS</b>	<b>16,093,648</b>	<b>33,825,407</b>	<b>8,159,240</b>	<b>26,801,346</b>	<b>21,971,762</b>	<b>20,498,378</b>	<b>127,349,781</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Housing Authority of the City of Santa Barbara

Combining Statement of Net Position - Discretely Presented Component Unit  
March 31, 2024

	SB Housing Partnership IV	Villa Sante Fe, L.P.	813 East Carrillo Street, L.P.	251 S Hope Associates, L.P.	Grace Village Apartments, L.P.	116 E Cota St Assoc.,L.P.	DPCU Total
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Accounts payable	7,990	29,983	4,143	122,586	20,109	9,321	194,132
Accrued liabilities	-	38,123	-	-	-	32,808	70,931
Deposits held in trust	38,560	123,132	8,600	22,278	32,929	28,000	253,499
Compensated absences current	-	909	-	-	-	-	909
Unearned revenue	6,868	24,156	5,547	-	-	3,169	39,740
Other liabilities current	28,225	80,001	40,639	-	2,060,028	46,832	2,255,725
Debt current	-	398,702	-	-	-	-	398,702
Lease payable current	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>81,643</b>	<b>695,006</b>	<b>58,929</b>	<b>144,864</b>	<b>2,113,066</b>	<b>120,130</b>	<b>3,213,638</b>
<b>Non-Current Liabilities</b>							
Compensated absences	-	2,727	-	-	-	-	2,727
Funds held in trust	-	-	-	-	-	-	-
Other employee benefit (OPEB) liability	-	-	-	-	-	-	-
Debt payable	14,284,018	24,921,434	4,234,748	14,704,315	10,644,748	19,224,773	88,014,036
Leases payable	-	-	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>14,284,018</b>	<b>24,924,161</b>	<b>4,234,748</b>	<b>14,704,315</b>	<b>10,644,748</b>	<b>19,224,773</b>	<b>88,016,763</b>
<b>TOTAL LIABILITIES</b>	<b>14,365,661</b>	<b>25,619,167</b>	<b>4,293,677</b>	<b>14,849,179</b>	<b>12,757,814</b>	<b>19,344,903</b>	<b>91,230,401</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>							
Net investment in capital assets	1,403	(6,030,184)	3,150,245	10,425,856	9,243,798	1,078,642	17,869,760
Restricted	175,444	1,182,547	504,943	933,836	1,105,332	-	3,902,102
Unrestricted	1,551,140	13,053,877	210,375	592,475	(1,135,182)	74,833	14,347,518
<b>TOTAL NET POSITION</b>	<b>\$ 1,727,987</b>	<b>\$ 8,206,240</b>	<b>\$ 3,865,563</b>	<b>\$ 11,952,167</b>	<b>\$ 9,213,948</b>	<b>\$ 1,153,475</b>	<b>\$ 36,119,380</b>

## Housing Authority of the City of Santa Barbara

Combining Statement of Revenues, Expenses, and Changes in Net Position - Discretely Presented Component Unit  
For the Year Ended March 31, 2024

	SB Housing Partnership IV	Villa Sante Fe, L.P.	813 East Carrillo Street, L.P.	251 S Hope Associates, L.P.	Grace Village Apartments, L.P.	116 E Cota St Assoc.,L.P.	DPCU Total
<b>Operating Revenues</b>							
Rental revenues, net	\$ 569,231	\$ 3,993,654	\$ 325,820	\$ 1,773,615	\$ 1,133,178	\$ 249,545	\$ 8,045,043
Government grants	-	-	-	-	-	-	-
Other income	-	1,291	-	-	2,183	1,396,450	1,399,924
<b>Total Operating Revenues</b>	<b>569,231</b>	<b>3,994,945</b>	<b>325,820</b>	<b>1,773,615</b>	<b>1,135,361</b>	<b>1,645,995</b>	<b>9,444,967</b>
<b>Operating Expenses</b>							
Administration	45,292	379,763	33,953	630,462	174,965	91,675	1,356,110
Tenant services	532	19,711	14,700	173,023	-	18,784	226,750
Utilities	18,012	158,382	41,283	231,628	116,726	14,213	580,244
Maintenance and operations	122,195	409,524	38,724	142,188	171,647	55,345	939,623
Insurance expense	22,736	115,070	10,421	59,103	18,709	10,379	236,418
General expense	44,906	42,579	14,205	33,418	41,556	7,334	183,998
Housing Assistance Payments	-	-	-	-	-	-	-
Depreciation and amortization	710,687	677,847	288,457	711,356	487,892	144,425	3,020,664
<b>Total Operating Expenses</b>	<b>964,360</b>	<b>1,802,876</b>	<b>441,743</b>	<b>1,981,178</b>	<b>1,011,495</b>	<b>342,155</b>	<b>6,543,807</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(395,129)</b>	<b>2,192,069</b>	<b>(115,923)</b>	<b>(207,563)</b>	<b>123,866</b>	<b>1,303,840</b>	<b>2,901,160</b>
<b>Non-Operating Revenues (Expenses)</b>							
Interest income	4,852	15,874	418	2,590	2,617	-	26,351
Gain on disposal of capital assets	-	-	-	-	-	-	-
Interest expense	(278,738)	(1,076,169)	(143,973)	(607,948)	(469,408)	(150,365)	(2,726,601)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(273,886)</b>	<b>(1,060,295)</b>	<b>(143,555)</b>	<b>(605,358)</b>	<b>(466,791)</b>	<b>(150,365)</b>	<b>(2,700,250)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(669,015)</b>	<b>1,131,774</b>	<b>(259,478)</b>	<b>(812,921)</b>	<b>(342,925)</b>	<b>1,153,475</b>	<b>200,910</b>
<b>CHANGE IN NET POSITION</b>	<b>(669,015)</b>	<b>1,131,774</b>	<b>(259,478)</b>	<b>(812,921)</b>	<b>(342,925)</b>	<b>1,153,475</b>	<b>200,910</b>
<b>BEGINNING NET POSITION</b>	<b>2,397,002</b>	<b>7,074,466</b>	<b>4,125,041</b>	<b>12,765,088</b>	<b>9,556,873</b>	<b>-</b>	<b>35,918,470</b>
<b>ENDING NET POSITION</b>	<b>\$ 1,727,987</b>	<b>\$ 8,206,240</b>	<b>\$ 3,865,563</b>	<b>\$ 11,952,167</b>	<b>\$ 9,213,948</b>	<b>\$ 1,153,475</b>	<b>\$ 36,119,380</b>

**Housing Authority of the City of Santa Barbara**  
Combining Statement of Net Position - Business Activities  
March 31, 2024

	<u>BCU</u>			<b>Primary Government Total</b>
	<u>Housing Authority</u>	<u>SBAHG</u>	<u>Eliminations</u>	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents				
Unrestricted	\$ 8,658,417	\$ 829,178	\$ -	\$ 9,487,595
Restricted	5,262,884	575,903	-	5,838,787
<b>Subtotal</b>	<b>13,921,301</b>	<b>1,405,081</b>	-	<b>15,326,382</b>
Investments	28,203,748	5,904,325	-	34,108,073
Accounts receivable, net	1,507,192	165,008	-	1,672,200
Inventory, net	163,300	-	-	163,300
Prepaid expenses	196,254	58,201	-	254,455
Notes and lease receivable current	-	-	-	-
Interfund due from	-	-	-	-
<b>Total Current Assets</b>	<b>43,991,795</b>	<b>7,532,615</b>	-	<b>51,524,410</b>
<b>Non-Current Assets</b>				
Notes and lease receivable	156,477,242	5,220	(109,774,641)	46,707,821
Intangibles, net	-	-	-	-
Capital assets, net	71,772,545	98,586,328	-	170,358,873
<b>Total Non-Current Assets</b>	<b>228,249,787</b>	<b>98,591,548</b>	<b>(109,774,641)</b>	<b>217,066,694</b>
<b>TOTAL ASSETS</b>	<b>272,241,582</b>	<b>106,124,163</b>	<b>(109,774,641)</b>	<b>268,591,104</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>108,471</b>	<b>46,040</b>	-	<b>154,511</b>

**Housing Authority of the City of Santa Barbara**  
Combining Statement of Net Position - Business Activities  
March 31, 2024

	<u>BCU</u>			<b>Primary Government Total</b>
	<u>Housing Authority</u>	<u>SBAHG</u>	<u>Eliminations</u>	
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	400,089	174,284	-	574,373
Accrued liabilities	239,829	-	-	239,829
Deposits held in trust	356,617	409,376	-	765,993
Compensated absences current	96,294	28,269	-	124,563
Unearned revenue	563,898	143,873	-	707,771
Other liabilities current	83,661	-	-	83,661
Debt current	750,288	114,162	-	864,450
Lease payable current	10,181	-	-	10,181
<b>Total Current Liabilities</b>	<b><u>2,500,857</u></b>	<b><u>869,964</u></b>	<b><u>-</u></b>	<b><u>3,370,821</u></b>
<b>Non-Current Liabilities</b>				
Compensated absences	288,882	84,806	-	373,688
Funds held in trust	1,557,887	-	-	1,557,887
Other employee benefit (OPEB) liability	1,639,589	716,377	-	2,355,966
Debt payable	43,644,022	114,728,547	(109,774,641)	48,597,928
Leases payable	18,341	-	-	18,341
<b>Total Non-Current Liabilities</b>	<b><u>47,148,721</u></b>	<b><u>115,529,730</u></b>	<b><u>(109,774,641)</u></b>	<b><u>52,903,810</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>49,649,578</u></b>	<b><u>116,399,694</u></b>	<b><u>(109,774,641)</u></b>	<b><u>56,274,631</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b><u>6,189,746</u></b>	<b><u>511,728</u></b>	<b><u>-</u></b>	<b><u>6,701,474</u></b>
<b>Net Position</b>				
Net investment in capital assets	27,349,713	93,518,260	-	120,867,973
Restricted	9,704,761	3,454,775	-	13,159,536
Unrestricted	179,456,255	(107,714,254)	-	71,742,001
<b>TOTAL NET POSITION</b>	<b><u>\$ 216,510,729</u></b>	<b><u>\$ (10,741,219)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 205,769,510</u></b>

**Housing Authority of the City of Santa Barbara**  
Combining Statement of Revenues, Expenses, and Changes in Net Position - Business Activities  
For the Year Ended March 31, 2024

	<u>BCU</u>			<b>Primary Government Total</b>
	<u>Housing Authority</u>	<u>SBAHG</u>	<u>Eliminations</u>	
<b>Operating Revenues</b>				
Rental revenues, net	\$ 8,663,969	\$ 10,979,024	\$ (8,872,205)	\$ 10,770,788
Government grants	52,370,111	323,642	-	52,693,753
Other income	2,471,170	131,142	(1,912,766)	689,546
<b>Total Operating Revenues</b>	<b>63,505,250</b>	<b>11,433,808</b>	<b>(10,784,971)</b>	<b>64,154,087</b>
<b>Operating Expenses</b>				
Administration	7,776,558	2,176,018	(1,912,766)	8,039,810
Tenant services	1,381,440	837,317	-	2,218,757
Utilities	718,539	545,719	-	1,264,258
Maintenance and operations	2,813,316	3,082,455	-	5,895,771
Insurance expense	403,435	297,119	-	700,554
General expense	525,460	199,004	-	724,464
Housing Assistance Payments	47,320,115	-	(8,872,205)	38,447,910
Depreciation and amortization	1,865,579	2,587,855	-	4,453,434
<b>Total Operating Expenses</b>	<b>62,804,442</b>	<b>9,725,487</b>	<b>(10,784,971)</b>	<b>61,744,958</b>
<b>OPERATING INCOME (LOSS)</b>	<b>700,808</b>	<b>1,708,321</b>	<b>-</b>	<b>2,409,129</b>
<b>Non-Operating Revenues (Expenses)</b>				
Interest income	6,043,284	256,008	(3,116,227)	3,183,065
Gain on disposal of capital assets	10,000	-	-	10,000
Interest expense	(1,153,617)	(3,354,470)	3,116,227	(1,391,860)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>4,899,667</b>	<b>(3,098,462)</b>	<b>-</b>	<b>1,801,205</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>5,600,475</b>	<b>(1,390,141)</b>	<b>-</b>	<b>4,210,334</b>
<b>CHANGE IN NET POSITION</b>	<b>5,600,475</b>	<b>(1,390,141)</b>	<b>-</b>	<b>4,210,334</b>
<b>BEGINNING NET POSITION</b>	<b>210,910,254</b>	<b>(9,351,078)</b>	<b>-</b>	<b>201,559,176</b>
<b>ENDING NET POSITION</b>	<b>\$ 216,510,729</b>	<b>\$ (10,741,219)</b>	<b>\$ -</b>	<b>\$ 205,769,510</b>

**Housing Authority of the City of Santa Barbara**  
Combining Statement of Cash Flows - Business Activities  
For the Year Ended March 31, 2024

	<u>Housing Authority</u>	<u>BCU</u>		<u>Primary Government Total</u>
		<u>SBAHG</u>	<u>Eliminations</u>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from tenants and users	\$ 8,706,723	\$ 11,108,306	\$ (2,684,140)	\$ 17,130,889
Receipts from operating grants	53,929,829	323,642	(8,319,024)	45,934,447
Payments for goods and services	(7,883,057)	(5,095,255)	1,106,105	(11,872,207)
Payments for Housing Assistance Payments	(47,027,757)	-	8,319,024	(38,708,733)
Payments to employees for services	(4,181,593)	(2,392,896)	1,578,035	(4,996,454)
<b>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>3,544,145</b>	<b>3,943,797</b>	<b>-</b>	<b>7,487,942</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Capital asset purchases	(14,626,933)	(63,729)	-	(14,690,662)
Principle payments on leases and loans	(1,322,619)	263,444	-	(1,059,175)
Interest payments on leases and loans	(1,153,617)	(3,354,470)	3,116,227	(1,391,860)
Proceeds from new loans	12,401,309	-	-	12,401,309
<b>NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(4,701,860)</b>	<b>(3,154,755)</b>	<b>3,116,227</b>	<b>(4,740,388)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Proceeds from investment activities	6,043,284	256,008	(3,116,227)	3,183,065
Proceeds from collection on notes receivable	(1,509,411)	-	-	(1,509,411)
(Purchase) or redemption of investments	77,970	(2,247,183)	-	(2,169,213)
<b>NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>4,611,843</b>	<b>(1,991,175)</b>	<b>(3,116,227)</b>	<b>(495,559)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>3,454,128</b>	<b>(1,202,133)</b>	<b>-</b>	<b>2,251,995</b>
<b>BEGINNING CASH</b>	<b>10,467,173</b>	<b>2,607,214</b>	<b>-</b>	<b>13,074,387</b>
<b>ENDING CASH</b>	<b>\$ 13,921,301</b>	<b>\$ 1,405,081</b>	<b>\$ -</b>	<b>\$ 15,326,382</b>



**Housing Authority of the City of Santa Barbara**  
Combining Statement of Cash Flows - Business Activities  
For the Year Ended March 31, 2024

	<u>Housing Authority</u>	<u>BCU</u>		<u>Primary Government Total</u>
		<u>SBAHG</u>	<u>Eliminations</u>	
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>				
Operating income (loss)	\$ 700,808	\$ 1,708,321	\$ -	\$ 2,409,129
<b>Non-Cash Adjustments:</b>				
Depreciation	1,865,579	2,587,855	-	4,453,434
Other employee benefits program (OPEB)	1,817,012	(57,758)	-	1,759,254
<b>Change in Asset and Liabilities</b>				
(Increase) decrease in accounts receivable	(1,225,367)	(88,678)	-	(1,314,045)
(Increase) decrease in inventory and prepaid	(115,816)	43	-	(115,773)
Increase (decrease) in accounts payable	(189,677)	(177,656)	-	(367,333)
Increase (decrease) in accrued liabilities	334,937	(26,470)	-	308,467
Increase (decrease) in unearned revenue	367,160	409	-	367,569
Increase (decrease) in deposits held in trust	(10,491)	(2,269)	-	(12,760)
Net interfunds	-	-	-	-
<b>Total Adjustments</b>	<b><u>2,843,337</u></b>	<b><u>2,235,476</u></b>	<b><u>-</u></b>	<b><u>5,078,813</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 3,544,145</u></b>	<b><u>\$ 3,943,797</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,487,942</u></b>

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**Board of Commissioners**  
**Housing Authority of the City of Santa Barbara**  
Santa Barbara, 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, the aggregated discretely presented component units and the combining schedules of business-type activities of Housing Authority of the City of Santa Barbara as of and for the year ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 26, 2024. The financial statements of the aggregated discretely presented component units were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit, we considered Housing Authority of the City of Santa Barbara's internal control over financial reporting (internal control) 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 Housing Authority of the City of Santa Barbara's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Santa Barbara's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as **Finding 2024-001** that we consider to be significant deficiencies.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the City of Santa Barbara'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and question costs as **Finding 2024-001**.

### **Housing Authority of the City of Santa Barbara's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Housing Authority of the City of Santa Barbara's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Housing Authority of the City of Santa Barbara's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 Housing Authority of the City of Santa Barbara's control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 26, 2024

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**Board of Commissioners**  
**Housing Authority of the City of Santa Barbara**  
Santa Barbara, 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 Housing Authority of the City of Santa Barbara'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 Housing Authority of the City of Santa Barbara's major federal programs for the year ended March 31, 2024. Housing Authority of the City of Santa Barbara'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, Housing Authority of the City of Santa Barbara 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 March 31, 2024.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***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 Housing Authority of the City of Santa Barbara 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 Housing Authority of the City of Santa Barbara'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 Housing Authority of the City of Santa Barbara'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 Housing Authority of the City of Santa Barbara'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 Housing Authority of the City of Santa Barbara'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 Housing Authority of the City of Santa Barbara'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 Housing Authority of the City of Santa Barbara'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 Housing Authority of the City of Santa Barbara'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.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Finding 2024-002**. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on Housing Authority of the City of Santa Barbara's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Housing Authority of the City of Santa Barbara's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



### **Report on Internal Control over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and question costs as **Finding 2024-002**, to be a significant deficiency.

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. *Government Auditing Standards* requires the auditor to perform limited procedures on Housing Authority of the City of Santa Barbara's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Housing Authority of the City of Santa Barbara's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

November 26, 2024

**Housing Authority of the City of Santa Barbara**

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2024

**Section I Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued	<input style="width: 90%;" type="text" value="Unmodified"/>
Internal controls over financial reporting:	
Material weakness(es) identified	<input style="width: 90%;" type="text" value="Yes"/>
Significant deficiency(ies) identified	<input style="width: 90%;" type="text" value="None Reported"/>
Noncompliance material to financial statements noted	<input style="width: 90%;" type="text" value="Yes"/>

**Federal Awards**

Internal control over major federal programs	
Material weakness(es) identified	<input style="width: 90%;" type="text" value="No"/>
Significant deficiency(ies) identified	<input style="width: 90%;" type="text" value="Yes"/>
Type of auditors' report issued on compliance for major federal programs	<input style="width: 90%;" type="text" value="Unmodified"/>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	<input style="width: 90%;" type="text" value="No"/>

Identification of major federal programs:

ALN(s)	Name of Federal Program or Cluster
14.881	Moving to Work Demonstration Program

Dollar threshold used to distinguish between type A and type B programs:	<input style="width: 90%;" type="text" value="\$ 1,565,281"/>
Auditee qualified as a low-risk auditee	<input style="width: 90%;" type="text" value="Yes"/>

**Section II Financial Statement Findings**

<b>2024-001</b>	<b>Internal Controls over Significant Account Balances</b>	<input style="width: 90%;" type="text" value="SD"/>
<b>Criteria</b>	The Financial Data Schedule (FDS) unaudited submission is a significant internal control over financial reporting. HUD and the auditors rely on the unaudited submission as the unaudited financial reporting of the agency.	
<b>Condition</b>	The Authority converted software's at the beginning of the fiscal year that did not go smoothly. The lengthy delay in the conversion caused several controls that had worked timely in the past to no longer work as the conversion took place, new controls had to be developed resulting in delayed bank reconciliation, financial reporting and FDS submission.	
<b>Context</b>	Bank reconciliation were not completed timely, several accounts were six months behind due to conversion delays. The FDS was completed on time however they failed update to the Moving To Work reporting that was implemented during the year.	
<b>Cause</b>	The conversion took several months longer than budgeted and also required several key controls be redesigned for new software.	
<b>Effect</b>	The unaudited FDS was significantly different from the final audited submission.	
<b>Recommendations</b>	We recommend the agency use an outside CPA firm and utilize the firm to assist them in year end close out and unaudited FDS submission in the next year.	
<b>Management Views</b>	Management agrees with finding. See Corrective Action Plan (CAP)	

**Section III Federal Awards Findings**

US Department of Housing and Urban Development

Direct Award

Program Name **Housing Choice Voucher**

ALN(s) Number **14.871**

<b>Internal Control</b>	<b>Significant Deficiency</b>
<b>N</b>	<b>Special Test and Provisions</b>

**2024-002 Housing Quality Standards Inspection/HQS Enforcement**

**Questioned Costs Criteria**

None  
 The PHA must inspect the unit leased to a family at least bi-annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR §§982.405, 983.103)). Additionally, for units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family’s failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

**Condition** During our audit, we identified three (3) failed HQS that did not receive a pass for several months and no rent abatement process was started or enforced during that time period.

**Context** The HQS population was 1,100 failed inspection. We selected a sample of 40 inspection and identified of those 40 reviewed 3 did not obtain a re-inspection pass within the Criteria noted above and no rent abatement process was enforce on landlord.

**Cause** The Authority staff did not want to jeopardize the tenants lease by enforcing the rent abatements and rather worked with the landlord over an extend period to resolve the failed inspection issues.

**Effect** The Authority is non-compliant with the federal regulations over this federal program, this could potentially result in operating and financial penalties.

**Recommendations** We suggest the Authority properly oversee compliance with regulations and enforce rent abatements if necessary to adherence to federal compliance requirements.

**Management Views** Management agrees with the finding, see Management's Corrective Action Plan.



**Housing Authority of the City of Santa Barbara**  
 Summary Schedule of Prior Year Findings and Questioned Costs  
 For the Year Ended March 31, 2024

**Financial Statement Findings**

Prior Year Findings Number	Findings Title	Status/Current Year Finding Number
N/A	There were no prior findings reported	N/A

**Federal Award Findings and Questioned Costs**

Prior Year Findings Number	Findings Title	Status/Current Year Finding Number
N/A	There were no prior findings reported	N/A



## Corrective Action Plans

### Finding 2024-001

#### Corrective Action Plan.

Management agrees with the recommendation and plans to use an outside CPA firm to assist with year-end close-out as well as preparation and submission of the unaudited REAC reporting for fiscal year 2025. Although the issues described in the finding are, as noted, directly related to the extremely problematic transition to a new software system and, therefore, will not be repeated, management agrees that the use of a CPA firm to assist in year-end closing and unaudited reporting will enhance accuracy and improve internal control over the reporting process.

### Finding 2024-002

#### Corrective Action Plan.

Management has implemented additional oversight and control to ensure that failed HQS inspections are followed up properly and timely including, when necessary, rent abatement.

Rob L. Fredericks  
Executive Director/CEO

Robert D. Peirson  
Finance Director