HOUSING AUTHORITY OF THE CITY OF NEEDLES

Financial Statements & Independent Auditors' Report

For the Year Ended June 30, 2024

Housing Authority of the City of Needles
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For the Year Ended June 30, 2024

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The Governing Body of
Housing Authority of the City of Needles
Needles, CA

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinions
We have audited the financial statements of the business-type activities of the Housing Authority of the City of Needles, as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the Housing Authority of the City of Needles's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Needles, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Housing Authority of the City of Needles and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Needles's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Needles'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 - iv, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Needles's basic financial statements. The supplemental information as shown in 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.

That information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, that 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 March 17, 2025, on our consideration of the Housing Authority of the City of Needles'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 the Housing Authority of the City of Needles's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Needles's internal control over financial reporting and compliance.

March 17, 2025

Housing Authority of the City of Needles

Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Net Position on June 30, 2024, increased to $1,265,525. This is an increase of $275,885 from the $989,640 amount for FYE 2023.

Unrestricted net position as of June 30, 2024, is $523,030, a decrease of $178,461 compared to $701,491 for FYE 2023. The unrestricted net position category represents the amount the Authority can use to meet the ongoing obligation of the citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The following statements are included:

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

PROGRAMS OF THE AUTHORITY

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that is owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract(ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher - The objective of this program is to provide housing for eligible low-income families through Housing Assistance Payments to private landlords. In addition to this program the Authority received additional Disaster Vouchers from HUD.

FINANCIAL ANALYSIS

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

TABLE 1 - STATEMENT OF NET POSITION

	2024	2023	Change Dollar	Change Percentage
ASSETS				
Current assets	$ 605,932	$ 723,698	$ (117,766)	-16.27%
Capital and non-current assets	706,070	288,149	417,921	145.04%
Total assets	1,312,002	1,011,847	300,155	29.66%
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-
LIABILITIES				
Current liabilities	39,072	22,207	16,865	75.94%
Non-current liabilities	7,405	-	7,405	100%
Total liabilities	46,477	22,207	24,270	109.29%
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
NET POSITION				
Investment in capital assets	706,070	288,149	417,921	145.04%
Restricted net position	36,425	-	36,425	100%
Unrestricted net position	523,030	701,491	(178,461)	-25.44%
Total net position	$ 1,265,525	$ 989,640	$ 275,885	27.88%

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets decreased by $117,766 primarily due to a reduction in cash because of an increase in spending on capital assets.

Capital assets increased by $417,921 primarily due to the window and door replacement project offset by depreciation.

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

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

	2024	2023	Change Dollar	Change Percentage
Dwelling rent	$ 237,811	$ 229,743	$ 8,068	3.51%
Government grants	870,806	429,425	441,381	102.78%
Other income	9,387	4,692	4,695	100.06%
Interest income	2,906	-	2,906	-
Gain (Loss) on disposition of capital asset	(1,610)	(4,175)	2,565	-61.44%
TOTAL REVENUES	1,119,300	659,685	459,615	69.67%
Administration	299,180	190,680	108,500	56.90%
Tenant services	2,089	-	2,089	-
Utilities	108,396	74,306	34,090	45.88%
Maintenance and operations	234,318	194,343	39,975	20.57%
Protective services	725	600	125	20.83%
Insurance	8,255	12,562	(4,307)	-34.29%
Other expenses	7,152	-	7,152	-
Housing Assistance Payments	137,328	130,561	6,767	5.18%
Depreciation	45,972	24,712	21,260	86.03%
TOTAL EXPENSES	843,415	627,764	215,651	34.35%
CHANGE IN NET POSITION	275,885	31,921	243,964	764.27%
BEGINNING NET POSITION	989,640	896,699		
Prior Period Correction	-	61,020		
ENDING NET POSITION	$ 1,265,525	$ 989,640		

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

The Authority had an operating gain of $275,885 including non-cash depreciation expense of $45,972 in 2024, versus an operating gain of $31,921 including depreciation expense of $24,712 in 2023.

Total operating revenue increased by $459,615 primarily due to the increase in federal grants and subsidies received during the fiscal year ended June 30, 2024.

Total operating expenses increased by $215,651 to $843,415 due primarily to the increase in administrative, utility, and maintenance expenses during the fiscal year ended June 30, 2024.

CAPITAL ASSETS

As of June 30, 2024, investment in capital assets for its business-type activities was $706,070 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment, and construction in progress.

			Change	
	2024	2023	Dollar	Percentage
Land	$ 2,381	$ 2,381	$ -	0.00%
Buildings and improvements	3,686,024	3,190,630	495,394	15.53%
Equipment	81,618	81,618	-	0.00%
Construction in progress	-	39,341	(39,341)	-100.00%
	3,770,023	3,313,970	456,053	13.76%
Accumulated depreciation	(3,063,953)	(3,025,821)	(38,132)	1.26%
Net capital assets	$ 706,070	$ 288,149	$ 417,921	145.04%

Major capital asset purchases during the current fiscal year included the following:

Windows and doors project totaling $487,650. Part of this, $39,341, was spent in FY 23.

Major capital asset disposals during the current fiscal year included the following:

None.

DEBT AND SBITA PAYABLE

As of June 30, 2024, the Authority had a no Debt or SBITA payable.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Executive Director Patrick Martinez, Housing Authority of the City of Needles, 760-326-3222.

Housing Authority of the City of Needles
Statement of Net Position
June 30, 2024

ASSETS	
Current Assets	
Cash and equivalents	
Unrestricted	$ 447,539
Restricted	46,125
Subtotal Cash	**493,664**
Certificates of Deposits	93,241
Accounts receivable, net	13,919
Prepaid expenses	5,108
Total Current Assets	**605,932**
Non-Current Assets	
Capital assets not being depreciated	2,381
Capital assets, net	703,689
Total Non-Current Assets	**706,070**
TOTAL ASSETS	**1,312,002**
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Current Liabilities	
Accounts payable	18,485
Accrued liabilities	5,146
Tenant security deposits	9,700
Unearned revenue	3,890
Compensated absences, current	1,851
Total Current Liabilities	**39,072**
Non-Current Liabilities	
Compensated absences, non-current	7,405
Total Non-Current Liabilities	**7,405**
TOTAL LIABILITIES	**46,477**
TOTAL DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Investment in capital assets	706,070
Restricted	36,425
Unrestricted	523,030
TOTAL NET POSITION	**$ 1,265,525**

See notes to financial statements

Housing Authority of the City of Needles

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2024

REVENUES	
Operating Revenues	
Tenant rental revenue, net of collection losses	$ 237,811
Operating grants and subsidies	870,448
Other revenues	9,387
Total Operating Revenues	**1,117,646**
EXPENSES	
Operating Expenses	
Administration	299,180
Tenant services	2,089
Utilities	108,396
Ordinary maintenance and operations	234,318
Protective services	725
Insurance expense	8,255
Other general expenses	7,152
Housing Assistance Payments	137,328
Depreciation	45,972
Total Operating Expenses	**843,415**
NET OPERATING INCOME (LOSS)	**274,231**
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,906
Gain (Loss) on disposition of capital asset	(1,610)
TOTAL NONOPERATING REVENUES (EXPENSES)	**1,296**
Capital grants - HUD	358
	358
CHANGE IN NET POSITION	**275,885**
NET POSITION - BEGINNING	**989,640**
NET POSITION - ENDING	**$ 1,265,525**

Housing Authority of the City of Needles

Statement of Cash Flows

For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tenants for rent	$	247,226
Cash received from grantors		870,759
Cash paid for Housing Assistance Payments		(137,328)
Cash paid for goods and services		(282,991)
Cash paid to and on behalf of employees for services		(343,660)
NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES		**354,006**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets		(465,503)
Capital contributions		358
NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		**(465,145)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		2,906
(Purchase) or redemption of Certificates of Deposit		(1,911)
NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES		**995**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(110,144)**
BEGINNING CASH AND CASH EQUIVALENTS		**603,808**
ENDING CASH AND CASH EQUIVALENTS	**$**	**493,664**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	274,231
Non-Cash Adjustment		
Depreciation		45,972
Change in Assets and Liabilities		
Accounts/grants receivable		1,528
Prepaid expenses		8,005
Accounts payable and accrued liabilities		18,308
Compensated absences		7,151
Unearned revenue		311
Tenant security deposits		(1,500)
Total Adjustments		**79,775**
Net Cash Provided (Used) by Operating Activities	**$**	**354,006**

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

Introduction

The financial statements of the Housing Authority of the City of Needles (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 Housing Authority of the City of Needles 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.

Reporting Entity

The Housing Authority of the City of Needles was established in 1942, under the U.S. Housing Act of 1937, and the State of California Housing Authority Law of 1938. The Authority is a nonprofit government agency which is chartered by the State of California to administer the development, rehabilitation or financial of affordable housing programs. The area of jurisdiction of the Authority is the City of Needles. Under the United States Housing Act of 1937, the US Department of Housing and Urban Development (HUD) has direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into various contracts with the Authority for the purpose of constructing, owning, and operating public housing facilities.

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

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

The ***Public Housing Program*** operates under HUD's Annual Contribution Contract and consists of the operations of low rent public housing properties. The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained, and managed by the Authority. The properties are acquired, developed, and modernized under HUD's Capital Fund Program. Funding of the program is provided by federal annual contributions and operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition). The agency operates its public housing units under the Asset Management Program under the New Operating Fund Rule (24 CFR 990).

The ***Housing Choice Voucher Program*** provides rental housing assistance subsidies. The purpose of the program is to provide decent and affordable housing to low-income families and elderly and handicapped persons wherein rental assistance is provided by HUD. The associated units are owned, maintained, and managed by private landlords.

The ***Capital Fund Program*** accounts for the capital and management improvement activities, primarily for the modernization and development of low-rent public housing units.

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, or
There is fiscal dependency by the organization on the Authority.

Based on the aforementioned criteria and relationship between the Housing Authority of the City of Needles and the City of Needles, the Authority has determined to be a component unit of the City of Needles based on the following:

Although the Authority is a legally separate Special Purpose Government, it does not have a separately elected governing body from that of the City and is not fiscally independent of other state and local governments. 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.

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 in the statement of net position. In the statement of net position, equity is classified as net position and displayed in three components:

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

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.

Interfunds
Interfund receivables and payables are all classified as either current assets or current liabilities. Cash settlements are made monthly. Receivables and payables have been eliminated in the preparation of the basic financial statements.

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.

Board Members

Name	Term Expires	Position
Zachery Longacre	11/30/2028	Council Member
Henry Longbrake	11/30/2026	Council Member
JoAnne Pogue	11/30/2026	Council Member
Tona Belt	11/30/2028	Council Member
Ellen Campbell	11/30/2028	Vice Mayor
Jamie McCorkle	11/30/2026	Council Member
Janet Jernigan	11/30/2024	Mayor

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 capital and operating expenses.

In accordance with GASB standards dwelling income has been netted with bad debt expense of $ -. Collection losses on accounts receivable are expended, 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 rent. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the non -operating revenue and expense.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates relate to depreciation and useful lives, allowance for bad debt, and inventory valuation.

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

Investments are stated at fair value, except for U. S. Treasury Bills, which are reported at amortized cost. Investment consists of Certificates of Deposit which have an initial maturity date greater than 90 days.

Accounts Receivable
Accounts receivable consist 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.

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

Capital Assets and Depreciation/Amortization
Capital assets are stated at historical cost. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position. If the initial cost of a piece of equipment and/or other personal property is one thousand five hundred dollars ($1,500) 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:

Category	Useful Life
Buildings and improvements	20-50 Years
Vehicles and other equipment	5-7 Years
Computers	5 Years

Deferred Inflows/Outflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority had no deferred outflows of resources.

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 had no deferred inflows of resources.

Compensated Absences
Compensated absences are absences for which employees will be paid, i.e., vacation and other approved leaves, with the exception of those employees that are terminated on grounds of gross misconduct. The Authority accrues the liability for those absences for which the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates.

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.

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

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

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

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

The carrying amounts of cash and cash equivalents, receivables, payables, and accrued liabilities are a reasonable estimate of their fair value, due to their short-term nature and method of computation. All financial assets that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. All of the Authority's investments are valued using Level 1 inputs.

Investment Policy
The Housing Authority of the City of Needles's investment policy, HUD and the California Government Code do not address legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure such deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through March 17, 2025, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statement.

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.

At June 30, 2024, the Authority's deposit amounted to $493,664. Of the bank balances held in various financial institutions, $250,000 was covered by Federal Depository Insurance and the remainder was covered by collateral held under the Dedicated Method. All deposits of the Authority are with financial institutions meeting State and Federal deposit requirements.

Types of investment, which are authorized to be made with the Authority's funds, are controlled by the statutes of the State of California and by contract with HUD. Investments are limited to issues having maturities of three years or less, and may include the following:

Backed by the full faith and credit of the United States Government, or
Backed by guarantee of principal and/or interest by the United States Government, or
Backed by a Government-sponsored agency, or
Covered by the Federal Deposit Insurance Corporation, or
Backed by full collateralization with approved securities.

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

Credit risk - Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned. State statute governs collateral requirements and forms of collateral under California state statues. In summary, California law states all deposits in excess of Federal Depository Insurance shall be secured by collateral.

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.

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.

Cash and cash equivalents were comprised of the following as of June 30, 2024:

Unrestricted	
Checking and Money Market accounts	$ 447,539
Subtotal	447,539
Restricted	
Security deposits - tenants	9,700
Housing Assistance Payments	36,425
Subtotal	46,125
Total Cash and Equivalents	**$ 493,664**
Unrestricted	
Mutual fund - government backed securities	$ 93,241
Total Investments	**$ 93,241**

NOTE 03 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024, consisted of the following:

Tenant receivables	$ 15,769
Allowance for receivables	(1,850)
Net receivable	13,919
Accounts Receivable, Net	**$ 13,919**

NOTE 04 - CAPITAL ASSETS

A summary of changes in capital assets were as follows:

	Balance at 07/01/23	Additions	Deletions	Balance at 06/30/24
Capital assets not being depreciated				
Land	$ 2,381	$ -	$ -	$ 2,381
Construction in process	39,341	358	(39,699)	-
Capital assets not being depreciated	41,722	358	(39,699)	2,381
Capital assets being depreciated				
Buildings and improvements	3,190,630	504,844	(9,450)	3,686,024
Furniture and equipment	81,618	-	-	81,618
Total assets being depreciated	3,272,248	504,844	(9,450)	3,767,642
Accumulated depreciation	(3,025,821)	(45,972)	7,840	(3,063,953)
Net capital assets being depreciated	246,427	458,872	(1,610)	703,689
Capital Assets, Net	**$ 288,149**	**$ 459,230**	**$ (41,309)**	**$ 706,070**

For the year ended June 30, 2024, the Authority reported depreciation/amortization expense of $45,972.

NOTE 05 - COMMITMENTS AND CONTINGENCIES

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

Grants and Contracts: The Authority participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of June 30, 2024.

Capital Fund: The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance.

NOTE 06 - RISK MANAGEMENT

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils. The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

As of June 30, 2024, the Authority was a participating member of the Housing Authorities Risk Retention Pool (HARRP), a risk-management pool, which provides the following coverage: property; general liability; official's liability; auto liability; employee liability for dishonesty or forgery; and employee liability for theft, disappearance and destruction.

NOTE 07 - ECONOMIC DEPENDENCE

The Authority receives approximately 78% of funds used for affordable housing activities from HUD.

NOTE 08 - NON-CURRENT LIABILTIES

	Balance at 07/01/23	Additions	Deletions	Balance at 06/30/24	Due within One Year
Compensated absences	$ 2,105	$ 7,151	$ -	$ 9,256	$ 1,851
Total	$ 2,105	$ 7,151	$ -	$ 9,256	$ 1,851

NOTE 09 - PENSION PLAN

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City of Needles' Employee Pension Plan, a cost sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Authority reimburses the City of Needles for payments made to the employees of the Authority. All required disclosures for the defined benefit plan are included in the City of Needles' audit report. Detailed information can be found in the Notes to the Financial Statements of the City of Needles. The Authority has made all required contributions for the year ended June 30, 2024. There are no liabilities related to the pension contributions.

NOTE 10 - NET POSITION

The Authority has the following net positions as June 30, 2024:

Capital assets not being depreciated	$ 2,381
Capital assets, net	703,689
Investment in Capital Assets	**$ 706,070**
Restricted cash	$ 46,125
Security deposit liability	(9,700)
Restricted Net Position	**$ 36,425**

	Assistance Listing Number(s)	Award Type	Expenditures
U.S. Department of HUD			
Housing Choice Vouchers	14.871	Direct	$ 195,290
Total Housing Voucher Center Cluster			**195,290**
Low Rent Public Housing	14.850	Direct	299,182
Public Housing Capital Fund Program	14.872	Direct	376,334
Totals U.S. Department of HUD			**870,806**
Total Expenditures of Federal Awards			$ 870,806

Award Type	
Direct	$ 870,806
Indirect	$ -

NOTE 1: SCOPE OF PRESENTATION

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: 10% DE MINIMIS INDIRECT COST RATE

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

1. The Actual Costs of the Authority was as follows:

Grant	Funds Approved	Funds Disbursed	Funds Expended	Balance Unspent
CA16P022501-18	$ 119,358	$ 119,358	$ 119,358	$ -
CA16P022501-19	$ 123,997	$ 123,997	$ 123,997	$ -
CA16P022501-20	$ 133,733	$ 133,733	$ 133,733	$ -
CA16P022501-21	$ 139,371	$ 138,738	$ 138,738	$ 633
CA16P022501-22	$ 170,410	$ 169,829	$ 169,829	$ 581
CA16P022501-23	$ 175,309	$ 22,317	$ 22,317	$ 152,992
CA16P022501-24	$ 164,765	$ -	$ -	$ 164,765

2. The distribution of costs as shown on the Financial Statement of Costs accompanying the Actual Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.

3. For the above completed grants, all costs have been paid and all related liabilities have been discharged through payment.

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Board of Commissioners
Housing Authority of the City of Needles
Needles, CA

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Needles as of and for the year ended June 30, 2024, and the related notes to financial statements, which collectively comprise the Housing Authority of the City of Needles's basic financial statements, and have issued our report thereon dated March 17, 2025.

Report on Internal Control over Financial Reporting
In planning and performing our audit, we considered the Housing Authority of the City of Needles's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Needles's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Needles'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 Housing Authority of the City of Needles'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 les s severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Needles's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

March 17, 2025

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Needles, CA

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

Independent Auditors' Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited the Housing Authority of the City of Needles's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Needles's major federal programs for the year ended June 30, 2024. The Housing Authority of the City of Needles's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Housing Authority of the City of Needles complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Housing Authority of the City of Needles'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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Housing Authority of the City of Needles's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Housing Authority of the City of Needles's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Housing Authority of the City of Needles's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Needles'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 item **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 the Housing Authority of the City of Needles's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Needles'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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **2024-001**, to be significant deficiencies.

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 the Housing Authority of the City of Needles's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Housing Authority of the City of Needles'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.

March 17, 2025

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal controls over financial reporting:	
Material weakness(es) identified	No
Significant deficiency(ies) identified	None Reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major federal programs	
Material weakness(es) identified	No
Significant deficiency(ies) identified	Yes
Type of auditors' report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Yes

Identification of major federal programs:

ALN(s)	Name of Federal Program or Cluster
14.872	Public Housing Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as a low-risk auditee	No

Section II Financial Statement Findings

No findings.

Section III Federal Awards Findings

US Department of Housing and Urban Development

		Direct Award	
Program Name	**Public Housing Capital Fund**	**Internal Control**	**Significant Deficiency**
ALN Number	**14.872**	**H**	**Period of Performance**

2024-001 **Obligation of Funds**

Questioned Costs None

Criteria Unless an extension is approved by HUD, a PHA must obligate at least 90 percent of each Capital Fund grant, including formula grants, DDTF, RHF, and natural disaster grants within 24 months of the funds of becoming available to the PHA for obligation. For emergency grants, including Safety and Security Grants the PHA must obligate at least 90 percent within 12 months of the funds becoming available. The funds become available when the HUD executes the ACC Amendment (24 CFR section 905.306).

Condition The Authority did not obligate the funds within the time frame above for CFP Grant Year 2019.

Context The 2019 CFP grant was not obligated within the 24 month allowable period.

Cause Due to changes in staff the funds were not obligated properly.

Effect The Authority is not in compliance with the CFP grant contract.

Recommendations The Authority should implement internal controls to ensure all funds are obligated within the correct period of time.

Management Views Management Agrees. See Corrective Action Plan.

Section III Federal Awards Findings

US Department of Housing and Urban Development

Direct Award

Non-Compliance	Significant Deficiency
L	Reporting

Program Name **Public Housing Capital Fund**

ALN Number **14.872**

2024-002 **Submission of Required Forms**

Questioned Costs None

Criteria For modernization projects, the PHA shall submit the AMCC within 90 days after Expenditure End Date. To initiate the closeout process, the PHA shall submit the AMCC which details actual costs incurred between the DOFA date and the completion of the modernization project.

Condition During the audit, we noted that the HUD-53001 form was not completed or filed with HUD as required.

Context Multiple grants CFP grants were closed during the year and the required HUD form was not filed.

Cause The Authority was unaware of the requirement.

Effect The Authority was in violation of the Federal Regulation relating to report submissions.

Recommendations We recommend that Management implement procedures to ensure compliance with the above regulations as it relates to all federal awards.

Management Views Management Agrees. See Corrective Action Plan.

Financial Statement Findings

Prior Year Findings Number	Findings Title	Status/Current Year Findings Number
2023-001	Prior Period Restatement to Accumulated Depreciation	Resolved

Federal Award Findings and Questioned Costs

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

City of Needles
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Mayor, Janet Jernigan
Vice Mayor Ellen Campbell
Councilmember Tona Belt
Councilmember Zachery Longacre
Councilmember Jamie McCorkle
Councilmember JoAnne Pogue
Councilmember Henry Longbrake

City Manager Patrick Martinez

March 13, 2025

Re: Housing Authority of the City of Needles Corrective Action Plan

Audit Finding 2024-001: The Authority did not obligate the funds within the time frame required for CFP Grant Year 2019.
The Housing Authority of the City of Needles was notified by HUD on 06/18/24 that we were noncompliant with the obligation requirements for our 2019 CFP grant. As a result, our 2024 CFP grant was reduced. Our Acting Finance Director, Barbara DiLeo and our Housing Manager, Angelica Deermer took a class on 02/13/25 that reiterated the information on the proper timing for obligating and drawing down funds. This finding has been corrected effective 02/14/25.

Audit Finding 2024-002: The Authority has not filed HUD-53001 form for multiple grants that were closed during the year.
Acting Finance Director, Barbara DiLeo and Housing Manager, Angelica Deermer have received the Capital Fund Guidebook that has instructions on doing the fiscal closeout of a Capital Fund grant. We will follow those procedures and contact our HUD General Engineer representative if we have any additional questions. We anticipate the closeout process to be completed by April 30, 2025.

Sincerely,

Patrick Martinez
Executive Director