



HOUSING AUTHORITY

OF THE COUNTY OF KERN

Creating brighter futures...one home, one family at a time

FINANCIAL REPORT
June 30, 2020

**HOUSING AUTHORITY OF THE COUNTY OF KERN
FINANCIAL REPORT**

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Housing Authority of the County of Kern
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the **Housing Authority of the County of Kern**, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the **Housing Authority of the County of Kern's** basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Housing Authority of the County of Kern**, as of June 30, 2020 and 2019 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of pension contributions, schedule of changes in the net OPEB liability and related ratios and schedule of OPEB contributions on pages 3-6 and 40-42 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the **Housing Authority of the County of Kern's** basic financial statements. The schedule of expenditures of federal awards, financial data schedule-balance sheet, financial data schedule-income statement and statement and certification of actual modernization costs, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is required by Title 2, *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

The schedule of expenditures of federal awards, financial data schedule-balance sheet, financial data schedule-income statement, and statement and certification of actual modernization costs are 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 schedule of expenditures of federal awards, financial data schedule-balance sheet, financial data schedule-income statement, and statement and certification of actual modernization costs are 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 February 10, 2021, on our consideration of the **Housing Authority of the County of Kern's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 County of Kern's** internal control over financial reporting and compliance.

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 10, 2021

HOUSING AUTHORITY OF THE COUNTY OF KERN

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Housing Authority of the County of Kern (Housing Authority) presents management's discussion and analysis of the Housing Authority's financial performance during the fiscal years that ended on June 30, 2020 and 2019. The discussion should be read in conjunction with the Housing Authority's basic financial statements, accompanying notes to the basic financial statements, and the financial and compliance data following this section.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's annual financial report is comprised of three components - this management's discussion and analysis, the basic financial statements, and a section of supplementary financial information. The basic financial statements consist of a series of financial statements. The statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows provide information about the activities of the Housing Authority. The basic financial statements also include various footnote disclosures, which further describe Housing Authority activities.

Required Financial Statements

The Housing Authority is accounted for as a Business-Type Activity and utilizes the accrual basis of accounting. This method of accounting recognizes revenues when they are earned and become measurable, and expenses when they are incurred, similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statements of net position include all of the Housing Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Housing Authority creditors (liabilities). They also provide the basis for evaluating the capital structure of the Housing Authority and assessing the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses and changes in net position. These statements measure the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs and its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. This statement reports cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

HOUSING AUTHORITY OF THE COUNTY OF KERN

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

- The assets and deferred outflows of resources of the Housing Authority exceeded liabilities and deferred inflows of resources at June 30, 2020 and 2019 by \$40.4 million and \$38.5 million, respectively (see Total Net Position). Of the amount at June 30, 2020, \$14.8 million (see Unrestricted) may be used to meet the Agency's ongoing obligations, \$2.5 million is restricted for specific purposes (see Restricted) and \$23.1 million is invested in capital assets, net of related debt.
- Restricted net position increased \$35 thousand from \$2.462 million to \$2.497 million, primarily as a result of an increase in funds received in connection with Housing Assistance Payment payments (see Note 11).
- Notes receivable increased \$678 thousand from \$11.1 million at June 30, 2019 to \$11.8 million at June 30, 2020 due to two new notes disbursed to North Maple Avenue 4% and North Maple Ave 9% (Rosaleda Village).
- Capital assets, net of depreciation, decreased \$3.4 million from \$47 million at June 30, 2019 to \$43.6 million at June 30, 2020. The change is primarily due to increased accumulated depreciation of \$3.3 million, which was disproportionately greater than the net of property additions and deletions.
- Current liabilities include liabilities due within one year, along with current portion of long-term debt. The current balance increased \$94 thousand from \$4.3 million at June 30, 2019 to \$4.4 million at June 30, 2020. The change is primarily due to the deferred revenue related to Coronavirus Aid, Relief, and Economic Security Act funding of \$541 thousand and the increase in accounts payable of \$394 thousand offset by a decrease of \$1.4 million related to the current portion of long-term debt.
- Noncurrent liabilities include notes and other mortgages payable, compensated absences, net OPEB liability and net pension liability. The balance decreased \$2.2 million from \$40.6 million at June 30, 2019 to \$38.4 million at June 30, 2020, primarily due to a decrease in the net Other Post-Employment Benefits liability of \$2.6 million.
- Long-term debt decreased \$1.4 million from \$21.9 million at June 30, 2019 to \$20.5 million at June 30, 2020. Deletions included current year debt payments of \$2 million.
- The Housing Authority's net position increased by \$1.9 million during the year ended June 30, 2020. The increase was primarily due to revenue of \$51.1 million, offset by expenses of \$49.2 million.
- Total operating revenues decreased by \$834 thousand from \$51 million for the fiscal year ended June 30, 2019 to \$50.1 million for the year ended June 30, 2020. The change is primarily due to the net of the decrease in capital grants of \$1.9 million, increase in operating grants of \$994 thousand, increase in tenant rents of \$143 thousand, and decrease in other grant revenue of \$54 thousand.
- Total operating expenses increased \$483 thousand from \$48.1 million for the year ended June 30, 2019 to \$48.6 million for the year ended June 30, 2020. This increase is primarily related to a \$519 thousand increase in administrative salaries, partially offset by a \$583 thousand decrease in housing assistance payment expenditures and a \$290 thousand increase in other administrative expenses.

HOUSING AUTHORITY OF THE COUNTY OF KERN

MANAGEMENT'S DISCUSSION AND ANALYSIS

2020 and 2019 Condensed Financial Statements

	2020	2019
Current assets	\$ 17,298,643	\$ 13,039,953
Restricted cash	5,810,891	4,984,929
Capital assets, net	43,560,296	47,048,468
Other assets	15,835,872	14,987,568
Deferred outflows of resources	3,295,362	3,695,594
Total assets and deferred outflows of resources	\$ 85,801,064	\$ 83,756,512
Current liabilities	\$ 4,375,088	\$ 4,280,928
Long-term liabilities	38,405,918	40,612,094
Deferred inflows of resources	2,652,061	410,989
Total liabilities and deferred inflows of resources	\$ 45,433,067	\$ 45,304,011
Net Position:		
Net investment in capital assets	\$ 23,108,183	\$ 25,194,119
Restricted	2,496,580	2,461,958
Unrestricted	14,763,234	10,796,424
Total net position	\$ 40,367,997	\$ 38,452,501
Revenues:		
Operating grants	\$ 38,887,215	\$ 37,893,995
Tenant rents	6,799,941	6,657,147
Other	4,428,573	3,886,320
Capital grants	530,135	2,383,859
Investment income	498,350	474,337
Total revenues	51,144,214	51,295,658
Expenses:		
Housing assistance payments	27,616,578	28,199,843
Administrative	7,580,896	6,772,041
Maintenance	5,099,328	4,808,916
Depreciation and amortization	3,284,235	3,388,763
Tenant services	2,147,575	2,011,386
Utilities	1,702,404	1,680,960
General	1,532,743	1,639,564
Protective services	264,959	255,701
Total expenses	49,228,718	48,757,174
Change in net position	\$ 1,915,496	\$ 2,538,484

HOUSING AUTHORITY OF THE COUNTY OF KERN

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

Significant economic factors affecting the Housing Authority are:

- Fluctuations in federal funding from the Department of Housing and Urban Development
- Local employment trends which can affect tenant rental revenue
- Inflationary pressure on utility rates, supplies and other housing-related costs

Contacting the Authority's Financial Management

This financial report is designed to provide the Board, our residents, citizens, grantors and creditors with a general overview of the Housing Authority's finances and to demonstrate the Housing Authority's accountability for the money it receives. Questions regarding this report or requests for additional information may be directed to Dale Campbell, Finance Director of the Housing Authority of the County of Kern, 601 24th Street, FRNT, Bakersfield, California 93301.

HOUSING AUTHORITY OF THE COUNTY OF KERN

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 12,600,799	\$ 10,464,726
Receivables:		
Tenant rent, net of allowance 2020 \$17,198 ; 2019 \$21,336	467,949	368,681
Government	299,030	123,091
Other	2,444,762	2,075,470
Land held for development (Note 3)	1,478,148	-
Prepaid expenses and other	7,955	7,985
Total current assets	17,298,643	13,039,953
Restricted Cash (Note 2)		
Escrow funds - Family Self Sufficiency Program	1,011,301	960,825
Restricted for HAP payments	1,506,915	474,958
Debt service reserve for Capital Fund Financing Program	280,883	280,740
Reserves and other (Note 10)	3,011,792	3,268,406
Total restricted cash	5,810,891	4,984,929
Capital Assets (Notes 5 and 7)		
Land and improvements	22,520,357	21,799,770
Buildings and improvements	111,113,028	111,113,028
Equipment	2,154,407	3,153,212
	135,787,792	136,066,010
Less accumulated depreciation	92,227,496	89,017,542
Total net capital assets	43,560,296	47,048,468
Other Assets		
Notes receivable (Note 4)	11,798,762	11,120,762
Interest receivable	3,150,588	2,748,092
Investment in partnerships (Note 6)	847,496	1,079,869
Other	39,026	38,845
Total other assets	15,835,872	14,987,568
Deferred Outflows of Resources		
Pension (Note 8)	3,013,190	3,329,832
Other postemployment benefits (Note 9)	282,172	365,762
Total deferred outflows of resources	3,295,362	3,695,594
Total assets and deferred outflows of resources	\$ 85,801,064	\$ 83,756,512

See Notes to Financial Statements.

	2020	2019
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 1,524,223	\$ 1,130,504
Current portion of compensated absences (Note 7)	132,198	124,772
Other accrued expenses	155,513	291,949
Current portion of long-term debt (Note 7)	1,331,719	2,032,469
Tenant security deposits	602,309	580,299
Deferred revenue	629,126	120,935
Total current liabilities	4,375,088	4,280,928
Long-term Liabilities		
Long-term debt, less current portion (Note 7)	19,120,394	19,821,880
Compensated absences, less current position (Note 7)	511,701	500,740
Accrued interest payable	2,221,161	1,995,483
Escrow liability - Family Self Sufficiency Program	1,011,301	960,825
State reserves	1,313,428	1,205,685
Net pension liability (Notes 7 and 8)	9,633,633	8,976,381
Net OPEB liability (Notes 7 and 9)	4,594,300	7,151,100
Total long-term liabilities	38,405,918	40,612,094
Deferred Inflows of Resources		
Pension (Note 8)	279,879	351,282
Other postemployment benefits (Note 9)	2,372,182	59,707
Total deferred inflows of resources	2,652,061	410,989
Total liabilities and deferred inflows of resources	45,433,067	45,304,011
Commitments and Contingencies (Note 14)		
Net Position (Note 11)		
Net investment in capital assets	23,108,183	25,194,119
Restricted	2,496,580	2,461,958
Unrestricted	14,763,234	10,796,424
Total net position	40,367,997	38,452,501
 Total liabilities, deferred inflows of resources and net position	 \$ 85,801,064	 \$ 83,756,512

HOUSING AUTHORITY OF THE COUNTY OF KERN

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Operating grant	\$ 38,887,215	\$ 37,893,995
Tenant rents	6,799,941	6,657,147
Other	3,529,309	3,583,726
Capital grants	530,135	2,383,859
Developer fees	401,998	464,163
Total operating revenues	50,148,598	50,982,890
Operating Expenses		
Housing assistance payments	27,616,578	28,199,843
Administrative salaries and benefits	6,192,915	5,673,700
Ordinary maintenance and operations	4,462,184	4,370,671
Depreciation and amortization	3,284,235	3,388,763
Tenant services	2,147,575	2,011,386
Utilities	1,702,404	1,680,960
Other administrative expenses	1,387,981	1,098,341
Extraordinary maintenance	637,144	438,245
Insurance	559,226	569,542
Other general expense	352,692	437,857
Protective services	264,959	255,701
Total operating expenses	48,607,893	48,125,009
Operating income	1,540,705	2,857,881
Nonoperating Revenues (Expenses)		
Gain on sale of capital assets	729,639	-
Investment income	498,350	474,337
Loss on investment in partnerships	(232,373)	(161,569)
Interest expense	(620,825)	(632,165)
Net nonoperating revenues (expenses)	374,791	(319,397)
Change in net position	1,915,496	2,538,484
Net position, beginning of year	38,452,501	35,914,017
Net position, end of year	\$ 40,367,997	\$ 38,452,501

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE COUNTY OF KERN

STATEMENTS OF CASH FLOWS (PAGE 1 OF 2)

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Cash grants received	\$ 38,711,276	\$ 37,920,966
Cash received from tenants	6,700,673	6,554,183
Other operating income	2,683,686	2,813,879
Capital grants received	530,135	2,383,859
FSS Escrows	50,476	59,664
Housing assistance payments	(27,616,578)	(28,199,843)
Payments to suppliers for good and services	(10,431,779)	(11,227,906)
Payments to employees	(5,619,901)	(5,002,294)
Net cash provided by operating activities	5,007,988	5,302,508
Capital and Related Financing Activities		
Repayment of long-term debt	(2,002,236)	(1,536,681)
Payments of interest on long-term debt	(395,147)	(400,575)
Proceeds from sale of capital assets	1,606,484	-
Purchases of capital assets	(672,908)	(2,683,633)
Net cash (used in) capital and related financing activities	(1,463,807)	(4,620,889)
Investing Activities		
Disbursements on notes receivable	(678,000)	(537,567)
Interest payments received	95,854	38,295
Net cash (used in) investing activities	(582,146)	(499,272)
Net increase in cash, cash equivalents, and restricted cash	2,962,035	182,347
Cash, cash equivalents, and restricted cash:		
Beginning of year	15,449,655	15,267,308
End of year	\$ 18,411,690	\$ 15,449,655
Supplemental Schedule of Noncash Investing and Financing Activities		
Long-term debt incurred for purchase of land held for development	\$ 600,000	\$ -
Long-term debt incurred for purchase of capital assets	\$ -	\$ 900,000

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE COUNTY OF KERN

STATEMENTS OF CASH FLOWS (PAGE 2 OF 2)

Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Operating Income to Net Cash		
Provided By Operating Activities		
Operating income	\$ 1,540,705	\$ 2,857,881
Adjustments to Reconcile Operating Income to		
Net Cash Provided By Operating Activities:		
Depreciation and amortization	3,284,235	3,388,763
Provision for uncollectible accounts	(4,138)	8,374
Changes in assets, deferred outflows, liabilities and deferred inflows		
(Increase) decrease in:		
Receivables	(640,361)	(1,336,047)
Land held for development	(878,148)	-
Prepaid expenses and other	30	19,701
Other assets	(181)	17,670
Deferred outflows of resources	400,232	(117,769)
Increase (decrease) in:		
Accounts payable	393,719	(268,378)
Accrued expenses	(118,049)	7,044
Tenant security deposits	22,010	6,967
Escrow liability - Family Self Sufficiency Program	50,476	59,664
State reserves	107,743	(114,503)
Deferred revenue	508,191	18,691
Net pension liability	657,252	767,393
Net OPEB liability	(2,556,800)	109,800
Deferred inflows of resources	2,241,072	(122,743)
Net cash provided by operating activities	\$ 5,007,988	\$ 5,302,508

See Notes to Financial Statements.

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities: **The Housing Authority of the County of Kern** ("the Authority") is a California special purpose stand-alone government organized for the purpose of providing adequate housing for qualified low-income individuals in areas where a shortage of such housing exists. To accomplish this purpose, the Authority has entered into Annual Contribution Contracts with the U.S. Department of Housing and Urban Development (HUD) to be the administrator of the Low Rent and Section 8 programs. The Authority also owns, develops or manages other housing programs in conjunction with other Federal, State or Local agencies.

Global Pandemic: On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Authority, to date the Authority has not experienced a financial negative impact from the coronavirus. While there has been some reduction in rental collections since the onset, this has been offset by increases in federal assistance related to the pandemic. The Authority receives a large portion of its revenue from HUD, and to date there have been increases in this funding, rather than decreases. Management does not have any indications of a negative impact to the estimates included in the financial statements going forward.

A summary of the Authority's significant accounting policies follows:

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates with respect to the Authority's financial statements include the net pension liability and the net other post-employment benefits (OPEB) liability.

Reporting Entity: The Authority's financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include how the budget is adopted, whether debt is secured by general obligation of the Authority, the Authority's duty to cover any deficits that may occur, and supervision over the accounting functions. The Authority has no oversight responsibility for any other entity, nor is the Authority's operation a component unit of any other governmental entity. Therefore, the reporting entity consists only of Authority operations.

Basis of Presentation: The Authority accounts for its operations as an enterprise fund, and the accompanying basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting in conformity with the Uniform System of Accounts for Special Districts as prescribed by the Controller of the State of California. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

An enterprise fund distinguishes 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 the Authority's principal ongoing operations. The principal operating revenue of the Authority's enterprise funds is dwelling rental income. Operating expenses of the Authority include the cost of services provided, administrative expenses, depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Budget: Although a budget is adopted annually, it is used primarily as a guideline for the Board in regulating expenditures. There is no legal requirement to stay within the adopted budget in the payment or classification of expenditures.

Cash, Cash Equivalents and Restricted Cash: For purposes of reporting cash flows, the Authority considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. In addition, included as cash and cash equivalents are funds restricted for their use, regarding liquidity, such as escrow funds, Housing Assistance Payments (HAP) payments, debt service reserve and other reserves. See additional discussion at Note 10.

Receivables: Tenant receivables are principally amounts due from tenants or claims for damage or unreported income. The Authority's reserve for uncollectable receivables is based upon its past experience.

Other receivables are principally amounts advanced to properties developed or managed by the Authority.

Land Held for Development: Land held for development consist of land and pre-development costs incurred by the Authority on future projects.

Capital Assets: Property and equipment is stated at cost with a capitalization policy of \$5,000 or greater for items that are expected to be utilized by the Authority in excess of one year. The federal government retains a reversionary interest in property and equipment acquired with federal funds. Depreciation of property and equipment is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15
Buildings and improvements	5-40
Equipment	5-10

Tenant Security Deposits: Security deposits are accounted for separately and are deposited in a segregated account for certain programs.

Compensated Absences: Full-time employees are entitled to vacation and sick leave benefits based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Year Ended:	June 30, 2020	June 30, 2019
Valuation Date:	June 30, 2018	June 30, 2017
Measurement Date:	June 30, 2019	June 30, 2018
Measurement Period:	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018

Net Position: The basic financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Net Investment in Capital Assets:* This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets:* This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets:* This category represents net assets of the Authority not restricted for any project or other purpose.

Authoritative Pronouncements not yet Adopted: The following statements issued by the Governmental Accounting Standards Board (GASB) are effective for year ends after June 30, 2020 and management is evaluating the impact of the implementation of these statements on their financial statements.

- In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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NOTES TO FINANCIAL STATEMENTS

- In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Early application is encouraged.

- In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Early application is encouraged.

- In August 2018, the GASB issued Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Early application is encouraged.

Reclassifications: Certain items in the 2019 financial statements have been reclassified to conform to the 2020 presentation, with no effect on change in net position.

Subsequent events: The Authority has evaluated subsequent events through February 10, 2021, the date on which the financial statements were available to be issued. A significant subsequent event is disclosed at Note 16.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents held by the Authority at June 30, 2020 and 2019 consisted of:

	2020	2019
Cash in bank and on hand	\$ 17,615,720	\$ 14,624,985
Certificates of deposit	559,393	593,532
State of California Local Agency Investment Fund (LAIF)	236,577	231,138
	<u>\$ 18,411,690</u>	<u>\$ 15,449,655</u>

Cash and cash equivalents are presented in the accompanying financial statements as follows:

	2020	2019
Current	\$ 12,600,799	\$ 10,464,726
Restricted	5,810,891	4,984,929
	<u>\$ 18,411,690</u>	<u>\$ 15,449,655</u>

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All Authority investments are considered short-term investments with maturities of 12 months or less.

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority is required to disclose the rating for all investments. Cash invested in the Local Agency Investment Fund (LAIF) is considered “exempt for disclosure”.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able recover it deposits or not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority’s investment policy do not contain 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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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.

Cash equivalents in Investments in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to be the amortized cost of that portfolio). The balance available for withdrawal is based on the account records maintained by LAIF, which are recorded on an amortized cost basis.

Note 3. Land Held for Development

Costs incurred in conjunction with land held for development include costs associated with the purchase of the land as well as all other costs incurred to ready the land for development. All costs incurred are included in the total amount of land held for development and sold to the project at the time of development. Land held for development costs of \$1,478,148 at June 30, 2020 consists of costs related to new developments started during the year. At June 30, 2019 there were no costs associated with land held for development.

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Note 4. Notes Receivable

Notes receivable as of June 30, 2020 are comprised of the following:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Maganda Park I, LP (a)	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000	\$ -
Greenfield Housing, LP (b)	1,278,195	-	-	1,278,195	-
Milagro del Valle, LP (c)	1,200,000	-	-	1,200,000	-
Columbus Haven, LP (d)	650,000	-	-	650,000	-
Rancho Algodon, LP (e)	265,000	-	-	265,000	-
Rio Vista RAD, LP (f)	2,980,000	-	-	2,980,000	-
Rio Vista RAD, LP (g)	860,000	-	-	860,000	-
Sunnylane Village Housing Partners, LP (h)	800,000	-	-	800,000	-
HUD HOPE I Program (i)	372,602	-	116,529	256,073	-
HUD Homeownership Program (j)	1,830	-	1,830	-	-
Almond Village, LP (k)	400,000	-	-	400,000	-
GEAHI Old Town Kern, LP (l)	450,000	-	-	450,000	-
North Maple Avenue Childcare Center (m)	537,567	-	-	537,567	-
North Maple Avenue 4% LP (n)	-	303,000	-	303,000	-
North Maple Avenue 9% LP (o)	-	375,000	-	375,000	-
Allowance for satisfaction - HUD Programs (i, j)	(374,432)	-	(118,359)	(256,073)	-
	<u>\$ 11,120,762</u>	<u>\$ 678,000</u>	<u>\$ -</u>	<u>\$ 11,798,762</u>	<u>\$ -</u>

Notes receivable as of June 30, 2019 are comprised of the following:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Maganda Park I, LP (a)	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000	\$ -
Greenfield Housing, LP (b)	1,278,195	-	-	1,278,195	-
Milagro del Valle, LP (c)	1,200,000	-	-	1,200,000	-
Columbus Haven, LP (d)	650,000	-	-	650,000	-
Rancho Algodon, LP (e)	265,000	-	-	265,000	-
Rio Vista RAD, LP (f)	2,980,000	-	-	2,980,000	-
Rio Vista RAD, LP (g)	860,000	-	-	860,000	-
Sunnylane Village Housing Partners, LP (h)	800,000	-	-	800,000	-
HUD HOPE I Program (i)	473,042	-	100,440	372,602	-
HUD Homeownership Program (j)	3,259	-	1,429	1,830	-
Almond Village, LP (k)	400,000	-	-	400,000	-
GEAHI Old Town Kern, LP (l)	450,000	-	-	450,000	-
North Maple Avenue Childcare Center (m)	-	537,567	-	537,567	-
Allowance for satisfaction - HUD Programs (i, j)	(476,301)	-	(101,869)	(374,432)	-
	<u>\$ 10,583,195</u>	<u>\$ 537,567</u>	<u>\$ -</u>	<u>\$ 11,120,762</u>	<u>\$ -</u>

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

- (a) Two notes issued in 2004 to Maganda Park I, LP, a low-income tax credit project (Note 6) totaling \$1,700,000. Payments of accrued interest at 3% and then principal are required based on residual receipts of the project. On July 1, 2042, the balances then due will be amortized over 20 years. The notes are secured by a deed of trust.
- (b) Two notes issued in 2006 to Greenfield Housing, LP, a low-income tax credit project (Note 6) totaling \$1,278,195. The notes have a term of 55 years with interest at 5% and are payable out of residual receipts. The notes are secured by a deed of trust.
- (c) Two notes issued in 2002 to Milagro del Valle, LP, a low-income tax credit project (Note 6) in the amount of \$1,169,642 at 5.6% interest and \$30,358 at 0% interest. Payments of accrued interest and then principal are required based on residual receipts of the project. On July 1, 2040, the balances then due will be amortized over 20 years. The notes are secured by a deed of trust.
- (d) Note issued in 2012 to Columbus Haven, LP, a low-income tax credit project, for \$650,000 at 5% interest. Payments of accrued interest and then principal are required based on residual receipts of the project. The note is due on December 31, 2067 and is secured by a deed of trust.
- (e) Note issued in 2014 to Rancho Algodon, LP, a low-income tax credit project (Note 6) for \$265,000. Payments of accrued interest at 4% and then principal are required based on residual receipts of the project. The note is due on October 1, 2054 and is secured by a deed of trust.
- (f) Note issued in 2014 to Golden Empire Affordable Housing, Inc. and then assigned to Rio Vista RAD, LP (Note 6) for \$2,980,000. Payments of accrued interest at 3.14% and then principal are required based on residual receipts of the project. The note is due on June 1, 2070 and is secured by a deed of trust.
- (g) Note issued in 2014 to Rio Vista RAD, LP, a low-income tax credit project (Note 6) for \$860,000. Payments of accrued interest at 7% and then principal are required based on residual receipts of the project. The note is due on June 1, 2070 and is secured by a deed of trust.
- (h) Note issued in 2014 to Sunnyslane Village Housing Partners, LP, a low-income tax credit project, for \$800,000. Payments of accrued interest at 4% and then principal are required based on residual receipts of the project. The note is due on December 31, 2069 and is secured by a deed of trust.
- (i) Under HUD's HOPE I program, the Authority sold units to qualified buyers. The Authority holds second trust deeds related to the sales totaling \$256,073 and \$372,602 at June 30, 2020 and 2019, respectively. The trust deeds are forgivable if not sold or refinanced. As such, the notes are reserved in their entirety.
- (j) Under the HUD Section 5(H) Homeownership Program, the Authority sold units to qualified buyers. The Authority holds second trust deeds related to the sales totaling \$0 and \$1,830 at June 30, 2020 and 2019, respectively. The trust deeds are forgivable if not sold or refinanced. As such, the notes are reserved in their entirety.
- (k) Note issued in 2015 to Almond Village, LP, a low-income tax credit project (Note 6) for \$400,000. Payments of accrued interest at 2.19% and then principal are required based on residual receipts of the project. The note is due on December 31, 2072 and is secured by a deed of trust.
- (l) Note issued in 2015 to GEAH Old Town Kern, LP, a low-income tax credit project, for \$450,000. Payments of accrued interest at 4% and then principal are required based on residual receipts of the project. The note is due on December 31, 2070 and is secured by a deed of trust.

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NOTES TO FINANCIAL STATEMENTS

(m) Note in the amount of \$550,000 executed December 2017 with funds disbursed September 2018, of \$537,567, to North Maple Avenue Child Care Center, LLC, to finance the development of a childcare center on the property located on Maple Avenue in the City of Wasco, California. The note is non-interest bearing and principal payments are required based on residual receipts of the project. The note is due December 2092 and is secured by a deed of trust.

(n) Note issued in May 2020 in the amount of \$303,000 to North Maple Avenue 4% LP, to finance the installation of solar energy equipment on the property located in the City of Wasco, County of Kern. The note is non-interest bearing and no annual payments are required. Payment in full is due upon the expiration of the term. The note is due in May 2075 and is secured by a deed of trust.

(o) Note issued in 2019 to North Maple Avenue 9%, LP, a low-income tax credit project, for \$375,000. Payments of accrued interest at 2.5% and then principal are required based on residual receipts of the project commencing June 1 of the year after disbursement and on June 1 of each year thereafter. The note is due on July 2074 and is secured by a deed of trust.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2020 is comprised of the following:

	Balances June 30, 2019	Additions	Deletions	Transfers	Balances June 30, 2020
Land	\$ 9,841,379	\$ -	\$ 772,000	\$ -	\$ 9,069,379
Land improvements	11,958,391	522,771	-	969,816	13,450,978
Buildings and improvements	111,113,028	-	-	-	111,113,028
Equipment	3,153,212	150,137	179,126	(969,816)	2,154,407
	<u>136,066,010</u>	<u>672,908</u>	<u>951,126</u>	<u>-</u>	<u>135,787,792</u>
Less accumulated depreciation	89,017,542	3,284,235	74,281	-	92,227,496
	<u>\$ 47,048,468</u>	<u>\$ (2,611,327)</u>	<u>\$ 876,845</u>	<u>\$ -</u>	<u>\$ 43,560,296</u>

Capital asset activity for the year ended June 30, 2019 is comprised of the following:

	Balances June 30, 2018	Additions	Deletions	Balances June 30, 2019
Land	\$ 8,609,379	\$ 1,232,000	\$ -	\$ 9,841,379
Land improvements	11,669,897	288,494	-	11,958,391
Buildings and improvements	109,288,111	1,824,917	-	111,113,028
Equipment	2,914,990	238,222	-	3,153,212
	<u>132,482,377</u>	<u>3,583,633</u>	<u>-</u>	<u>136,066,010</u>
Less accumulated depreciation	85,628,779	3,388,763	-	89,017,542
	<u>\$ 46,853,598</u>	<u>\$ 194,870</u>	<u>\$ -</u>	<u>\$ 47,048,468</u>

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Note 6. Investment in Partnerships

The Authority has interests in various partnerships that develop and operate low income projects. The projects are operated as limited partnerships and are accounted for on the equity method.

- Milagro del Valle, LP operates a 46-unit project in McFarland, California. The Authority has loaned \$1,200,000 to this partnership. On May 1, 2018 the Authority became the Limited Partner. See additional discussion at Note 4.
- Maganda Park I, LP operates a 20-unit project in Delano, California. The Authority has loaned \$1,700,000 to this partnership. See additional discussion at Note 4.
- Casas del Valle, LP operates a 35-unit project in Delano, California.
- Greenfield Housing, LP operates a 35-unit project in Bakersfield, California. The Authority has loaned \$1,278,195 to this partnership (Note 4), and contributed land with a value of \$600,000 as a capital contribution.

The investments in the respective limited partnerships for the years ended June 30, 2020 and 2019 are as follows:

	Year Built	Units	Balances June 30, 2018	Allocation of (Loss)	Balances June 30, 2019	Allocation of Income (Loss)	Balances June 30, 2020
Milagro de Valle, L.P.	2003	46	\$ 641,473	\$ (161,539)	\$ 479,934	\$ (232,361)	\$ 247,573
Maganda Park I, L.P.	2005	20	(111)	(8)	(119)	9	(110)
Casa de Valle, L.P.	2006	35	61	(7)	54	(6)	48
Greenfield Housing, L.P.	2006	35	600,015	(15)	600,000	(15)	599,985
			<u>\$ 1,241,438</u>	<u>\$ (161,569)</u>	<u>\$ 1,079,869</u>	<u>\$ (232,373)</u>	<u>\$ 847,496</u>

Additionally, the Authority has formed twelve single member limited liability company's (LLC's): Kern Housing LLC; Kern Housing II, LLC; Kern Housing III, LLC; Kern Housing IV, LLC; Kern Housing V, LLC; Kern Housing VI, LLC; Kern Housing VII, LLC; Kern Housing VIII, LLC, Kern Housing IX, LLC, Kern Housing X, LLC, Kern Housing XI, and Kern Housing XII, LLC, whereby the respective single member LLC's each invested in a limited partnership to capitalize on the benefits of future tax credits. The partnership investments are accounted for on the equity method.

- GEahi Old Town Kern, LP is a 50-unit project in Bakersfield, California. Kern Housing, LLC has invested \$10 for a .0051% interest in the limited partnership and serves as the Administrative General Partner to develop and operate the low-income project.
- Rancho Algodon, LP was created to acquire, construct, and/or rehabilitate as applicable, own, develop, operate, maintain, manage, lease, sale, mortgage or otherwise dispose of the project and to provide decent, safe, sanitary and affordable housing in Delano, California. Kern Housing II, LLC has invested \$51 for a .0051% interest in the limited partnership and serves as the Administrative General Partner to develop and operate the low-income project. The Authority has loaned \$265,000 to the partnership. See additional discussion at Note 4.
- Rio Vista RAD, LP is a 70-unit project in Bakersfield, California. Kern Housing III, LLC has invested \$51 for a .0051% interest in the limited partnership and serves as the Administrative General Partner to develop and operate the low-income project. The Authority has loaned \$3,840,000 to the partnership. See additional discussion at Note 4.

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- Almond Village LP is an 81-unit project in Lost Hills, California. Kern Housing IV, LLC has invested \$50 for a .005% interest in the limited partnership and serves as the Administrative General Partner to develop and operate the low-income project. The Authority has loaned \$400,000 to the partnership. See additional discussion at Note 4.
- Kern Housing V, LLC was formed for the purpose of owning the Building Blocks and Transitional (now known as Plymouth Rock) housing developments.
- Kern Housing VI, LLC and Kern Housing VII, LLC were formed for the purpose of serving as the Administrative General Partners for North Maple Avenue 9% LP and North Maple Avenue 4% LP, respectively, to develop and operate the Rosaleda Village affordable housing development in Wasco. The Authority has loaned \$303,000 and \$375,000, respectively, to the partnerships. See additional discussion at Note 4.
- Kern Housing VIII, LLC was formed for the purpose of serving as the Administrative General Partner for Mountain View Village LP, to develop and operate the Mountain View Village development in Lamont.
- Kern Housing IX, LLC was formed for the purpose of serving as the Administrative General Partner for East Hills Associates LP, to develop and operate the residences at East Hills development in Bakersfield.
- Kern Housing X, LLC was formed for the purpose of serving as the Administrative General Partner for Benton Park Cottages, LP, to develop and operate a 25-unit affordable housing development at the Benton Park development in Bakersfield.
- Kern Housing XI, LLC was formed for the purpose of serving as the Administrative General Partner for Parkside Apartments Delano, LP, to develop and operate a 40-unit affordable housing development in Delano.
- Kern Housing XII, LLC was formed for the purpose of serving as the Administrative General Partner for 22nd Street Lofts, LP, to develop and operate a 20-unit affordable housing development in Bakersfield.

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NOTES TO FINANCIAL STATEMENTS

Note 7. Long-term Debt

Following is the activity in long-term debt during the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Dreadnought Municipal					
Securities (a)	\$ 2,555,421	\$ -	\$ 310,329	\$ 2,245,092	\$ 374,525
USDA - RD (b)	2,892,874	-	208,493	2,684,381	201,484
USDA - County of Kern - HOME (c)	2,386,097	-	-	2,386,097	-
USDA - RD Grove Apartments (d)	352,089	-	2,596	349,493	2,729
Citizens Business Bank - Grove (e)	182,278	-	6,122	176,156	7,309
NSP - City of Bakersfield (f)	2,532,723	-	441,497	2,091,226	-
NSP - County of Kern (g)	3,081,248	-	-	3,081,248	-
West America Bank					
Central Office (h)	3,250,617	-	144,778	3,105,839	149,179
Citizens Business Bank -					
Monterey (i)	185,941	-	5,481	180,460	6,651
Compass Bank - EPC (j)	428,718	-	370,438	58,280	58,280
County of Kern:					
HOME Foster Care (k)	262,487	-	-	262,487	-
Citizens Business Bank: NSP (l)	130,860	-	14,287	116,573	15,894
Valley Strong Credit Union -					
Quincy St Apartments (m)	528,012	-	23,172	504,840	27,557
Valley Republic Bank (n)	416,984	-	25,043	391,941	29,211
Mon - City of Bakersfield (o)	150,000	-	-	150,000	890
VSD - City of Bakersfield (o)	1,350,000	-	-	1,350,000	8,010
California Department of Housing					
and Community Development (p)	268,000	-	-	268,000	-
GEAHI (q)	450,000	-	450,000	-	-
GEAHI II (r)	450,000	-	-	450,000	450,000
Mechanics Bank - Parkside Dev. (s)	-	600,000	-	600,000	-
	21,854,349	600,000	2,002,236	20,452,113	1,331,719
Compensated Absences	625,512	18,387	-	643,899	132,198
Net Pension Liability	8,976,381	657,252	-	9,633,633	-
OPEB Liability	7,151,100	-	2,556,800	4,594,300	-
	<u>\$ 38,607,342</u>	<u>\$ 1,275,639</u>	<u>\$ 4,559,036</u>	<u>\$ 35,323,945</u>	<u>\$ 1,463,917</u>

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Following is the activity in long-term debt during the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Dreadnought Municipal					
Securities (a)	\$ 2,901,736	\$ -	\$ 346,315	\$ 2,555,421	\$ 361,504
USDA - RD (b)	3,090,370	-	197,496	2,892,874	199,480
USDA - County of Kern - HOME (c)	2,386,097	-	-	2,386,097	-
USDA - RD Grove Apartments (d)	354,510	-	2,421	352,089	2,570
Citizens Business Bank - Grove (e)	188,635	-	6,357	182,278	6,782
NSP - City of Bakersfield (f)	2,974,220	-	441,497	2,532,723	-
NSP - County of Kern (g)	3,081,248	-	-	3,081,248	-
West America Bank					
Central Office (h)	3,391,447	-	140,830	3,250,617	144,943
Citizens Business Bank -					
Monterey (i)	191,931	-	5,990	185,941	6,312
Compass Bank - EPC (j)	759,598	-	330,880	428,718	342,266
County of Kern:					
HOME Foster Care (k)	262,487	-	-	262,487	-
Citizens Business Bank: NSP (l)	144,961	-	14,101	130,860	14,971
Valley Strong Credit Union - .					
Quincy St Apartments (m)	552,399	-	24,387	528,012	25,924
Valley Republic Bank (n)	443,391	-	26,407	416,984	27,717
Mon - City of Bakersfield (o)	150,000	-	-	150,000	-
VSD - City of Bakersfield (o)	1,350,000	-	-	1,350,000	-
California Department of Housing and Community Development (p)	268,000	-	-	268,000	-
GEAHI (q)	-	450,000	-	450,000	450,000
GEAHI II (r)	-	450,000	-	450,000	450,000
	22,491,030	900,000	1,536,681	21,854,349	2,032,469
Compensated Absences	720,746	-	95,234	625,512	124,772
Net Pension Liability	8,208,988	767,393	-	8,976,381	-
OPEB Liability	7,041,300	920,300	810,500	7,151,100	-
	<u>\$ 38,462,064</u>	<u>\$ 2,587,693</u>	<u>\$ 2,442,415</u>	<u>\$ 38,607,342</u>	<u>\$ 2,157,241</u>

(a) *Dreadnought Municipal Securities* – This loan, originally issued from Fannie Mae, was part of the Capital Fund Financing Program with HUD to accelerate the rehabilitation of existing Low Rent Program Housing. In 2012, with approval of HUD, this loan was sold to Dreadnought Municipal Securities. The terms of the loan remained unchanged with transfer to the new creditor. During the year ended June 30, 2014, the Rio Vista property included in the note was sold and the terms of the agreement were amended. The note bears interest at 4.5%, is payable in monthly installments of \$38,893, and due in March 2026. Future Capital Grant funds have been pledged for debt service.

(b) *USDA-RD* – The notes to USDA Rural Development (RD) were incurred for the construction or modernization of farm labor projects. The notes accrue interest at rates ranging from 1% to 4% and require monthly payments currently totaling \$20,243, due in June 2037. The notes are secured by a deed of trust.

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

(c) *USDA – County of Kern – HOME* – The County of Kern HOME loans were incurred for the construction or modernization of farm labor projects. The loans are payable from project cash flow as defined in the agreement, with interest at 3%, due in November 2029, March 2030, November 2030 and March 2034, and are secured by a deed of trust.

(d) *USDA Rural Development (RD)* – As part of the purchase of the Grove apartment complex, the Authority assumed an existing loan in the amount of \$373,933. The loan is payable over 30 years in monthly installments of \$1,966, and is due in December 2036 with interest at 1%, secured by a deed of trust.

(e) *Citizens Business Bank – Grove* – The note in the original amount of \$255,000 was for the purchase of the Grove apartment complex. The note dated December 1, 2006, bears interest at 7.25%, is payable over 20 years in monthly installments of \$1,617, is due in December 2026, and is secured by a deed of trust.

(f) *Neighborhood Stabilization Program (NSP) – City of Bakersfield* – A portion of the City of Bakersfield’s NSP funding was allocated to the Authority to purchase and rehabilitate foreclosed units. Property restrictions include limiting sales and renting to qualified families. The loan is non-interest bearing and forgivable over the life of the loan which is due in November 2024 and is secured by a deed of trust.

(g) *NSP–County of Kern* – A portion of the County of Kern’s NSP funding was allocated to Golden Empire Affordable Housing, Inc., a non-profit corporation which purchased and rehabilitated foreclosed units under the terms of the Program. In December 2010 the Authority purchased the units by assuming the loan to the County of Kern. The loan is non-interest bearing, allows for a 15-year extension and is forgivable at the end of the extension, providing affordability provisions are maintained. The loan is secured by a deed of trust and is due in June 2034.

(h) *West America Bank* – The Central Office note was issued during 2001 in the amount of \$4,200,000 for the financing of the Authority’s central office complex. Principal payments on the note began in April 2004, with a 15-year term and a 25-year amortization schedule. The note is payable in semi-annual installments of \$159,393 and is due in October 2016. Per the agreement the interest rate is adjusted every five years. Interest was adjusted as of April 19, 2011 and was 5.36% at June 30, 2016. In October 2016, the terms of the note were amended, whereby the note is payable in semi-annual principal and interest installments of \$85,071 at 2.90% interest, due October 2036. The note is secured by a deed of trust.

(i) *Citizens Business Bank* – During 2012 the Monterey note was issued related to the purchase of the Monterey property. The note requires principal payments with a 10-year term and a 25-year amortization schedule at 5.25% interest, which amounts to \$1,324 monthly and is due in October 2022. The note is secured by a deed of trust.

(j) *Compass Bank – EPC Loan* – The Authority borrowed funds for “energy performance contracting” (EPC), which modernized several of the properties for more efficient use of energy. The work was funded with a loan of \$2,485,501 from Compass Bank at 3.3%. The note requires monthly installments of \$29,282 and matures on September 1, 2020. The note is secured by a deed of trust.

(k) *County of Kern HOME Foster Care* – The Authority borrowed \$266,000 of HOME Program funds from the County of Kern for the acquisition and rehabilitation of the Belle Terrace Foster Care project. The note accrues interest at 3% and is payable 30 years from project completion. No payments of principal or interest are due until the maturity date. If the terms of the agreement are complied with, the note will be forgiven 30 years from the date of project completion which is February 2032. The note is secured by a deed of trust.

(l) *Citizen’s Business Bank (CBB)* – The CBB loan is a refinance of a prior Rabobank loan incurred as additional funding for NSP properties. The CBB loan was dated October 3, 2011, for a new debt of \$220,000 with a 15-year term at 6% interest. The note requires monthly installments of \$1,867 and matures in September 2026. The loan is secured by a deed of trust.

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NOTES TO FINANCIAL STATEMENTS

(m) *Valley Strong Credit Union* – The note in the original amount of \$735,000 was for the purchase of the Quincy Street apartment complex. The note dated February 6, 2009, bears interest at 6.125%, is payable over 10 years in monthly installments of \$4,793 with a balloon payment of approximately \$434,000 due on February 6, 2023. The note is secured by a deed of trust.

(n) *Valley Republic Bank* – The note in the original amount of \$505,000 was used for tenant improvements of the Clinica Sierra Vista commercial space. The note dated December 1, 2014 bears interest at 5%, is payable over 15 years in monthly installments of \$4,004 with a balloon payment of approximately \$6,500 due on April 5, 2030. The note is secured by a deed of trust.

(o) *Mon – City of Bakersfield* – The note in the original amount of \$1,500,000 was used for tenant improvements of which \$1,350,000 is allocated to Villa San Dimas and \$150,000 is allocated to Monterey Street commercial space. The note was funded on October 5, 2016, bears interest at 1%, is payable over 55 years in annual installments of \$57,458, and is due on April 1, 2072. The annual payments on the Monterey portion of the loan are based on residual receipts. The note is secured by a deed of trust.

(p) *California Department of Housing and Community Development* – The note in the amount of \$470,918 was assumed by the Authority as of August 15, 2016 for the purchase of Villa San Dimas. The note bears interest at a daily rate of \$22.33 payable annually, unless deferred due to insufficient cash flow, with all principal and accrued interest due in March 2031. Prepayments of principal can be made only with HCD approval. The note is secured by a deed of trust.

(q) *Golden Empire Affordable Housing, Inc.* – The note in the amount of \$450,000 was used for the purchase of the Bernard Street property in Bakersfield, California. The note bears interest at 3% and is due in full by January 31, 2020. The note is secured by a deed of trust.

(r) *Golden Empire Affordable Housing, Inc. II* – The note in the amount of \$450,000 was used for the purchase of the Bernard Street property in Bakersfield, California. The note bears interest at 3% and was originally due in full by January 31, 2020. During the year ended June 30, 2020 the note was amended and is now due in full by December 31, 2020. The note is secured by a deed of trust.

(s) *Mechanics Bank* – The note in the amount of \$600,000 was used for the purchase of land for development of the Parkside Apartment property in Delano, California. The note bears interest at 2.67% with required monthly interest only payments. All remaining principal and interest are due in full by August 1, 2021. The note is secured by a deed of trust.

Aggregate maturities of long-term debt as of June 30, 2020 are due in future years as follows:

Years Ended June 30,	Principal	Interest	Total
2021	\$ 1,331,719	\$ 362,646	\$ 1,694,365
2022	1,415,023	330,912	1,745,935
2023	1,433,614	289,633	1,723,247
2024	2,938,327	238,721	3,177,048
2025	3,957,734	240,819	4,198,553
2026 - 2030	4,514,044	2,302,467	6,816,511
2031 - 2035	2,793,378	1,157,614	3,950,992
2036 - 2040	649,189	277,067	926,256
2041 - 2045	169,553	235,686	405,239
2046 - 2050	206,243	198,995	405,238
2051 - 2055	252,157	153,082	405,239
2056 - 2060	218,890	104,354	323,244
2061 - 2065	213,957	73,332	287,289
2066 - 2070	248,035	39,254	287,289
2071 - 2072	110,250	4,972	115,222
	<u>\$ 20,452,113</u>	<u>\$ 6,009,554</u>	<u>\$ 26,461,667</u>

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NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan

General Information about the Pension Plan

Plan Description. All qualified employees are eligible to participate in the Authority's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statutes and Local Government resolution. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through a resolution of the Board of Commissioners. CalPERS issues publicly available reports that include a full description of the pension plan 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 Plan's provisions and benefits in effect at June 30, 2020 and 2019, are summarized as follows:

		2020	2019
	Prior to July 1, 2013	On or after July 1, 2013	On or after July 1, 2013
Hire date			
Benefit formula	2% @ 55	2% @ 62	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	52-67	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8%	6.6%	6.6%
Required employer contribution rates	8.5%	8.8%	8.4%

Employees Covered: At June 30, 2020 and 2019, the following employees were covered by the benefit terms for the Plan:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	181	170
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	146	138
Total	327	308

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NOTES TO FINANCIAL STATEMENTS

Contributions. Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Net Pension Liability

The Authority's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan for the year ended June 30, 2020 is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The net pension liability of the Plan for the year ended June 30, 2019 is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liability in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

	2020	2019
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	Varies (1)	Varies (1)
Investment Rate of Return	7.375% (2)	7.50% (2)
Mortality	2014 CalPERS Experience Study for the period from 1997 to 2011	2014 CalPERS Experience Study for the period from 1997 to 2011

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses; includes inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of a 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

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NOTES TO FINANCIAL STATEMENTS

Discount Rate. The discount rate used to measure the total pension liability at the June 30, 2019 and 2018 measurement date was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.15 percent used for the June 30, 2019 and 2018 measurement dates is without reduction of pension plan administrative expense.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 (1)	Real Return Year 11+ (2)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

(1) An expected inflation of 2.00% used for this period

(2) An expected inflation of 2.92% used for this period

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NOTES TO FINANCIAL STATEMENTS

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the years ended June 30, 2020 and 2019 for the Plan are as follow:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	\$ 36,438,108	\$ 28,229,120	\$ 8,208,988
Changes in the year:			
Service cost	956,258	-	956,258
Interest on the total pension liability	2,615,666	-	2,615,666
Differences between actual and expected experience	881,528	-	881,528
Net plan to plan resource movement		(69)	69
Changes in assumptions	(264,955)	-	(264,955)
Contributions - employer	-	792,348	(792,348)
Contributions - employee (paid by employer)	-	404,472	(404,472)
Net investment income	-	2,351,877	(2,351,877)
Administrative expenses	-	(43,989)	43,989
Benefit payments, including refunds of employee contributions	(1,900,153)	(1,900,153)	-
Other miscellaneous income/expense	-	(83,535)	83,535
Net changes	2,288,344	1,520,951	767,393
Balance at June 30, 2018	38,726,452	29,750,071	8,976,381
Service cost	1,000,788	-	1,000,788
Interest on the total pension liability	2,761,682	-	2,761,682
Differences between actual and expected experience	388,056	-	388,056
Net plan to plan resource movement	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	992,189	(992,189)
Contributions - employee (paid by employer)	-	603,324	(603,324)
Net investment income	-	1,918,922	(1,918,922)
Administrative expenses	-	(21,230)	21,230
Benefit payments, including refunds of employee contributions	(1,979,937)	(1,979,937)	-
Other miscellaneous income/expense	-	69	(69)
Net changes	2,170,589	1,513,337	657,252
Balance at June 30, 2019	\$ 40,897,041	\$ 31,263,408	\$ 9,633,633

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NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Authority for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2020	2019
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 14,879,497	\$ 13,964,406
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 9,633,633	\$ 8,976,381
1 % Increase	8.15%	8.15%
Net Pension Liability	\$ 5,275,270	\$ 4,828,254

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2020 and 2019, the Authority recognized pension expense of \$1,353,873 and \$1,166,628, respectively. At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,353,873	\$ -	\$ 1,166,628	\$ -
Changes in assumptions	687,326	(152,209)	1,116,906	(255,956)
Differences between expected and actual experience	971,991	(5,626)	954,115	(95,326)
Net differences between projected and actual earnings on plan investments	-	(122,044)	92,183	-
Total	<u>\$ 3,013,190</u>	<u>\$ (279,879)</u>	<u>\$ 3,329,832</u>	<u>\$ (351,282)</u>

\$1,353,873 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2019 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	
2021	\$ 860,733
2022	285,778
2023	138,089
2024	94,838
	<u>\$ 1,379,438</u>

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NOTES TO FINANCIAL STATEMENTS

Payables to the Pension Plan

At June 30, 2020 and 2019, there was no amount payable to the pension plan for the years ended June 30, 2020 or 2019.

Note 9. Other Postemployment Benefits (OPEB)

Plan Description. The Housing Authority of the County of Kern Postemployment Benefits Plan (the Plan) is a single-employer, defined benefit healthcare plan administered by the Authority. The Plan provides medical insurance benefits to eligible employees and their spouses. The retiree and his or her beneficiaries receive this coverage for the life of the retiree. The retiree may share premium cost, depending on the coverage choice. Retiree welfare eligibility requires active health coverage just prior to retirement and receipt of pension payments from the California Public Employees' Retirement System (CalPERS), which itself requires at least age 50 (or 52 if hired after 2012) with at least five years of service, or disabled at any age with at least five years of service. If an eligible retiree elects any of the Public Employees' Medical and Hospital Care Act (PEMHCA) HMO/PPO options, then they will receive lifetime Plan cash subsidy equal to 85% of the lowest PEMCHA Other Southern California premium for their level of coverage and Medicare status. Single retirees and surviving spouses pay any excess of their chosen plan's premium over 85% of the lowest single rate. Likewise, retirees with spouse/family coverage pay any excess of their chosen plan's premium over 85% of the lowest two-party/family rate. There is a no "cash in lieu" option for receiving the cash subsidy. Covered dependents of eligible retirees include legal spouses, domestic partners, and unmarried children under age 26 (or any age if wholly dependent on the retiree and incapable of self-support because of a mental or physical incapacity that existed prior to reaching age 19). Surviving spouses of deceased retirees are covered for life, contingent on a Joint & Survivor pension election and continued self-payments. No benefits beyond COBRA are paid to the survivor of an active, even if such active had become fully eligible for retiree benefits (by attaining age 50 or 52 with five years of service) prior to his/her death.

The Authority has joined the California Employees' Retiree Benefit Trust (CERBT), a trust maintained by CalPERS, as a retiree welfare prefunding vehicle for any California public sector employer.

Employees Covered. As of the June 30, 2019 and 2018 actuarial valuations, the following current and former employees were covered by the benefit terms under the Plan:

	2020	2019
Active employees	153	151
Inactive employees or beneficiaries currently receiving benefits	-	-
Inactive employees entitled to, but not yet receiving benefits	61	58
	<u>214</u>	<u>209</u>

Contributions. The Plan and its contribution requirements are established by the Board of Commissioners. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2020, the Authority's cash contributions were \$352,100 in payments to the trust, plus \$378,700 cash benefit payments made outside of the trust, plus \$140,300 implied subsidy, resulting in total payments of \$871,100. For the fiscal year ended June 30, 2019, the Authority's cash contributions were \$314,300 in payments to the trust, plus \$366,800 cash benefit payments made outside of the trust, plus \$129,400 implied subsidy, resulting in total payments of \$810,500.

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NOTES TO FINANCIAL STATEMENTS

Net OPEB Liability. The Authority's net OPEB liability of \$4,594,300 at June 30, 2020 was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward to determine the June 30, 2019 measurement date. The components of the net OPEB liability of the Authority at June 30, 2019 were as follows:

Total OPEB Liability	
Current Retirees	\$ 4,621,300
Active Employees	4,198,700
Total	<u>8,820,000</u>
Plan fiduciary net position	<u>4,225,700</u>
Authority's net OPEB liability	<u><u>\$ 4,594,300</u></u>

The Authority's net OPEB liability of \$7,151,100 at June 30, 2019 was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 measurement date. The components of the net OPEB liability of the Authority at June 30, 2018 were as follows:

Total OPEB Liability	
Current Retirees	\$ 5,614,900
Active Employees	5,169,800
Total	<u>10,784,700</u>
Plan fiduciary net position	<u>3,633,600</u>
Authority's net OPEB liability	<u><u>\$ 7,151,100</u></u>

Actuarial Assumptions. The total OPEB liability in the June 30, 2019 and 2018 actuarial valuation was based on the following actuarial methods and assumptions:

Actuarial Assumptions:	2020	2019
Discount Rate	7.59%	7.28%
Inflation	2.75%	3.00%
Salary Increases	2.75%	3.25%
Investment Rate of Return	7.59%	7.28%
Mortality Rate	(1)	(4)
Pre-Retirement Turnover	(2)	(5)
Healthcare Trend Rate	(3)	(3)

(1) Rates are from the CalPERS study of Miscellaneous Public Agency experience for the eighteen years ending June 30, 2015.

(2) Hired Prior to 2013: Rates are from the CalPERS study of non-industrial miscellaneous employers electing "2.0% at 55" for the eighteen years ending June 30, 2015, except that rates have been rounded with each 10-year entry age bracket; Hired in 2013 or later: Rates are from the CalPERS study of non-industrial miscellaneous employers electing "2.0% at 62" for the eighteen years ending June 30, 2015, except that rates have been rounded with each 10-year entry age bracket.

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NOTES TO FINANCIAL STATEMENTS

(3) Trend rates begin at various levels, then are graded down each year until they reach an ultimate rate of 4% by 2030/2031 (reflecting the expected long-term trend rate for the medical Consumer Price Index).

(4) Rates are from the CalPERS study of Miscellaneous Public Agency experience for the fourteen years ending June 30, 2011.

(5) Hired Prior to 2013: Rates are from the CalPERS study of non-industrial miscellaneous employers electing "2.0% at 55" for the fourteen years ending June 30, 2011, except that rates have been rounded with each 10-year entry age bracket; Hired in 2013 or later: Rates are from the CalPERS study of non-industrial miscellaneous employers electing "2.0% at 62" for the fourteen years ending June 30, 2011, except that rates have been rounded with each 10-year entry age bracket.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Years 1-10 (1)	Real Return Year 11+ (2)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assts	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%

(1) An expected inflation of 2.00% used for this period

(2) An expected inflation of 2.92% used for this period

Discount Rate. The discount rate used to measure the total OPEB liability was 7.59 percent and 7.28 percent for the June 30, 2019 and 2018 measurement dates, respectively. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Changes in the OPEB Liability

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

	Increase (Decrease)		Net OPEB Liability/Asset (c) = (a) - (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	
Balance at June 30, 2018 (Valuation Date June 30, 2017)	\$ 10,117,400	\$ 3,076,100	\$ 7,041,300
Changes recognized for the measurement period:			
Service cost	414,500	-	414,500
Interest cost	733,600	-	733,600
Effect of change in actuarial assumptions/methods	-	-	-
Other liability experience loss/(gain)	15,400	-	15,400
Effect of plan amendments	-	-	-
Contributions	-	810,500	(810,500)
(Benefit payments)	(496,200)	(496,200)	-
(Non-benefit-related admin expenses from plan trusts)	-	(1,648)	1,648
Expected investment return	-	235,321	(235,321)
Investment experience (loss)/gain	-	9,527	(9,527)
Net increase within fiscal 2018/19	667,300	557,500	109,800
Balance at June 30, 2019 (Measurement Date June 30, 2018)	10,784,700	3,633,600	7,151,100
Changes recognized for the measurement period:			
Service cost	401,800	-	401,800
Interest cost	780,900	-	780,900
Effect of change in actuarial assumptions/methods	(380,100)	-	(380,100)
Other liability experience loss/(gain)	(2,248,300)	-	(2,248,300)
Effect of plan amendments	-	-	-
Contributions	-	871,100	(871,100)
(Benefit payments)	(519,000)	(519,000)	-
(Non-benefit-related admin expenses from plan trusts)	-	(1,841)	1,841
Expected investment return	-	277,276	(277,276)
Investment experience (loss)/gain	-	(35,435)	35,435
Net increase within fiscal 2019/20	(1,964,700)	592,100	(2,556,800)
Balance at June 30, 2020 (Measurement Date June 30, 2019)	\$ 8,820,000	\$ 4,225,700	\$ 4,594,300

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

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 June 30, 2019 and 2018:

	2020	2019
1% Decrease Net OPEB Liability	6.59% \$ 5,674,500	6.28% \$ 8,508,800
Current Discount Rate Net OPEB Liability	7.59% \$ 4,594,300	7.28% \$ 7,151,100
1% Increase Net OPEB Liability	8.59% \$ 3,691,800	8.28% \$ 6,021,200

Sensitivity to 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 June 30, 2019 and 2018:

	1% Decrease (Various initial rates grading to ultimate 3%)	Current Discount Rate (Various initial rates grading to ultimate 4%)	1% Increase (Various initial rates grading to ultimate 5%)
Net OPEB Liability - Measurement date June 30, 2019)	\$ 3,594,900	\$ 4,594,300	\$ 5,809,400
Net OPEB Liability - Measurement date June 30, 2018)	\$ 5,890,900	\$ 7,151,100	\$ 8,690,200

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB. For the fiscal years ended June 30, 2020 and 2019, the Authority recognized OPEB expense of \$110,200 and \$48,599, respectively. At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflow of resources related to the OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to the measurement date	\$ 241,900	\$ -	\$ 352,100	\$ -
Revised assumptions/methods	-	(337,199)	-	-
Other liability experience loss/(gain)	11,924	(1,994,542)	13,662	-
Investment experience loss/(gain)	28,348	(40,441)	-	(59,707)
	<u>\$ 282,172</u>	<u>\$ (2,372,182)</u>	<u>\$ 365,762</u>	<u>\$ (59,707)</u>

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

The \$241,900 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense (income) as follows:

Year ended June 30,

2021	\$ (307,100)
2022	(307,102)
2023	(289,741)
2024	(287,834)
2025	(294,921)
Later years	(845,212)
	<u>\$ (2,331,910)</u>

Note 10. Other Restricted Cash

Other restricted cash at June 30, 2020 and 2019 consists of the following:

	2020	2019
USDA project replacement	\$ 1,321,321	\$ 1,672,681
Migrant operation	1,313,428	1,205,685
Care Discount	273,902	276,892
Villa San Dimas	38,332	51,069
Neighborhood Stabilization Program	37,355	33,579
Reserve for replacement	27,454	28,500
	<u>\$ 3,011,792</u>	<u>\$ 3,268,406</u>

Note 11. Net Position

Net position is restricted for the following uses at June 30, 2020 and 2019:

	2020	2019
USDA project replacement	\$ 1,321,321	\$ 1,672,681
HAP payments	857,021	474,958
Capital Fund debt service	280,883	280,740
Neighborhood Stabilization Program	37,355	33,579
	<u>\$ 2,496,580</u>	<u>\$ 2,461,958</u>

The unrestricted net assets are all 100% designated for affordable housing activities either by funding source or board designation.

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Note 12. Conduit Bonds

The Authority is associated with the issuance of the following tax-exempt Mortgage Revenue Bonds (Bonds) that were issued for various development firms. In the opinion of Authority officials, the Bonds are not and will never become general obligations of the issuer but are limited obligations of the issuer and are payable solely from the sources set forth in the indenture. The Bonds and the premium, if any, and interest thereon do not and never shall constitute a debt or an indebtedness or an obligation of the issuer or the State of California (State) or any other political subdivision of the State or a loan of the faith or credit or the taxing power of any of them, within the meaning of any constitutional or statutory provisions, nor shall the Bonds be construed to create any moral obligation on the part of the issuer, the State or any other political subdivision of the State with respect to the payment of the Bonds. The Bonds shall not be payable from the general revenues of the issuer and in no event shall the Bonds be payable out of any funds or properties other than those specifically pledged therefore. The issuer has no taxing power.

As of June 30, 2020 and 2019, the outstanding balances of the Revenue Bonds are as follows:

Description	Issue Date	Amount of Issue	Outstanding Balance June 30, 2020	Outstanding Balance June 30, 2019
Multifamily Housing Revenue Bonds - Rancho Algodon	2014	\$ 4,100,000	\$ 1,387,069	\$ 1,505,347
Multifamily Housing Revenue Bonds - Rio Vista RAD	2014	4,000,000	1,518,354	1,585,101
Tax Exempt Mortgage Obligations - 1994 Bond	1994	12,600,000	359,200	379,200
Multifamily Mortgage Revenue Note - Wasco Farmworker Housing Project	2017	25,000,000	-	24,736,698
Multifamily Mortgage Revenue Note - Mountain View Village Apartments	2019	9,400,000	4,678,682	-
		<u>\$ 55,100,000</u>	<u>\$ 7,943,305</u>	<u>\$ 28,206,346</u>

Note 13. Risk Management

The Authority participates in the Housing Authorities Risk Retention Pool (HARRP), which is a public entity risk pool for housing authorities in California, Oregon, Washington, and Nevada. The Authority pays an annual premium to HARRP for property, auto and errors and omissions coverage. The pool reinsures through commercial insurance companies for excess insurance as determined by the Board.

The Authority continues to carry commercial insurance for all other risks including general liability. The settled claims have not exceeded the commercial coverage or the coverage provided by the pool in any of the past three years.

HOUSING AUTHORITY OF THE COUNTY OF KERN

NOTES TO FINANCIAL STATEMENTS

Note 14. Commitments and Contingencies

Lease Commitments: The Authority has various noncancelable service contracts for landscaping and gardening, technology and equipment support. The agreements expire from March 2021 through March 2025 and require monthly payments ranging from \$55 to \$11,675. The total minimum future commitment as of June 30, 2020 due in future years is as follows:

Years Ended June 30,

2021	\$ 241,090
2022	87,020
2023	16,920
2024	6,327
2025	3,850
	<u>\$ 355,207</u>

Contingency: The Authority has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Note 15. Transactions with Related Parties

Golden Empire Affordable Housing, Inc. (GEAHI), a not-for-profit corporation, is a related party to the Authority through common management. Golden Empire Affordable Housing, Inc. II (GEAHI II) is also a related party, as the Authority provides property management services to GEAHI, GEAHI II and several of their affiliated entities.

GEAHI and GEAHI II have loaned funds to the Authority for the purchase of real property in Bakersfield, California. See additional discussion at Note 7.

Several of the entities listed in Notes 4 and 6 are related parties, based on the above relationships. In addition to those notes receivable, transactions with related parties are reflected in the accompanying financial statements as follows:

	2020	2019
Accounts receivable	\$ 243,421	\$ 326,360
Management fee revenue	670,915	582,304

Note 16. Subsequent Event

In October 2020 the Authority received a \$13.3 million grant from the California Department of Housing & Community Development, as part of the CARES act provisions for the purpose of purchasing and rehabilitating affordable housing projects. The Authority has purchased four properties subsequent to year end for this purpose. Under the terms of the grant agreement, all funds must be spent by December 31, 2021 and all properties must be occupied within 90 days of acquisition.

**REQUIRED
SUPPLEMENTARY INFORMATION**

HOUSING AUTHORITY OF THE COUNTY OF KERN

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

As of June 30, 2020

Last 10 Years*

Measurement Period	2018-19	2017-18	2016-17
Total Pension Liability			
Service Cost	\$ 1,000,788	\$ 956,258	\$ 916,334
Interest on total pension liability	2,761,682	2,615,666	2,459,889
Differences between expected and actual experience	388,056	881,528	460,258
Changes in assumptions	-	(264,955)	1,976,066
Changes in benefit terms	-	-	198,410
Benefits payments, including refunds of employee contributions	(1,979,937)	(1,900,153)	(1,767,991)
Net change in total pension liability	2,170,589	2,288,344	4,242,966
Total pension liability - beginning	38,726,452	36,438,108	32,195,142
Total pension liability - ending (a)	\$ 40,897,041	\$ 38,726,452	\$ 36,438,108
Plan fiduciary net position			
Contributions - employer	\$ 992,189	\$ 792,348	\$ 749,614
Contributions - employee	603,324	404,472	399,208
Net investment income	1,918,922	2,351,877	2,878,991
Net plan to resource plan movement	-	(69)	-
Administrative expense	(21,230)	(43,989)	(38,399)
Other miscellaneous expense	69	(83,535)	-
Benefit payments	(1,979,937)	(1,900,153)	(1,767,991)
Net change in plan fiduciary net position	1,513,337	1,520,951	2,221,423
Plan fiduciary net position - beginning	29,750,071	28,229,120	26,007,697
Plan fiduciary net position - ending (b)	\$ 31,263,408	\$ 29,750,071	\$ 28,229,120
Net pension liability - ending (a)-(b)	\$ 9,633,633	\$ 8,976,381	\$ 8,208,988
Plan fiduciary net position as a percentage of the total pension liability	76.44%	76.82%	77.47%
Covered - employee payroll	\$ 6,415,306	\$ 6,169,007	\$ 5,817,622
Net pension liability as percentage of covered-employee payroll	150.17%	145.51%	141.11%

Notes to Schedule:

Benefits changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: None in 2019. In 2018, demographic assumptions and inflation rates were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expenses.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

	2015-16	2014-15	2013-14
\$	744,359	\$ 718,456	\$ 805,168
	2,317,964	2,212,630	2,153,097
	(61,898)	(831,948)	-
	-	(521,130)	-
	-	-	-
	(1,590,366)	(1,420,065)	(1,272,994)
	1,410,059	157,943	1,685,271
	30,785,083	30,627,140	28,941,869
\$	32,195,142	\$ 30,785,083	\$ 30,627,140

\$	597,447	\$ 485,793	\$ 434,778
	374,099	344,219	329,820
	154,414	616,099	3,981,363
	-	-	-
	(16,143)	(29,812)	-
	-	-	-
	(1,590,366)	(1,420,065)	(1,272,994)
	(480,549)	(3,766)	3,472,967
	26,488,246	26,492,012	23,019,045
\$	26,007,697	\$ 26,488,246	\$ 26,492,012

\$	6,187,445	\$ 4,296,837	\$ 4,135,128
	80.78%	86.04%	86.50%

\$	5,085,466	\$ 4,932,417	\$ 5,330,475
	121.67%	87.11%	77.58%

HOUSING AUTHORITY OF THE COUNTY OF KERN

SCHEDULE OF PENSION CONTRIBUTIONS

As of June 30, 2020

Last 10 Years*

	2020	2019	2018	2017	2016	2015
Actuarial determined contributions	\$ 992,189	\$ 792,348	\$ 749,614	\$ 597,447	\$ 485,793	\$ 434,778
Contributions in relation to the actuarially determined contributions	(992,189)	(792,348)	(749,614)	(597,447)	(485,793)	(434,778)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 6,415,306	\$ 6,169,007	\$ 5,817,622	\$ 5,085,466	\$ 4,932,417	\$ 5,330,475
Contributions as a percentage of covered-employee payroll	15.47%	12.84%	12.89%	11.75%	9.85%	8.16%

Notes to Schedule

Valuation date:	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Methods and assumptions used to determine contributions rates:						
Agent Employers	Entry-Age Normal For details, see June 30, 2016 Funding Valuation Report.	Entry-Age Normal For details, see June 30, 2015 Funding Valuation Report.	Entry-Age Normal For details, see June 30, 2014 Funding Valuation Report.	Entry-Age Normal For details, see June 30, 2013 Funding Valuation Report.	Entry-Age Normal For details, see June 30, 2012 Funding Valuation Report.	Entry-Age Normal For details, see June 30, 2011 Funding Valuation Report.
Amortization method/period	Market Value of Assets. For details, see June 30, 2016 Funding Valuation Report.	Market Value of Assets. For details, see June 30, 2015 Funding Valuation Report.	Market Value of Assets. For details, see June 30, 2014 Funding Valuation Report.	Actuarial Value of Assets. For details, see June 30, 2013 Funding Valuation Report.	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Asset valuation method	Report.	Report.	Report.	Report.	Report.	Report.
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service			
Investment rate of return	7.375% (1)	7.50% (1)	7.15% (1)	7.50% (1)	7.50% (1)	7.50% (1)
Retirement age	(4)	(4)	(4)	(2)	(2)	(2)
Mortality	(5)	(5)	(5)	(3)	(3)	(3)

(1) Net of pension plan investment and administrative expenses; includes inflation

(2) The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

(3) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

(4) The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.

(5) The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

HOUSING AUTHORITY OF THE COUNTY OF KERN

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

As of June 30, 2020

Last 10 Years*

Measurement Period	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 401,800	\$ 414,500	\$ 414,500
Interest on the total OPEB liability	780,900	733,600	688,100
Other liability experience loss/(gain)	(2,248,300)	15,400	-
Actual and expected experience difference	-	-	-
Changes in assumptions	(380,100)	-	-
Changes in benefit terms	-	-	-
Benefit payments	(519,000)	(496,200)	(460,300)
Net change in total OPEB liability	(1,964,700)	667,300	642,300
Total OPEB liability - beginning	10,784,700	10,117,400	9,475,100
Total OPEB liability - ending (a)	8,820,000	10,784,700	10,117,400
Plan Fiduciary Net Position			
Contributions - employer	871,100	810,500	774,600
Net investment income	241,841	244,848	279,041
Benefit payments	(519,000)	(496,200)	(460,300)
Administrative expense	(1,841)	(1,648)	(1,341)
Net change in plan fiduciary net position	592,100	557,500	592,000
Plan fiduciary net position - beginning	3,633,600	3,076,100	2,484,100
Plan fiduciary net position - ending (b)	4,225,700	3,633,600	3,076,100
Net OPEB liability - ending (a) - (b)	\$ 4,594,300	\$ 7,151,100	\$ 7,041,300
Plan fiduciary net position as a percentage of the total OPEB liability	47.91%	33.69%	30.40%
Covered-employee payroll	\$ 7,137,600	\$ 6,586,200	\$ 6,778,800
Net OPEB liability as a percentage of covered-employee payroll	64.37%	108.58%	103.87%

Notes to Schedule:

Changes in assumptions: The discount rate remained unchanged at 7.28% (net of administrative expense) for the measurement period June 30, 2018. The discount rate changed from 7.28% to 7.59% for the measurement period June 30, 2019.

*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

HOUSING AUTHORITY OF THE COUNTY OF KERN

SCHEDULE OF OPEB CONTRIBUTIONS

As of June 30, 2020

Last Ten Fiscal Years*

Fiscal Year Ended June 30	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 890,500	\$ 882,400	\$ 867,100
Contributions in relation to the ADC	871,100	810,500	774,600
Contribution deficiency (excess)	<u>\$ 19,400</u>	<u>\$ 71,900</u>	<u>\$ 92,500</u>
Covered-employee payroll	\$ 7,137,600	\$ 6,586,200	\$ 6,778,800
Contributions as a percentage of covered-employee payroll	12.20%	12.31%	11.43%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020, 2019, and 2018 were from the June 30, 2018, 2017, and 2016 actuarial valuations, respectively.

Methods and Assumptions used to determine contributions:

Actuarial Cost Method	Entry Age Normal cost method
Amortization Method/Period	Amortization of rate increases over a 5 year period and amortizations all experience gains and loss over a fixed 30 year period
Asset Valuation Method	Market value
Inflation	2.75%
Payroll Growth	2.75% per annum, in aggregate
Investment Rate of Return	7.59% per annum for Fiscal Year Ended 2020; 7.28% per annum for Fiscal Year Ended 2019 and 2018
Healthcare cost-trend rates	Trend rates begin at various levels, then are graded down each year until they reach an ultimate rate of 4% by 2030/2031 (reflecting the expected long-term trend rate for the medical Consumer Price Index).
Retirement Age - Hired prior to 2013	Rates are from the CalPERS study of non-industrial miscellaneous employers electing "2.0% at 55" for the eighteen years ending June 30, 2015, except that rates have been rounded with each 10-year entry age bracket for Fiscal Year Ended 2020. Rates are from the CalPERS study of non-industrial miscellaneous employers electing "2.0% at 55" for the fourteen years ending June 30, 2011, except that rates have been rounded with each 10-year entry age bracket for Fiscal Years Ended 2019 and 2018.
Retirement Age - Hired in 2013 or later	Rates are from the CalPERS study of non-industrial miscellaneous employers electing "2.0% at 62" for the eighteen years ending June 30, 2015, except that rates have been rounded with each 10-year entry age bracket for Fiscal Year Ended 2020. Rates are from the CalPERS study of non-industrial miscellaneous employers electing "2.0% at 62" for the fourteen years ending June 30, 2011, except that rates have been rounded with each 10-year entry age bracket for Fiscal Years Ended 2019 and 2018.
Mortality	Rates are from the CalPERS study of Miscellaneous Public Agency experience for the eighteen years ending June 30, 2015 for Fiscal Year Ended 2020. Rates are from the CalPERS study of Miscellaneous Public Agency experience for the fourteen years ending June 30, 2011 for Fiscal Years Ended 2019 and 2018.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**OTHER
SUPPLEMENTARY INFORMATION**

HOUSING AUTHORITY OF THE COUNTY OF KERN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Page 1 of 2

Federal Grantor/Pass-Through Grantor Program Title	Federal Catalog Number	Program Expenditures
FEDERAL GRANTOR:		
Department of Agriculture:		
<i>Direct Program</i>		
Rural Rental Housing Loans	10.415	\$ 3,033,843
Rural Rental Assistance Payments	10.427	400,863
<i>Total Department of Agriculture</i>		3,434,706
Department of Housing and Urban Development:		
<i>Direct Program</i>		
Continuum of Care Program	14.267	3,567,283
Public and Indian Housing	14.850	4,068,520
Public Housing CARES Act Funding	14.PHC	34,226
Family Self-Sufficiency Program	14.869	294,490
Resident Opportunity and Supportive Services	14.870	94,012
Section 8 Housing Choice Vouchers	14.871	27,424,998
Housing Choice Voucher CARES Act Funding	14.HCC	108,005
Public Housing Capital Fund	14.872	772,319
Mainstream Vouchers	14.879	62,043
<i>Passed through the County of Kern</i>		
Housing Opportunities for Persons with AIDS	14.241	252,100
<i>Total Department of Housing and Urban Development</i>		36,677,996
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 40,112,702

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of **Housing Authority of the County of Kern** under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of **Housing Authority of the County of Kern**, it is not intended to and does not present the financial position, changes in net position, or cash flows of the **Housing Authority of the County of Kern**.

HOUSING AUTHORITY OF THE COUNTY OF KERN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Page 2 of 2

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Housing Authority of the County of Kern has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Loan Outstanding

The U.S. Department of Agriculture made loans to the Authority under its Rural Rental Housing Loan Program. These loans had a balance outstanding at June 30, 2020 as follows. This loan program is included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

Cluster/Program Title Outstanding	Federal CFDA Number	Amount
Rural Rental Housing Loans	10.415	<u>\$ 3,033,843</u>

Housing Authority of the County of Kern (CA008)

BAKERSFIELD, CA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2020

	Project Total	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers
111 Cash - Unrestricted	\$5,049,636	\$3,829,932	\$161,072		\$804,076	\$2,107	\$1,687,448
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted		\$384,024	\$1,587,330	\$38,030	\$1,321,321	\$46,395	\$764,991
114 Cash - Tenant Security Deposits	\$335,550	\$112,215	\$25,955		\$128,589		
115 Cash - Restricted for Payment of Current Liabilities	\$213,547						\$797,751
100 Total Cash	\$5,598,733	\$4,326,171	\$1,774,357	\$38,030	\$2,253,986	\$48,502	\$3,250,190
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects				\$0			
124 Accounts Receivable - Other Government		\$6,387	\$200,136				
125 Accounts Receivable - Miscellaneous	\$8,631	\$2,755,729	\$10,226	\$168,820		\$0	\$53,769
126 Accounts Receivable - Tenants	\$138,189	\$241,209	\$2,088		\$15,488		\$88,172
126.1 Allowance for Doubtful Accounts - Tenants	-\$14,092	\$0	\$0		-\$3,107	\$0	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0		\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							\$260,236
128.1 Allowance for Doubtful Accounts - Fraud							-\$212,474
129 Accrued Interest Receivable		\$3,150,587					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$132,728	\$6,153,912	\$212,450	\$168,820	\$12,381	\$0	\$189,703
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets			\$130		\$7,824		
143 Inventories							
143.1 Allowance for Obsolete Inventories							
144 Inter Program Due From							
145 Assets Held for Sale		\$1,478,149					
150 Total Current Assets	\$5,731,461	\$11,958,232	\$1,986,937	\$206,850	\$2,274,191	\$48,502	\$3,439,893
161 Land	\$10,234,932	\$7,281,814			\$4,960,958		
162 Buildings	\$74,897,543	\$17,581,948			\$18,633,536		
163 Furniture, Equipment & Machinery - Dwellings							
164 Furniture, Equipment & Machinery - Administration	\$577,119	\$642,144			\$93,490		\$52,193
165 Leasehold Improvements							
166 Accumulated Depreciation	-\$63,623,718	-\$9,169,146			-\$18,608,780		-\$11,139
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$22,085,876	\$16,336,760	\$0	\$0	\$5,079,204	\$0	\$41,054
171 Notes, Loans and Mortgages Receivable - Non-Current		\$12,345,347					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets		\$35,281			\$3,746		
176 Investments in Joint Ventures		\$847,496					
180 Total Non-Current Assets	\$22,085,876	\$29,564,884	\$0	\$0	\$5,082,950	\$0	\$41,054
200 Deferred Outflow of Resources		\$1,406,486					
290 Total Assets and Deferred Outflow of Resources	\$27,817,337	\$42,929,602	\$1,986,937	\$206,850	\$7,357,141	\$48,502	\$3,480,947

14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.241 Housing Opportunities for Persons with AIDS	14.PHC Public Housing CARES Act Funding	14.HCC HCV CARES Act Funding	14.MSC Mainstream CARES Act Funding	COCC	Subtotal	ELIM	Total
\$34,561						\$429,653	\$11,998,485		\$11,998,485
		\$7,605		\$649,294	\$600		\$4,799,590		\$4,799,590
							\$602,309		\$602,309
							\$1,011,298		\$1,011,298
\$34,561	\$0	\$7,605	\$0	\$649,294	\$600	\$429,653	\$18,411,682	\$0	\$18,411,682
			\$34,226				\$34,226		\$34,226
		\$40,282				\$18,001	\$264,806		\$264,806
			\$0			\$397,255	\$3,394,430	-\$997,430	\$2,397,000
			\$0				\$485,146		\$485,146
			\$0				-\$17,199		-\$17,199
		\$0	\$0			\$0	\$0		\$0
							\$260,236		\$260,236
							-\$212,474		-\$212,474
\$0	\$0	\$40,282	\$34,226	\$0	\$0	\$415,256	\$7,359,758	-\$997,430	\$6,362,328
							\$7,954		\$7,954
							\$1,478,149		\$1,478,149
\$34,561	\$0	\$47,887	\$34,226	\$649,294	\$600	\$844,909	\$27,257,543	-\$997,430	\$26,260,113
						\$42,651	\$22,520,355		\$22,520,355
							\$111,113,027		\$111,113,027
						\$789,457	\$2,154,403		\$2,154,403
						-\$814,711	-\$92,227,494		-\$92,227,494
\$0	\$0	\$0	\$0	\$0	\$0	\$17,397	\$43,560,291	\$0	\$43,560,291
							\$12,345,347	-\$546,585	\$11,798,762
							\$39,027		\$39,027
							\$847,496		\$847,496
\$0	\$0	\$0	\$0	\$0	\$0	\$17,397	\$56,792,161	-\$546,585	\$56,245,576
						\$1,888,875	\$3,295,361		\$3,295,361
\$34,561	\$0	\$47,887	\$34,226	\$649,294	\$600	\$2,751,181	\$87,345,065	-\$1,544,015	\$85,801,050

	Project Total	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$59,564	\$923,453	\$231,401	\$115,280	\$24,096		\$156,372
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$49,768	\$40,075	\$4,597		\$20,135	\$492	\$18,977
322 Accrued Compensated Absences - Current Portion	\$18,296	\$37,960			\$22,840		\$27,072
324 Accrued Contingency Liability							
325 Accrued Interest Payable	\$40,736	\$835,720			\$1,344,704		
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$166,103		\$367,230				\$1,225
341 Tenant Security Deposits	\$335,550	\$112,215	\$25,955		\$128,589		
342 Unearned Revenue	\$40,898	\$4,022	\$429		\$9,565	\$0	\$32,323
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$432,688	\$687,392			\$211,642		
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities		\$15,210	\$859	\$90,286			\$158,858
346 Accrued Liabilities - Other	\$213,547						\$797,751
347 Inter Program - Due To							
348 Loan Liability - Current		\$0					
310 Total Current Liabilities	\$1,357,150	\$2,656,047	\$630,471	\$205,566	\$1,761,571	\$492	\$1,192,578
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,892,875	\$12,104,226			\$5,669,879		
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other			\$1,313,428				
354 Accrued Compensated Absences - Non Current	\$98,218	\$166,796	\$7,204		\$51,717		\$101,114
355 Loan Liability - Non Current		\$0					
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$0	\$6,087,042			\$0	\$0	\$0
350 Total Non-Current Liabilities	\$1,991,093	\$18,358,064	\$1,320,632	\$0	\$5,721,596	\$0	\$101,114
300 Total Liabilities	\$3,348,243	\$21,014,111	\$1,951,103	\$205,566	\$7,483,167	\$492	\$1,293,692
400 Deferred Inflow of Resources		\$1,177,780					
508.3 Nonspendable Fund Balance							
508.4 Net Investment in Capital Assets	\$21,111,885	\$3,545,142	\$0		\$0		\$41,054
508.3 Restricted Fund Balance							
510.3 Committed Fund Balance							
511.3 Assigned Fund Balance							
511.4 Restricted Net Position	\$0	\$318,238	\$0	\$38,030	\$1,321,321	\$46,395	\$764,991
512.3 Unassigned Fund Balance							
512.4 Unrestricted Net Position	\$3,357,209	\$16,874,331	\$35,834	\$36,746	-\$1,447,347	\$1,615	\$1,381,210
513 Total Equity - Net Assets / Position	\$24,469,094	\$20,737,711	\$35,834	\$1,284	-\$126,026	\$48,010	\$2,187,255
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$27,817,337	\$42,929,602	\$1,986,937	\$206,850	\$7,357,141	\$48,502	\$3,480,947

14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.241 Housing Opportunities for Persons with AIDS	14.PHC Public Housing CARES Act Funding	14.HCC HCV CARES Act Funding	14.MSC Mainstream CARES Act Funding	COCC	Subtotal	ELIM	Total
	\$4,581	\$47,887	\$34,226	\$108,005		\$17,016	\$1,721,881	-\$748,286	\$973,595
						\$21,469	\$155,513		\$155,513
						\$26,029	\$132,197		\$132,197
							\$2,221,160		\$2,221,160
							\$534,558		\$534,558
							\$602,309		\$602,309
				\$541,289	\$600		\$629,126		\$629,126
						\$0	\$1,331,722		\$1,331,722
							\$265,213	-\$249,144	\$16,069
							\$1,011,298		\$1,011,298
							\$0		\$0
\$0	\$4,581	\$47,887	\$34,226	\$649,294	\$600	\$64,514	\$8,604,977	-\$997,430	\$7,607,547
						\$0	\$19,666,980	-\$546,585	\$19,120,395
							\$1,313,428		\$1,313,428
						\$86,657	\$511,706		\$511,706
							\$0		\$0
						\$8,140,892	\$14,227,934		\$14,227,934
\$0	\$0	\$0	\$0	\$0	\$0	\$8,227,549	\$35,720,048	-\$546,585	\$35,173,463
\$0	\$4,581	\$47,887	\$34,226	\$649,294	\$600	\$8,292,063	\$44,325,025	-\$1,544,015	\$42,781,010
						\$1,474,281	\$2,652,061		\$2,652,061
						\$17,397	\$24,715,478	-\$1,607,295	\$23,108,183
		\$7,605		\$0			\$2,496,580		\$2,496,580
\$34,561	-\$4,581	\$7,605	\$0	\$0	\$0	-\$7,032,560	\$13,155,921	\$1,607,295	\$14,763,216
\$34,561	-\$4,581	\$0	\$0	\$0	\$0	-\$7,015,163	\$40,367,979	\$0	\$40,367,979
\$34,561	\$0	\$47,887	\$34,226	\$649,294	\$600	\$2,751,181	\$87,345,065	-\$1,544,015	\$85,801,050

Housing Authority of the County of Kern (CA008)

BAKERSFIELD, CA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2020

	Project Total	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers
70300 Net Tenant Rental Revenue	\$2,602,209	\$1,297,590	\$0		\$1,960,401		
70400 Tenant Revenue - Other	\$182,573	\$748,126	\$49		\$8,990		
70500 Total Tenant Revenue	\$2,784,782	\$2,045,716	\$49	\$0	\$1,969,391	\$0	\$0
70600 HUD PHA Operating Grants	\$4,310,704	\$2,358,119	\$89,980	\$3,567,282		\$61,443	\$27,424,998
70610 Capital Grants	\$530,135						
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees		\$401,998					
70700 Total Fee Revenue							
70800 Other Government Grants		\$466,498	\$826,661				
71100 Investment Income - Unrestricted	\$40,294	\$448,268	\$554		\$1,183		
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets		\$0					\$0
71400 Fraud Recovery							\$25,428
71500 Other Revenue	\$58,125	\$2,357,023	\$269,564		\$42,558		\$636,327
71600 Gain or Loss on Sale of Capital Assets		\$469,477					\$8,186
72000 Investment Income - Restricted		\$215	\$3,411		\$4,136		
70000 Total Revenue	\$7,724,040	\$8,547,314	\$1,190,219	\$3,567,282	\$2,017,268	\$61,443	\$28,094,939
91100 Administrative Salaries	\$201,970	\$1,061,354	\$123,698	\$320,873		\$3,663	\$1,016,442
91200 Auditing Fees	\$123,836	\$21,634			\$33,430		\$268
91300 Management Fee	\$779,015	\$115,535	\$89,483		\$253,710		\$637,244
91310 Book-keeping Fee	\$69,620						\$319,792
91400 Advertising and Marketing		\$1,056			\$195		\$596
91500 Employee Benefit contributions - Administrative		\$429,975	\$68,276	\$139,848		\$1,233	\$477,417
91600 Office Expenses							
91700 Legal Expense	\$12,481	\$5,512			\$98		\$8,727
91800 Travel	\$5,741	\$1,792	\$118		\$1,217		\$1,414
91810 Allocated Overhead							
91900 Other	\$361,548	\$383,191	\$74,598	\$16,313	\$22,311	\$30	\$296,934
91000 Total Operating - Administrative	\$1,554,211	\$2,020,049	\$356,173	\$477,034	\$310,961	\$4,926	\$2,758,834
92000 Asset Management Fee	\$93,944				\$6,250		
92100 Tenant Services - Salaries	\$513,578	\$264,974	\$83,006	\$244,864	\$173,427		\$30,028
92200 Relocation Costs	\$10,401						
92300 Employee Benefit Contributions - Tenant Services	\$206,563	\$89,215	\$23,316		\$81,867		
92400 Tenant Services - Other	\$3,120	\$39,241					
92500 Total Tenant Services	\$733,662	\$393,430	\$106,322	\$244,864	\$255,294	\$0	\$30,028
93100 Water	\$351,102	\$48,725	\$22,089		\$158,862		
93200 Electricity	\$248,755	\$196,258	\$83,396		\$27,932		
93300 Gas	\$66,822	\$23,199	\$22,634		\$3,840		
93400 Fuel							
93500 Labor							
93600 Sewer	\$200,367	\$25,829	\$39,672		\$100,939		
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense	\$59,973	\$28,544	\$3,199				
93000 Total Utilities	\$927,019	\$322,555	\$170,990	\$0	\$291,573	\$0	\$0

14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.241 Housing Opportunities for Persons with AIDS	14.PHC Public Housing CARES Act Funding	14.HCC HCV CARES Act Funding	14.MSC Mainstream CARES Act Funding	COCC	Subtotal	ELIM	Total
							\$5,860,200		\$5,860,200
							\$939,738		\$939,738
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,799,938	\$0	\$6,799,938
\$388,502			\$34,226	\$108,005		\$957,037	\$39,300,296	-\$413,081	\$38,887,215
							\$530,135		\$530,135
							\$779,015	-\$779,015	\$0
							\$93,944	-\$93,944	\$0
							\$69,620	-\$69,620	\$0
							\$401,998		\$401,998
							\$942,579	-\$942,579	\$0
					\$0		\$1,293,159		\$1,293,159
						\$289	\$490,588		\$490,588
						\$0	\$0		\$0
							\$25,428		\$25,428
		\$252,100					\$263,939	-\$1,668,918	\$2,210,718
							\$19,603	\$497,266	\$497,266
							\$7,762		\$7,762
\$388,502	\$0	\$252,100	\$34,226	\$108,005	\$0	\$2,183,447	\$54,168,785	-\$3,024,578	\$51,144,207
\$4,215		\$8,265					\$882,231	-\$186,064	\$3,436,647
							\$2,605	-\$47,748	\$134,025
							\$1,874,987	-\$1,872,853	\$2,134
							\$389,412	-\$389,412	\$0
						\$210	\$2,057		\$2,057
\$16,673		\$3,136				\$620,177	\$1,756,735		\$1,756,735
							\$17,567		\$44,385
							\$8,129		\$18,411
			\$20,693	\$47,526		\$196,574	\$1,419,718	-\$230,604	\$1,189,114
\$20,888	\$0	\$11,401	\$20,693	\$47,526	\$0	\$1,727,493	\$9,310,189	-\$2,726,681	\$6,583,508
							\$100,194	-\$93,944	\$6,250
\$226,690						\$63,302	\$1,599,869		\$1,599,869
							\$10,401		\$10,401
\$38,857						\$55,112	\$494,930		\$494,930
						\$12	\$42,373		\$42,373
\$265,547	\$0	\$0	\$0	\$0	\$0	\$118,426	\$2,147,573	\$0	\$2,147,573
							\$580,778	-\$3,845	\$576,933
							\$556,341	-\$4,806	\$551,535
							\$116,495	-\$621	\$115,874
						\$954	\$367,761	-\$1,414	\$366,347
							\$91,716	-\$3	\$91,713
\$0	\$0	\$0	\$0	\$0	\$0	\$954	\$1,713,091	-\$10,689	\$1,702,402

	Project Total	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers
94100 Ordinary Maintenance and Operations - Labor	\$708,330	\$318,898	\$14,383		\$250,390		
94200 Ordinary Maintenance and Operations - Materials and Other	\$299,806	\$453,504	\$77,619		\$91,703		\$4,845
94300 Ordinary Maintenance and Operations Contracts	\$601,014	\$387,197	\$129,010		\$248,951		\$112,411
94500 Employee Benefit Contributions - Ordinary Maintenance	\$278,098	\$122,411	\$8,568		\$96,717		
94000 Total Maintenance	\$1,887,248	\$1,282,010	\$229,580	\$0	\$687,761	\$0	\$117,256
95100 Protective Services - Labor	\$13,834	\$23,152	\$26,386				\$47,158
95200 Protective Services - Other Contract Costs	\$66,524	\$5,902	\$452		\$6,021		
95300 Protective Services - Other	\$481	\$629	\$141				
95500 Employee Benefit Contributions - Protective Services	\$2,061	\$5,282					\$6,961
95000 Total Protective Services	\$82,900	\$34,965	\$26,979	\$0	\$6,021	\$0	\$54,119
96110 Property Insurance	\$67,835	\$18,085	\$11,580		\$27,453		
96120 Liability Insurance	\$19,273	\$11,019	\$3,754		\$6,415		\$766
96130 Workmen's Compensation	\$85,921	\$59,909	\$15,305	\$5,694	\$27,693	\$78	\$21,714
96140 All Other Insurance	\$50,885	\$20,500	\$3,311		\$34,584		\$23,781
96100 Total insurance Premiums	\$223,914	\$109,513	\$33,950	\$5,694	\$96,145	\$78	\$46,261
96200 Other General Expenses		\$193,709					\$17,344
96210 Compensated Absences	\$50,817	\$595,294	\$84	\$5,506	\$31,765		\$43,683
96300 Payments in Lieu of Taxes	\$169,575						
96400 Bad debt - Tenant Rents	\$79,398		\$5,571		\$13,524		\$45,377
96500 Bad debt - Mortgages							
96600 Bad debt - Other				\$13,075			
96800 Severance Expense							
96000 Total Other General Expenses	\$299,790	\$789,003	\$5,655	\$18,581	\$45,289	\$0	\$106,404
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)	\$123,848	\$377,683			\$119,294		
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$123,848	\$377,683	\$0	\$0	\$119,294	\$0	\$0
96900 Total Operating Expenses	\$5,926,536	\$5,329,208	\$929,649	\$746,173	\$1,818,588	\$5,004	\$3,112,902
97000 Excess of Operating Revenue over Operating Expenses	\$1,797,504	\$3,218,106	\$260,570	\$2,821,109	\$198,680	\$56,439	\$24,982,037
97100 Extraordinary Maintenance	\$259,143	\$120,268	\$172,661		\$84,824		\$250
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments	\$101,197	\$59,956	\$169,724	\$2,820,844		\$78,503	\$23,684,320
97350 HAP Portability-In							\$460,405
97400 Depreciation Expense	\$1,772,983	\$962,118			\$532,030		\$10,354
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$8,059,859	\$6,471,550	\$1,272,034	\$3,567,017	\$2,435,442	\$83,507	\$27,268,231
10010 Operating Transfer In	\$793,014						
10020 Operating transfer Out	-\$793,014						
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In		\$60,718					
10094 Transfers between Project and Program - Out		-\$1,463					
10100 Total Other financing Sources (Uses)	\$0	\$59,255	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$335,819	\$2,135,019	-\$81,815	\$265	-\$418,174	-\$22,064	\$826,708

14.870 Resident Opportunity and Supportive Services	14.238 Shelter Plus Care	14.241 Housing Opportunities for Persons with AIDS	14.PHC Public Housing CARES Act Funding	14.HCC HCV CARES Act Funding	14.MSC Mainstream CARES Act Funding	COCC	Subtotal	ELIM	Total
						\$95,056	\$1,387,057		\$1,387,057
			\$6,752	\$4,425		\$10,405	\$949,059		\$949,059
			\$6,781	\$56,054		\$36,221	\$1,577,639		\$1,577,639
						\$42,637	\$548,431		\$548,431
\$0	\$0	\$0	\$13,533	\$60,479	\$0	\$184,319	\$4,462,186	\$0	\$4,462,186
						\$52,800	\$163,330		\$163,330
						\$198	\$79,097		\$79,097
							\$1,251		\$1,251
						\$6,977	\$21,281		\$21,281
\$0	\$0	\$0	\$0	\$0	\$0	\$59,975	\$264,959	\$0	\$264,959
						\$4,961	\$129,914		\$129,914
						\$6,919	\$48,146		\$48,146
\$2,058		\$167				\$19,744	\$238,283		\$238,283
						\$9,833	\$142,894		\$142,894
\$2,058	\$0	\$167	\$0	\$0	\$0	\$41,457	\$559,237	\$0	\$559,237
							\$211,053	-\$193,264	\$17,789
		\$366				\$272,013	\$999,528		\$999,528
							\$169,575		\$169,575
							\$143,870		\$143,870
							\$13,075		\$13,075
\$0	\$0	\$366	\$0	\$0	\$0	\$272,013	\$1,537,101	-\$193,264	\$1,343,837
							\$620,825		\$620,825
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$620,825	\$0	\$620,825
\$288,493	\$0	\$11,934	\$34,226	\$108,005	\$0	\$2,404,637	\$20,715,355	-\$3,024,578	\$17,690,777
\$100,009	\$0	\$240,166	\$0	\$0	\$0	-\$221,190	\$33,453,430	\$0	\$33,453,430
							\$637,146		\$637,146
		\$241,629			\$0		\$27,156,173		\$27,156,173
							\$460,405		\$460,405
						\$6,750	\$3,284,235		\$3,284,235
\$288,493	\$0	\$253,563	\$34,226	\$108,005	\$0	\$2,411,387	\$52,253,314	-\$3,024,578	\$49,228,736
							\$793,014		\$793,014
							-\$793,014		-\$793,014
\$9		\$1,463					\$62,190		\$62,190
-\$9						-\$60,718	-\$62,190		-\$62,190
\$0	\$0	\$1,463	\$0	\$0	\$0	-\$60,718	\$0	\$0	\$0
\$100,009	\$0	\$0	\$0	\$0	\$0	-\$288,658	\$1,915,471	\$0	\$1,915,471

	Project Total	1 Business Activities	2 State/Local	14.267 Continuum of Care Program	10.415 Rural Rental Housing Loans	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers
11020 Required Annual Debt Principal Payments	\$432,688	\$687,392	\$0	\$0	\$208,667	\$0	\$0
11030 Beginning Equity	\$24,804,912	\$18,609,685	\$110,660	\$1,019	\$292,148	\$70,074	\$1,360,547
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$1	-\$6,993	\$6,989	\$0			
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity							\$1,422,264
11180 Housing Assistance Payments Equity							\$764,991
11190 Unit Months Available	10320	225	1032	5000	3792	282	45304
11210 Number of Unit Months Leased	10244	223	1032	5000	3731	153	42904
11270 Excess Cash	\$3,924,707						
11610 Land Purchases	\$0						
11620 Building Purchases	\$530,135						
11630 Furniture & Equipment - Dwelling Purchases	\$0						
11640 Furniture & Equipment - Administrative Purchases	\$0						
11650 Leasehold Improvements Purchases	\$0						
11660 Infrastructure Purchases	\$0						
13510 CFFP Debt Service Payments	\$0						
13901 Replacement Housing Factor Funds	\$0						

HOUSING AUTHORITY OF THE COUNTY OF KERN

**STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
Year Ended June 30, 2019**

	CA16P008501-						
	17 (1)	16 (1)	15 (2)	14 (3)	13 (3)	12 (4)	11 (4)
Funds Approved	\$ 1,224,174	\$ 1,134,263	\$ 1,116,004	\$ 1,221,262	\$ 1,176,945	\$ 1,265,159	\$ 1,270,972
Funds Expended	1,224,174	1,134,263	1,116,004	1,221,262	1,176,945	1,265,159	1,270,972
Excess of Funds Approved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Funds Advanced (HUD Grant)	\$ 1,224,174	\$ 1,134,263	\$ 1,116,004	\$ 1,221,262	\$ 1,176,945	\$ 1,265,159	\$ 1,270,972
Funds Expended	1,224,174	1,134,263	1,116,004	1,221,262	1,176,945	1,265,159	1,270,972
Excess of Funds Advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) The distribution of costs by project as shown on the Final Statement of Modernization Cost dated July 16, 2020, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.

(2) The distribution of costs by project as shown on the Final Statement of Modernization Cost dated May 9, 2018, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.

(3) The distribution of costs by project as shown on the Final Statement of Modernization Cost dated October 19, 2016, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.

(4) The distribution of costs by project as shown on the Final Statement of Modernization Cost dated May 5, 2015, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.

Note: All Modernization costs have been paid and all related liabilities have been discharged through payment.

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

Board of Directors
Housing Authority of the County of Kern
Bakersfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Housing Authority of the County of Kern**, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise **Housing Authority of the County of Kern's** basic financial statements, and have issued our report thereon dated February 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Housing Authority of the County of Kern's** internal control over financial reporting (internal control) to determine the 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 County of Kern's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Housing Authority of the County of Kern's** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS-2020-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS-2020-002 through FS-2020-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Housing Authority of the County of Kern's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Housing Authority of the County of Kern's Responses to Findings

Housing Authority of the County of Kern's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Housing Authority of the County of Kern's** responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 10, 2021

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

Board of Directors
Housing Authority of the County of Kern
Bakersfield, California

Report on Compliance for Each Major Federal Program

We have audited **Housing Authority of the County of Kern**'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 County of Kern**'s major federal programs for the year ended June 30, 2020. **Housing Authority of the County of Kern**'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Housing Authority of the County of Kern**'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Housing Authority of the County of Kern**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Housing Authority of the County of Kern**'s compliance.

Opinion on Each Major Federal Program

In our opinion, **Housing Authority of the County of Kern** 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 June 30, 2020.

Report on Internal Control Over Compliance

Management of **Housing Authority of the County of Kern** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Housing Authority of the County of Kern's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Housing Authority of the County of Kern's** internal control over compliance.

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

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

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.

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 10, 2021

HOUSING AUTHORITY FOR THE COUNTY OF KERN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficienc(ies) identified?

Yes No

Noncompliance material to financial statements noted?

Yes None reported

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficienc(ies) identified?

Yes None reported

Type of auditor’s report issued on compliance for Major federal programs:

Unmodified

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

Yes No

Identification of major programs:

CDFA Number	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers

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

\$1,203,381

Auditee qualified as low-risk auditee?

Yes No

HOUSING AUTHORITY FOR THE COUNTY OF KERN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2020

SECTION II. FINANCIAL STATEMENT FINDINGS

FS-2020-001 Fixed Asset Records and Reporting

The Authority's capital asset reports did not agree with the general ledger detail. They also contained several errors including miscalculated accumulated depreciation, improperly classified and capitalized assets, and assets not properly disposed of or removed from the fixed asset reports. These instances indicate a lack of internal controls over capital assets, partly due to the lack of segregated review and reconciliation procedures. We recommend management maintain the Asset Management Software, review general ledger fixed asset and depreciation activity, and prepare documented reconciliations between the two reports on a monthly or quarterly basis.

Management's Response:

Effective immediately: With the new accountant position on staff, fixed asset records and reporting will be handled as recommended. The accountant will calculate depreciation, classify and capitalize assets, as well as handle the disposal and removal of assets. The accountant will maintain the information in the Asset Management system and record the details in the general ledger.

The senior accountant will review work done by the accountant, including the depreciation calculations and activity. The senior accountant will be responsible for reconciling the general ledger detail and the information in the Asset Management system on a quarterly basis.

The reconciled reports will be initialed after review by the senior accountant forwarded to the Finance Director or Accounting Manager for additional review and 2nd signature.

The Fixed Asset Module in Yardi will be implemented by June 2021 (end of FY21) and will replace the Asset Management system.

FS-2020-002 Account Reconciliation

There were several accounts that had not been properly recorded or adjusted prior to the audit beginning. This resulted in misstatements of the financial statements provided to the Board on an interim basis. We recommend that policies and procedures are implemented and adhered to that would provide for appropriate reconciliation of all significant accounts on a monthly basis. This would help to ensure that the information provided to management and the Board is accurate and meaningful.

Management's Response:

Effective immediately: With the realignment of budget preparation and reporting duties to the new accountant position, the Accounting Manager and Senior Accountant will be able to more regularly review significant accounts.

The significant accounts include accrual accounts, OMS liability, tenant rent, capital fund, A/R and cash reconciliations (in particular, security deposits and corresponding liability).

Monthly financial results will be reviewed and initialed after review by Senior Accountant, Accounting Manager or Finance Director.

HOUSING AUTHORITY FOR THE COUNTY OF KERN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2020

FS-2020-003 Backdating Checks

It was discovered that two batches of checks disbursed in July 2020 were backdated using a June 2020 date, which consequently caused check sequencing to be out of order as well as cash and payables at June 30, 2020 to be understated. These checks, which totaled \$447,164, were treated as outstanding at June 30, 2020, however, they were actually disbursed in July 2020. This was an oversight of management and a result of miscommunication between accounting personnel. However, the impropriety of backdating checks indicates a breach of internal controls and the control environment. Proper cutoff is critical in all aspects of accounting. Any process or procedure that holds the books open or closes them in advance can yield inaccurate financial results. In order to ensure proper cut-off, checks should be written in sequential order, which will help to ensure that transactions are recorded in the proper period and in accordance with generally accepted accounting principles. We recommend the Authority develop and implement a policy whereby checks may not be backdated.

Management's Response:

Effective immediately: Security setup has been changed to assure that changing of check dates will not be allowed. The software will default check dates to the actual calendar date.

Finance Director and Executive Director will verify payment batch dates when signing checks.

SECTION III. COMPLIANCE FINDINGS

None

HOUSING AUTHORITY FOR THE COUNTY OF KERN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

- FA-2019-001 Lack of adequate system in place to ensure the Authority maintained the required documentation in each tenant files respective file. *Corrective action taken during the year.*
- FA-2019-002 Lack of adequate system in place to ensure the Authority completed the required biannual or re-inspections in a timely manner in accordance with PHA standards. *Corrective action taken during the year.*