

# HOUSING AUTHORITY OF THE COUNTY OF KERN

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**Financial Statements & Independent Auditors' Report**

**For the Year Ended June 30, 2024**



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**Board of Commissioners**

Housing Authority of the County of Kern  
Bakersfield, CA

**Independent Auditors' Report**

**Report on the Audit of the Financial Statements**

**Opinions**

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

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

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the County of Kern, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

The Housing Authority of the County of Kern's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Kern's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the County of Kern's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control -related matters that we identified during the audit.

### **Required Supplementary Information**

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



### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Kern's basic financial statements. The supplemental information, as described in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, statement are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of Kern's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the County of Kern's internal control over financial reporting and compliance.

March 5, 2025

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

**FINANCIAL HIGHLIGHTS**

- Net Position on June 30, 2024, increased by \$13,748,475 to \$116,396,995.
- Total revenue decreased by \$43,504,514 to \$90,408,341 as of June 30, 2024.
- Total expenses of all programs for FYE June 30, 2024 decreased by \$19,041,776 to \$76,659,866.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The following statements are included:

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

## Housing Authority of the County of Kern

Management's Discussion and Analysis  
For the Year Ended June 30, 2024

### FINANCIAL ANALYSIS

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

**TABLE 1 - STATEMENT OF NET POSITION**

	2024	2023	Change	
			Dollar	Percentage
<b>ASSETS</b>				
Current assets	\$ 34,684,349	\$ 49,776,912	\$ (15,092,563)	-30.32%
Capital & non-current assets	<u>123,834,556</u>	<u>107,389,901</u>	<u>16,444,655</u>	15.31%
Total assets	<u>158,518,905</u>	<u>157,166,813</u>	<u>1,352,092</u>	0.86%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>8,468,495</u>	<u>5,320,957</u>	<u>3,147,538</u>	59.15%
<b>LIABILITIES</b>				
Current liabilities	7,937,345	7,751,801	185,544	2.39%
Non-current liabilities	<u>39,491,028</u>	<u>48,111,214</u>	<u>(8,620,186)</u>	-17.92%
Total liabilities	<u>47,428,373</u>	<u>55,863,015</u>	<u>(8,434,642)</u>	-15.10%
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>3,162,032</u>	<u>3,976,235</u>	<u>(814,203)</u>	-20.48%
<b>NET POSITION</b>				
Investment in capital assets	64,820,984	59,539,096	5,281,888	8.87%
Restricted net position	157,271	4,271	153,000	3582.30%
Unrestricted net position	<u>51,418,740</u>	<u>43,105,153</u>	<u>8,313,587</u>	19.29%
Total net position	<u>\$116,396,995</u>	<u>\$102,648,520</u>	<u>\$ 13,748,475</u>	13.39%

### MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets decreased by \$15,092,563 primarily due to the expenditure of grant funds for the construction and rehabilitation of properties.

Capital assets(net) increased by \$16,444,655 due to the development of new affordable housing units.

Current liabilities increased by \$185,544 due to increase in accounts payable partially offset by decreases in other liabilities.

Non-current liabilities decreased by \$8,620,186 due to a decrease in funds held in trust.

## Housing Authority of the County of Kern

Management's Discussion and Analysis  
For the Year Ended June 30, 2024

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

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

	2024	2023	Change	
			Dollar	Percentage
Dwelling rent	\$ 6,272,646	\$ 6,860,845	\$ (588,199)	-8.57%
Government grants	66,688,930	104,107,053	(37,418,123)	-35.94%
Other income	1,473,651	1,009,672	463,979	45.95%
Fee revenue	4,982,012	8,492,936	(3,510,924)	-41.34%
Interest income	1,129,877	144,125	985,752	683.96%
Gains (losses on disposition of assets)	25,355	6,806	18,549	272.54%
Special items gains (losses)	9,835,870	13,291,418	(3,455,548)	-26.00%
<b>TOTAL REVENUES</b>	<b>90,408,341</b>	<b>133,912,855</b>	<b>(43,504,514)</b>	<b>-32.49%</b>
Administration	9,288,340	13,053,716	(3,765,376)	-28.85%
Tenant services	3,564,088	4,753,445	(1,189,357)	-25.02%
Utilities	1,749,112	2,013,900	(264,788)	-13.15%
Maintenance and operations	5,728,013	6,497,543	(769,530)	-11.84%
Protective services	431,189	396,872	34,317	8.65%
Insurance	1,302,908	776,958	525,950	67.69%
Other expenses	1,975,350	599,667	1,375,683	229.41%
Housing Assistance Payments	50,018,389	64,857,284	(14,838,895)	-22.88%
Depreciation	2,124,270	2,554,530	(430,260)	-16.84%
Interest expense	478,207	197,727	280,480	141.85%
<b>TOTAL EXPENSES</b>	<b>76,659,866</b>	<b>95,701,642</b>	<b>(19,041,776)</b>	<b>-19.90%</b>
<b>CHANGE IN NET POSITION</b>	<b>13,748,475</b>	<b>38,211,213</b>	<b>(24,462,738)</b>	<b>-64.02%</b>
<b>BEGINNING NET POSITION</b>	<b>102,648,520</b>	<b>68,508,899</b>		
<b>Prior Period Correction</b>	<b>-</b>	<b>(4,071,592)</b>		
<b>ENDING NET POSITION</b>	<b>\$116,396,995</b>	<b>\$102,648,520</b>		

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

The decrease in revenue is primarily related to a decrease one-time grants received from the State and federal government for construction and modernization of housing units, the ending of pandemic related one-time rental assistance programs, and decrease in fee revenue related to these grants/programs. Rental revenue also decreased due to the conversion of multiple properties from Housing Authority owned Public Housing units to Rental Assistance Demonstration units owned by limited partnerships.

This was offset by decreases in expenses in nearly every category with the notable exception of insurance which increased by 67%, reflecting a state and national trend of significant increases in property insurance costs.

## Housing Authority of the County of Kern

Management's Discussion and Analysis  
For the Year Ended June 30, 2024

### CAPITAL ASSETS

As of June 30, 2024, investment in capital assets for its business-type activities was \$79,645,094 net of accumulated depreciation and accumulated amortization. This investment in capital assets includes land, buildings, improvements, equipment, SBITA and construction in progress.

	2024	2023	Change	
			Dollar	Percentage
Land	\$ 10,826,112	\$ 14,881,156	\$ (4,055,044)	-27.25%
Buildings and improvements	117,482,963	126,479,770	(8,996,807)	-7.11%
Equipment	2,644,224	2,462,312	181,912	7.39%
Construction in progress	31,531,264	19,821,879	11,709,385	59.07%
	162,484,563	163,645,117	(1,160,554)	-0.71%
Accumulated depreciation	(82,839,469)	(88,995,850)	6,156,381	-6.92%
Net capital assets	<u>\$ 79,645,094</u>	<u>\$ 74,649,267</u>	<u>\$ 4,995,827</u>	6.69%

### DEBT AND SBITA PAYABLE

As of June 30, 2024, the Housing Authority of the County of Kern had \$14,824,110 of debt outstanding primarily related to loans used to acquire or improve properties.

### ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

### FINANCIAL CONTACT

This financial report is designed to provide a general overview of the finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Mr. Stephen Pelz, Executive Director, 661.631.8500.

# Housing Authority of the County of Kern

Statement of Net Position

June 30, 2024

**ASSETS**

**Current Assets**

Cash and cash equivalents	
Unrestricted	\$ 21,690,658
Restricted	4,468,802
<b>Subtotal</b>	<b>26,159,460</b>
Accounts receivable, net	8,034,778
Prepaid expenses	75,111
Utility deposits	71,994
Notes receivable, current	415,000
<b>Total Current Assets</b>	<b>34,756,343</b>

**Non-Current Assets**

Notes receivable and accrued interest	43,473,152
Investment in joint ventures and partnerships	644,316
Capital assets not being depreciated	42,357,376
Capital assets, net	37,287,718
<b>Total Non-Current Assets</b>	<b>123,762,562</b>

**TOTAL ASSETS**

**158,518,905**

**DEFERRED OUTFLOWS OF RESOURCES**

**8,468,495**

**LIABILITIES**

**Current Liabilities**

Accounts payable	2,426,452
Accrued liabilities	1,273,924
Deposits held in trust	563,449
Compensated absences current	94,987
Unearned revenue	825,407
Other liabilities current	2,026,612
Debt payable current	726,514
<b>Total Current Liabilities</b>	<b>7,937,345</b>

**Non-Current Liabilities**

Compensated absences	582,741
Accrued interest payable	2,235,332
Funds held in trust	3,278,818
Net pension and OPEB liability	19,296,541
Debt payable	14,097,596
<b>Total Non-Current Liabilities</b>	<b>39,491,028</b>

**TOTAL LIABILITIES**

**47,428,373**

**DEFERRED INFLOWS OF RESOURCES**

**3,162,032**

**NET POSITION**

Net investment in capital assets	64,820,984
Restricted	157,271
Unrestricted	51,418,740
<b>TOTAL NET POSITION</b>	<b>\$ 116,396,995</b>

**Housing Authority of the County of Kern**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2024

<b>Operating Revenues</b>	
Rental revenues, net	\$ 6,272,646
Government grants	66,688,930
Fee income	4,982,012
Other income	1,473,651
<b>Total Operating Revenues</b>	<b><u>79,417,239</u></b>
<b>Operating Expenses</b>	
Administration	9,288,340
Tenant services	3,564,088
Utilities	1,749,112
Maintenance and operations	5,728,013
Protective services	431,189
Insurance expense	1,302,908
General expense	1,975,350
Housing Assistance Payments	50,018,389
Depreciation and amortization	2,124,270
<b>Total Operating Expenses</b>	<b><u>76,181,659</u></b>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>3,235,580</u></b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	1,129,877
Interest expense	(478,207)
Special items (loss)	9,835,870
Gain from disposition of capital assets (loss)	25,355
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>10,512,895</u></b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b><u>13,748,475</u></b>
<b>CHANGE IN NET POSITION</b>	<b>13,748,475</b>
<b>BEGINNING NET POSITION</b>	<b><u>102,648,520</u></b>
<b>ENDING NET POSITION</b>	<b><u><u>\$ 116,396,995</u></u></b>

## Housing Authority of the County of Kern

Statement of Cash Flows  
For the Year Ended June 30, 2024

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tenants and users	\$ 6,828,543
Receipts from operating grants	66,410,748
Receipts from other sources	5,892,587
Payments for goods and services	(26,819,639)
Payments for Housing Assistance Payments	(50,018,389)
Payments to employees for services	(11,579,906)
<b>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>(9,286,056)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital asset purchases	(8,354,532)
Payments on loans	(286,061)
Payments of interest	(478,207)
<b>NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(9,118,800)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from investment activities	433,703
<b>NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b><u>433,703</u></b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(17,971,153)</b>
<b>BEGINNING CASH</b>	<b><u>44,130,613</u></b>
<b>ENDING CASH</b>	<b><u>\$ 26,159,460</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 3,235,580
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Depreciation	2,124,270
Pension and OPEB	443,149
<b>Change in Assets and Liabilities</b>	
(Increase) decrease in accounts receivable	(2,484,115)
(Increase) decrease in prepaid	(73,384)
Increase (decrease) in accounts payable	(1,603,679)
Increase (decrease) in accrued liabilities	(10,953,174)
Increase (decrease) in unearned revenue	29,960
Increase (decrease) in deposits held in trust	(4,663)
<b>Total Adjustments</b>	<b><u>(12,521,636)</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (9,286,056)</u></b>
<b>Interest Paid</b>	<b><u>\$ 478,207</u></b>

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

**Introduction**

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

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

Management’s Discussion and Analysis (MD&A)

Enterprise fund financial statements consist of:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

Notes to Financial Statements

Required supplemental information other than MD&A and supplemental information

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with the Authority to administer certain HUD funds.

**Reporting Entity**

The Authority was incorporated on May 10, 1939, under the under the California State Health and Safety Code, Section 34240. The Authority was established to provide clean, decent, safe, sanitary, and affordable housing to low-income families. Commissioners are appointed by the Kern County Board of Supervisors. The Board consists of seven commissioners.

Effective July 1, 2022, the Authority began participating in HUD’s Moving to Work (MTW) Demonstration Program. The MTW program primarily consists of grant funding and expenditures that were received and incurred under the Authority’s previous Housing Choice Voucher Program, the Public and Indian Housing Program, and the Capital Fund Program. The program provides the Authority greater flexibility in combining its HUD funding among the Authority’s administrative, capital, and development activities. The MTW Program also exempts the Authority from many previously required regulations and reporting requirements.

In addition, the Authority operates other federal and non-federal housing programs.

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

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

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

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

*Financial Accountability* - The Authority is responsible for its debts, does not impose a financial burden on the County and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority. The County provides us no ongoing funding. Additionally, the County does not hold title to any of our assets, nor does it have any right to our surpluses. The County does not have the ability to exercise influence over our daily operations or approve our budgets.

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

#### **Basis of Presentation**

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

*Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets.

*Restricted net position* - Consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

*Unrestricted net position* - All other assets that do not meet the definition of "restricted" or "net investment in capital assets".

**Basis of Accounting**

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

**Enterprise Fund**

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

**Budgetary Data**

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

**The Board**

<u>Name</u>	<u>Term Expires</u>	<u>Position</u>
Raju Singh Jassar	5/10/2027	Chairman
Carlos Baldovinos	5/10/2026	Commissioner
Ingrid Lake	5/10/2027	Vice-Chair
Leon Delouth	5/10/2025	Commissioner
Maurice Preston	2/10/2025	Commissioner
Jerry Winkle	2/10/2025	Commissioner

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

**Cash and Equivalents**

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

**Accounts Receivable**

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

Accounts for which no possibility of collection is anticipated are charged to bad debts expense which is netted against dwelling rent revenues on the statement of revenues, expenses, and changes in net position.

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

**Prepaid Expenses**

When applicable, prepaid expenses represent payments made to vendors for service that will provide a future benefit beyond June 30, 2024.

**Provision for Uncollectible Notes**

A note receivable is considered impaired when, based on current information it is probable that all amounts of principal and interest due will not be collected according to the terms of the note agreement. Uncollectible notes are charged to the allowance account in the period such determination is made.

**Revenues and Expenses**

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

In accordance with GASB standards dwelling income has been netted with bad debt expense of \$211,426. Collection losses on accounts receivable are expensed, in the appropriate Fund, on the specific write-off method.

**Operating Revenue**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**Use of Estimates**

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

**Capital Assets and Depreciation**

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

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

Category	Useful Life
Buildings and improvements	5 - 40 Years
Improvements other than buildings	5 - 10 Years

**Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The deferred outflows of resources are all related to the Pension and OPEB, see Note 08 and Note 09.

Also, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The deferred inflows of resources are all related to the Pension and OPEB, see Note 08 and Note 09.

**Net Pension Liability**

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 (the "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. Pension plan investments are reported at fair value.

**Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of our 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.

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**Compensated Absences**

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

**Family Self-Sufficiency Escrow Deposits**

The Authority under the MTW Demonstration Program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the Authority for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the Authority during the term of the FSS contract. The Authority may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education.

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the Authority terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited.

**Dwelling Rental**

Rents charged to Authority tenants under lease agreements, in accordance with HUD guidelines, are based on percentages of family income levels, and accordingly may not represent fair market rent. Residents may opt to pay a flat rent under HUD guidelines. Leases may be cancelled by the tenant at any time however, the Authority may cancel the lease only for cause.

**Insurance**

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

**Internal Activity and Balances**

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

**Authorized Investments**

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

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

**Investment in State Investment Pool**

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. The Authority may invest up to \$65 million in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. All investments with LAIF are secured by the full faith and credit of the State of California. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares. Separate LAIF financial statements are available from the California State Treasurer's Office on the internet at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

The Authority's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities. LAIF's exposure to risk (credit, market or legal) is not currently available.

**Investment Policy**

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

**Subsequent Events**

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

**Fair Market Value**

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

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

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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

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

## Housing Authority of the County of Kern

Notes to Financial Statements  
For the Year Ended June 30, 2024

### NOTE 02 - CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2024, the Authority's deposit amounted to \$26,159,460. Of the bank balances held in various financial institutions, \$250,000 was covered by Federal Depository Insurance and the remainder was covered by collateral held under the Dedicated Method.

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

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

<b>Unrestricted</b>	
Checking and Money Market accounts	<u>\$21,690,658</u>
Subtotal	21,690,658
<b>Restricted</b>	
Security deposits - tenants	563,449
Family Self Sufficiency deposits	1,241,600
Other restricted funds	<u>2,663,753</u>
Subtotal	<u>4,468,802</u>
<b>Total Cash and Equivalents</b>	<b><u>\$26,159,460</u></b>
<b>Unrestricted</b>	
Investments in joint ventures	<u>\$ 644,316</u>
<b>Total Investments</b>	<b><u>\$ 644,316</u></b>

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

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

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

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

**Housing Authority of the County of Kern**

Notes to Financial Statements  
For the Year Ended June 30, 2024

**NOTE 03 - ACCOUNTS RECEIVABLE**

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

Tenant receivables	\$ 1,177,317
Allowance for receivables	<u>(25,770)</u>
Net receivable	1,151,547
Due from other governments	1,285,685
Miscellaneous receivables	<u>5,597,546</u>
<b>Accounts Receivable, Net</b>	<b><u><u>\$ 8,034,778</u></u></b>

**NOTE 04 - CAPITAL ASSETS**

A summary of changes in capital assets were as follows:

	<b>Balance at 07/01/23</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 06/30/24</b>
Capital assets not being depreciated:				
Land	\$14,881,156	\$ -	\$ (4,055,044)	\$10,826,112
Construction in progress	<u>19,821,879</u>	<u>12,143,422</u>	<u>(434,037)</u>	<u>31,531,264</u>
Total capital assets not being depreciated	<u>34,703,035</u>	<u>12,143,422</u>	<u>(4,489,081)</u>	<u>42,357,376</u>
Capital assets being depreciated:				
Buildings and improvements	126,479,770	270,719	(9,267,526)	117,482,963
Furniture and equipment	<u>2,462,312</u>	<u>370,552</u>	<u>(188,640)</u>	<u>2,644,224</u>
Total capital assets being depreciated	<u>128,942,082</u>	<u>641,271</u>	<u>(9,456,166)</u>	<u>120,127,187</u>
Accumulated depreciation	<u>(88,995,850)</u>	<u>(2,124,270)</u>	<u>8,280,651</u>	<u>(82,839,469)</u>
Net capital assets being depreciated	<u>39,946,232</u>	<u>(1,482,999)</u>	<u>(1,175,515)</u>	<u>37,287,718</u>
<b>Capital Assets, Net</b>	<b><u><u>\$74,649,267</u></u></b>	<b><u><u>\$ 10,660,423</u></u></b>	<b><u><u>\$ (5,664,596)</u></u></b>	<b><u><u>\$79,645,094</u></u></b>

For the year ended June 30, 2024, the Authority reported depreciation expense of \$2,124,270.

Construction in progress was primarily comprised of several HomeKey projects related to Coronavirus Relief funding.

All land and buildings of the Public Housing Program are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government. During the year, the Authority underwent a Rental Assistance Demonstration conversion of the Authority's Valle Vista and Homer Harrison Homes, resulting in capital asset dispositions as follows: land of \$132,709, buildings and improvements of \$9,267,526, equipment and furniture of \$132,250, and accumulated depreciation of \$8,224,261.

**Housing Authority of the County of Kern**

Notes to Financial Statements  
For the Year Ended June 30, 2024

**NOTE 05 - LONG-TERM LIABILITIES**

The following is a summary of the activity for non-current liabilities for the year ended June 30, 2024:

	<b>Balance at 07/01/23</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 06/30/24</b>	<b>Due within One Year</b>
Compensated absences	\$ 490,381	\$ 1,051,921	\$ (864,574)	\$ 677,728	\$ 94,987
Accrued interest payable	2,047,166	188,166	-	2,235,332	-
Funds held in trust	16,371,525	-	(13,092,707)	3,278,818	-
Net pension liability	12,087,751	1,349,390	-	13,437,141	-
OPEB liability	2,803,900	3,055,500	-	5,859,400	-
Debt payable	15,110,171	-	(286,061)	14,824,110	726,514
Total	<u>\$48,910,894</u>	<u>\$ 5,644,977</u>	<u>\$(14,243,342)</u>	<u>\$40,312,529</u>	<u>\$ 821,501</u>

**NOTE 06 - NOTES RECEIVABLE**

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

	<b>Date of Note(s); Interest Rate(s); Maturity</b>	<b>Amount of Original Note(s)</b>	<b>Principal</b>
Greenfield Housing L.P.	2006; 5.0%; 2062	\$ 1,278,195	\$ 1,278,195
Columbus Haven L.P.	2012; 5.0%; 2067	650,000	650,000
Rancho Algodon L.P.	2014; 4.0% 2054	265,000	265,000
Rio Vista RAD L.P.	2014; 3.14%-7.0%; 2070	3,840,000	3,840,000
Sunnylan Village Housing Partners L.P.	2014; 3.36%; 2069	800,000	800,000
Almond Village L.P.	2015; 2.19% 2072	400,000	400,000
GEAHI Old Town Kern L.P.	2013; 4.0%; 2070	450,000	450,000
North Maple Avenue Childcare Center L.L.L.C.	2017; 0.0%; 2092	550,000	537,567
North Maple Avenue 4% L.P.	2020; 0.0%; 2075	303,000	303,000
North Maple Avenue 9% L.P.	2019; 2.5%; 2074	375,000	375,000
East Hills Associates L.P.	2020; 3.0%; 2075	1,439,000	1,439,000
Adelante Vista RAD L.P.	2023; 5.0%; 2078	15,460,000	15,460,000
Delano RAD L.P.	2023; 5.0%; 2080	11,390,000	11,390,000
Delano RAD L.P.	2023; 5.0%; 2080	600,000	600,000
Golden Empire Affordable Housing, Inc.	2023; 5.0%; 2024	415,000	415,000
Maganda Park RAD L.P.	2024; 4.4%; 2081	2,456,491	2,456,491
Maganda Park RAD L.P.	2024; 3.0%; 2081	190,000	190,000
Accrued interest		-	3,038,899
Total notes receivable		<u>\$ 40,861,686</u>	<u>\$ 43,888,152</u>

For the notes above, annual repayments are based on residual receipt calculations as documented in each loan's respective agreement.

**NOTE 07 - DEBT**

Direct borrowings at June 30, 2024, consisted of the following:

**USDA Rural Development**

USDA Rural Development (RD) loans 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. \$ 2,060,687

**County of Kern Home Loan**

The County of Kern (County) 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. 2,376,319

**USDA Rural Development - Grove Apartment Complex**

RD loans incurred for 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. 340,220

**Citizens Business Bank (CBB)**

Citizens Business Bank (CBB) loan 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. 153,189

**Citizens Business Bank (CBB)**

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. 47,461

**City of Bakersfield (City) NSP Loan**

City of Bakersfield (City) NSP loans 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 matures November 2024, and is secured by a deed of trust. 1,207,464

**County NSP Loan - Golden Empire Affordable Housing, Inc.**

County NSP loans to Golden Empire Affordable Housing, Inc. 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. 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 matures in June 2034. 3,081,248

## Housing Authority of the County of Kern

Notes to Financial Statements  
For the Year Ended June 30, 2024

Debt continued:

### **County HOME Loan - Belle Terrace Foster Care Project**

County HOME loan in the amount of \$266,000 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.

262,486

### **West America Bank Loan**

West America Bank loan 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 semiannual 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.

2,482,575

### **Tri-Counties Bank Loan - Clinica Sierra Vista**

Tri-Counties Bank (TCB) loan 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.

256,514

### **City Loan - Villa San Dimas**

City loan 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. 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.

1,500,000

### **California Dept. of Housing and Community Development (HCD) - Villa San Dimas**

California Dept. of Housing and Community Development (HCD) 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.

268,000

### **Golden Empire Affordable Housing, Inc. II Loan**

Golden Empire Affordable Housing, Inc. II loan 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 June 30, 2024. The note is secured by a deed of trust.

450,000

**Housing Authority of the County of Kern**

Notes to Financial Statements  
For the Year Ended June 30, 2024

Debt continued:

**TCB Loan - Quincy Street**

TCB loan in the amount of \$462,000 was used for the purchase of the Quincy Street apartment complex. The note dated April 16, 2021, bears interest at 4.5%, is payable over 10 years in monthly installments of \$4,814, and is due May 2031. The note is secured by a deed of trust.

	337,947
<b>Total Debt</b>	<b>\$ 14,824,110</b>

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

Years Ended June 30,	Principal	Interest	Total
2025	\$ 726,514	\$ 111,063	\$ 837,577
2026	287,220	100,448	387,668
2027	403,824	85,623	489,447
2028	274,067	71,990	346,057
2029	283,869	62,294	346,163
2030 2034	1,444,166	177,545	1,621,711
2035 2039	576,026	26,060	602,086
2040 2044	-	-	-
Amounts considered forgivable	4,551,198	-	4,551,198
Repayments based on residual receipts	3,876,319	-	3,876,319
Amounts with variable payments that are not reasonably determinable	2,400,907	-	2,400,907
Total	<b>\$ 14,824,110</b>	<b>\$ 635,023</b>	<b>\$15,459,133</b>

**NOTE 08 - OTHER POST-EMPLOYMENT 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 Employee's Retirement Benefit Trust (CERBT), a trust maintained by CalPERS, as a retiree welfare prefunding vehicle for any California public sector employer.

## Housing Authority of the County of Kern

Notes to Financial Statements  
For the Year Ended June 30, 2024

### Participant Data

As of the June 30, 2024, actuarial valuations, the following current and former employees were covered by the benefit terms under the Plan:

Active participants		72
Retired participants		201
<b>Total</b>		<b>273</b>

### 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, 2024, the Authority's cash contributions were \$200,000 in payments to the trust, plus \$448,600 cash benefit payments made outside of the trust, plus \$155,100 implied subsidy, resulting in total payments of \$803,700.

### Net OPEB Liability

The Authority's net OPEB liability of \$5,859,400 at June 30, 2024, was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023. The components of the net OPEB liability of the Authority at June 30, 2023, were as follows:

<u>Total OPEB Liability</u>	
Current retirees	\$ 6,771,600
Active employees	5,096,400
Total OPEB liability	11,868,000
Plan fiduciary net position	6,008,600
Net OPEB liability	\$ 5,859,400

### Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation, was based on the following actuarial methods and assumptions:

<b>Inflation Rate:</b>	2.80%
<b>Projected Salary Increases; Including Wage Inflation:</b>	2.80%
<b>Discount Rate:</b>	6.00%
<b>Mortality Rate:</b>	Rates are from the CalPERS study of Miscellaneous Public Agency experience for the twenty years ending June 30, 2019.
<b>Pre-Retirement Turnover:</b>	Rates are from the CalPERS study of Miscellaneous Public Agency experience for the twenty years ending June 30, 2019.
<b>Healthcare Trend Rate:</b>	These trend rates begin at various levels, then are graded down each year until they reach an ultimate rate of 4.0% by 2030/2031 (reflecting the expected long-term trend for the medical Consumer Price Index).

**Housing Authority of the County of Kern**

Notes to Financial Statements  
For the Year Ended June 30, 2024

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.00 percent for the June 30, 2023, measurement date. 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.

**Changes in the OPEB Liability**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
<b>Balance at 6/30/23</b>	<b>\$ 8,256,400</b>	<b>\$ 5,452,500</b>	<b>\$ 2,803,900</b>
<b>Changes for the Year:</b>			
Service cost	261,900	-	261,900
Interest	613,900	-	613,900
Effect of change in actuarial assumptions/methods	1,709,100	-	1,709,100
Other liability experience loss/(gain)	1,630,400	-	1,630,400
Contributions - employer	-	803,700	(803,700)
Benefit payments, including refunds of employee contributions	(603,700)	(603,700)	-
Administrative expense	-	(2,733)	2,733
Expected investment return	-	421,331	(421,331)
Investment experience (loss)/gain	-	(62,498)	62,498
<b>Net Changes</b>	<b>3,611,600</b>	<b>556,100</b>	<b>3,055,500</b>
<b>Balance at 6/30/24</b>	<b>\$ 11,868,000</b>	<b>\$ 6,008,600</b>	<b>\$ 5,859,400</b>

**Sensitivity of the Net OPEB Liability to Change 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, 2023:

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
<b>OPEB Liability</b>	<b>\$ 7,328,600</b>	<b>\$ 5,859,400</b>	<b>\$ 4,634,200</b>

**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, 2023:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<b>OPEB Liability</b>	<b>\$ 4,493,600</b>	<b>\$ 5,859,400</b>	<b>\$ 7,532,600</b>

**Housing Authority of the County of Kern**

Notes to Financial Statements  
For the Year Ended June 30, 2024

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

For the fiscal year ended June 30, 2024, the Authority recognized OPEB expense (benefit) of \$422,820. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflow of resources related to the OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Revised assumptions/methods	\$ 1,539,378	\$ 541,896
Other liability experience loss/(gain)	1,544,137	2,022,795
Investment experience loss/(gain)	854,931	367,392
Totals	<b>\$ 3,938,446</b>	<b>\$ 2,932,083</b>

The deferred inflows of resources and outflows of resources will be recognized in OPEB expense as follows:

**Measurement Period Ended June 30,**

2025	\$ (41,467)
2026	(77,525)
2027	105,924
2028	(110,330)
2029	132,299
Thereafter,	997,462
	<b>\$ 1,006,363</b>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**NOTE 09 - PENSION PLAN**

**Plan Description**

Qualified employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety plan. The Authority sponsors two Miscellaneous Risk Pool plans, however, the information presented represents the sum of the allocated pension amounts for each of the Authority's respective plans (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

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**Benefits Provided**

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to eligible plan members. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. All members are eligible for employment related disability benefits regardless of length of service and non-duty disability benefits after 5 years of service. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree’s designated survivor or estate upon the retiree’s death. The Basic Death Benefit is a lump sum paid to any member’s beneficiary if the member dies while actively employed. The spouse or registered domestic partner of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Option 2W Death Benefit in lieu of the Basic Death Benefit lump sum. The Pre-Retirement Option 2W Death Benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Option 2W, the highest monthly allowance a member can leave a spouse or domestic partner. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan provisions and benefits in effect at June 30, 2024, are summarized as follows:

Provisions and Benefits	Tier I	Tier II
Hire date	On or before July 1, 2013	On or after July 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-67
Monthly benefits as a percentage of eligible compensation	2.0% - 2.7%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	9.33%	9.33%

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law 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. Total plan contributions are determined annually through the 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 Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll.

**Actuarial Assumptions**

The total pension liability in the June 30, 2024 actuarial valuations, were determined using the following actuarial assumptions:

<b>Valuation Date</b>	June 30, 2022
<b>Measurement Date</b>	June 30, 2023
<b>Actuarial Cost Method</b>	Entry Age Actuarial Cost Method
<b>Discount Rate</b>	6.90%
<b>Inflation</b>	2.50%
<b>Payroll Growth</b>	2.75%
<b>Projected Salary Increase</b>	Varies by entry age and service.
<b>Investment Rate of Return</b>	7.00% net of pension plan investment and admin expenses; including inflation.
<b>Mortality</b>	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Long-Term Expected Rate of Return**

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. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity - Cap-Weighted	30%	4.54%
Global Equity - Non-Cap-Weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-Backed Securities	5%	0.50%
Investment Grad Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	<b>100%</b>	

## Housing Authority of the County of Kern

Notes to Financial Statements  
For the Year Ended June 30, 2024

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
<b>Balance at 6/30/22</b>	\$ 47,978,402	\$ 35,890,651	\$ 12,087,751
<b>Changes for the Year:</b>			
Service cost	1,506,372	-	1,506,372
Interest	3,348,062	-	3,348,062
Difference between expected and actual experience	1,168,860	-	1,168,860
Contributions - employer	-	1,806,863	(1,806,863)
Contributions - employees	-	673,379	(673,379)
Net investment income	-	2,220,254	(2,220,254)
Benefit payments, including refunds of employee contributions	(2,755,636)	(2,755,636)	-
Administrative expense	-	(26,392)	26,392
<b>Net Changes</b>	<b>3,267,658</b>	<b>1,918,468</b>	<b>1,349,190</b>
<b>Balance at 6/30/23</b>	<b>\$ 51,246,060</b>	<b>\$ 37,809,119</b>	<b>\$ 13,436,941</b>

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
	<b>Plan Net Pension Liability (Assets)</b>	<b>\$ 20,151,788</b>	<b>\$ 13,436,941</b>

### Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Authority recognized pension expense of \$2,702,890. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 973,063	\$ 229,949
Net difference between projected and actual earnings on plan investments	1,718,639	-
Change of assumptions	879,160	-
	<u>3,570,862</u>	<u>229,949</u>
Contributions subsequent to the measurement date of plan	959,187	-
<b>Totals</b>	<b>\$ 4,530,049</b>	<b>\$ 229,949</b>

### Measurement Period Ended March 31,

2024	\$ 811,793
2025	672,612
2026	1,613,932
2027	242,576
2028	-
Thereafter,	-
	<u>\$ 3,340,913</u>

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Payable to the Pension Plan**

At June 30, 2024, there were no amounts payable to the pension plan.

**NOTE 10 - NET POSITION**

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

Capital assets not being depreciated	\$42,357,376
Capital assets, net	37,287,718
Related debt	<u>(14,824,110)</u>
<b>Net Investment in Capital Assets</b>	<b><u>\$64,820,984</u></b>
Restricted cash	\$ 4,468,802
Unearned EHV fees	(580,924)
Security deposit liability	(563,449)
Funds held in trust	<u>(3,167,158)</u>
<b>Restricted Net Position</b>	<b><u>\$ 157,271</u></b>

**NOTE 11 - INVESTMENT IN JOINT VENTURES AND PARTNERSHIPS**

The Authority has a minority equity interest in several entities. A majority of the balance of these investments have been deemed negligible as of the year end and therefore are not reported in the accompanying statement of net position.

Amounts not negligible have been report as follows:

Greenfield Housing L.P.	\$ 762,941
Milagro del Valle L.P.	<u>(118,625)</u>
<b>Investment in Joint Ventures and Partnerships</b>	<b><u>\$ 644,316</u></b>

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

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

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

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

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

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

**Conduit Debt Obligations:** From time to time, the Authority has approved the issuance of tax-exempt Mortgage Revenue Bonds (Bonds) that are issued for various development firms. 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 will not be payable from the general revenues of the issuer and in no event, will the Bonds be payable out of any funds or properties other than those specifically pledged. The issuer has no taxing power.

At the end of the current fiscal year the number of Bonds outstanding and the aggregate principal amount payable is unknown. Neither the County nor the Authority has a central repository. When completely paid or called they must notify the Authority of this event.

**NOTE 13 - ECONOMIC DEPENDENCE**

The Authority's operations are concentrated in the low-income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operation of the Authority is subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with the change.

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**Housing Authority of the County of Kern**

Schedule of Changes in the Net Position Liability (Asset) and Related Ratios

<u>Measurement Date June 30,</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b><u>Total Pension Liability</u></b>										
Service cost	\$ 805,168	\$ 718,456	\$ 744,359	\$ 916,334	\$ 956,258	\$ 1,000,788	\$ 1,051,503	\$ 1,115,968	\$ 1,254,326	\$ 1,506,372
Interest	2,153,097	2,212,630	2,317,964	2,459,889	2,615,666	2,761,682	2,919,266	3,023,122	3,137,271	3,348,062
Changes in benefit terms	-	-	-	198,410	-	-	-	-	-	-
Differences between actual and expected experience	-	(831,948)	(61,898)	460,258	881,528	388,056	429,428	(397,902)	(169,402)	1,168,860
Change of assumptions	-	(521,130)	-	1,976,066	(264,955)	-	-	-	1,530,390	-
Benefit payments, including refunds of employee contributions	(1,272,994)	(1,420,065)	(1,590,366)	(1,767,991)	(1,900,153)	(1,979,937)	(2,046,631)	(2,258,523)	(2,507,455)	(2,755,636)
<b>Net Change in Total Pension Liability</b>	<b>1,685,271</b>	<b>157,943</b>	<b>1,410,059</b>	<b>4,242,966</b>	<b>2,288,344</b>	<b>2,170,589</b>	<b>2,353,566</b>	<b>1,482,665</b>	<b>3,245,130</b>	<b>3,267,658</b>
<b>Total Pension Liability - Beginning</b>	<b>28,941,869</b>	<b>30,627,140</b>	<b>30,785,083</b>	<b>32,195,142</b>	<b>36,438,108</b>	<b>38,726,452</b>	<b>40,897,041</b>	<b>43,250,607</b>	<b>44,733,272</b>	<b>47,978,402</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 30,627,140</b>	<b>\$ 30,785,083</b>	<b>\$ 32,195,142</b>	<b>\$ 36,438,108</b>	<b>\$ 38,726,452</b>	<b>\$ 40,897,041</b>	<b>\$ 43,250,607</b>	<b>\$ 44,733,272</b>	<b>\$ 47,978,402</b>	<b>\$ 51,246,060</b>
<b><u>Plan Fiduciary Net Position</u></b>										
Contributions - employer	\$ 434,778	\$ 485,793	\$ 597,447	\$ 749,614	\$ 792,348	\$ 992,189	\$ 1,160,752	\$ 1,360,691	\$ 1,630,594	\$ 1,806,863
Contributions - employee	329,820	344,219	374,099	399,208	404,472	603,324	463,404	502,959	609,715	673,379
Net investment income	3,981,363	616,099	154,414	2,878,991	2,351,877	1,918,922	1,526,856	7,205,152	(2,919,550)	2,220,254
Plan to plan resource movement	-	-	-	-	(69)	-	-	-	-	-
Benefit payments	(1,272,994)	(1,420,065)	(1,590,366)	(1,767,991)	(1,900,153)	(1,979,937)	(2,046,631)	(2,258,523)	(2,507,455)	(2,755,636)
Administrative expense	-	(29,812)	(16,143)	(38,399)	(43,989)	(21,230)	(44,074)	(32,289)	(24,358)	(26,392)
Other	-	-	-	-	(83,535)	69	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>3,472,967</b>	<b>(3,766)</b>	<b>(480,549)</b>	<b>2,221,423</b>	<b>1,520,951</b>	<b>1,513,337</b>	<b>1,060,307</b>	<b>6,777,990</b>	<b>(3,211,054)</b>	<b>1,918,468</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>23,019,045</b>	<b>26,492,012</b>	<b>26,488,246</b>	<b>26,007,697</b>	<b>28,229,120</b>	<b>29,750,071</b>	<b>31,263,408</b>	<b>32,323,715</b>	<b>39,101,705</b>	<b>35,890,651</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 26,492,012</b>	<b>\$ 26,488,246</b>	<b>\$ 26,007,697</b>	<b>\$ 28,229,120</b>	<b>\$ 29,750,071</b>	<b>\$ 31,263,408</b>	<b>\$ 32,323,715</b>	<b>\$ 39,101,705</b>	<b>\$ 35,890,651</b>	<b>\$ 37,809,119</b>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<b>\$ 4,135,128</b>	<b>\$ 4,296,837</b>	<b>\$ 6,187,445</b>	<b>\$ 8,208,988</b>	<b>\$ 8,976,381</b>	<b>\$ 9,633,633</b>	<b>\$ 10,926,892</b>	<b>\$ 5,631,567</b>	<b>\$ 12,087,751</b>	<b>\$ 13,436,941</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>86.50%</b>	<b>86.04%</b>	<b>80.78%</b>	<b>77.47%</b>	<b>76.82%</b>	<b>76.44%</b>	<b>74.74%</b>	<b>87.41%</b>	<b>74.81%</b>	<b>73.78%</b>
<b>Covered - Employee Payroll</b>	<b>\$ 5,330,475</b>	<b>\$ 4,932,417</b>	<b>\$ 5,085,466</b>	<b>\$ 5,817,622</b>	<b>\$ 6,169,007</b>	<b>\$ 6,415,306</b>	<b>\$ 6,877,066</b>	<b>\$ 7,317,824</b>	<b>\$ 7,615,823</b>	<b>\$ 9,162,846</b>
<b>Net Pension Liability (Asset) as a Percentage of Covered - Employee Payroll</b>	<b>77.58%</b>	<b>87.11%</b>	<b>121.67%</b>	<b>141.11%</b>	<b>145.51%</b>	<b>150.17%</b>	<b>158.89%</b>	<b>76.96%</b>	<b>158.72%</b>	<b>146.65%</b>

**Notes to Schedule:**

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes of benefit terms.

Changes of Assumptions: There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

**Housing Authority of the County of Kern**

Schedule of Pension Plan's Contributions

<u>Measurement Date June 30,</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$ 434,778	\$ 485,793	\$ 597,447	\$ 749,614	\$ 792,348	\$ 992,189	\$ 1,160,752	\$ 1,360,691	\$ 1,630,594	\$ 1,806,863
Contributions in relation to the actuarially determined contribution	<u>434,778</u>	<u>485,793</u>	<u>597,447</u>	<u>749,614</u>	<u>792,348</u>	<u>992,189</u>	<u>1,160,752</u>	<u>1,360,691</u>	<u>1,630,594</u>	<u>1,806,863</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,330,475	\$ 4,932,417	\$ 5,085,466	\$ 5,817,622	\$ 5,817,622	\$ 6,415,306	\$ 6,877,066	\$ 7,317,824	\$ 7,615,823	\$ 9,162,846
Contributions as a percentage covered-employee payroll	8.16%	9.85%	11.75%	12.89%	13.62%	15.47%	16.88%	18.59%	21.41%	19.72%

**Housing Authority of the County of Kern**  
Schedule of Changes in Total OPEB Liability and Related Ratios

<b>Measurement Period</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Service cost	\$ 414,500	\$ 414,500	\$ 401,800	\$ 317,900	\$ 308,800	\$ 278,500	\$ 261,900
Interest	688,100	733,600	780,900	663,100	702,000	613,700	613,900
Experience (gains)/losses	-	15,400	(2,248,300)	38,600	(1,524,800)	60,300	1,630,400
Actual and expected experience differences	-	-	-	-	(109,700)	-	-
Changes of assumptions	-	-	(380,100)	-	-	(375,900)	1,709,100
Change of benefit terms	-	-	-	-	-	-	-
Benefit payments	(460,300)	(496,200)	(519,000)	(486,200)	(520,800)	(529,100)	(603,700)
Net change	642,300	667,300	(1,964,700)	533,400	(1,144,500)	47,500	3,611,600
Beginning total OPEB liability	9,475,100	10,117,400	10,784,700	8,820,000	9,353,400	8,208,900	8,256,400
<b>Ending Total OPEB Liability</b>	<b>\$ 10,117,400</b>	<b>\$ 10,784,700</b>	<b>\$ 8,820,000</b>	<b>\$ 9,353,400</b>	<b>\$ 8,208,900</b>	<b>\$ 8,256,400</b>	<b>\$ 11,868,000</b>
Employer contributions	\$ 774,600	\$ 810,500	\$ 871,100	\$ 728,100	\$ 701,700	\$ 729,100	\$ 803,700
Investment income	279,041	244,848	241,841	149,528	1,275,521	(813,351)	358,833
Benefit payments	(460,300)	(496,200)	(519,000)	(486,200)	(520,800)	(529,100)	(603,700)
Administrative expenses	(1,341)	(1,648)	(1,841)	(2,128)	(2,621)	(2,949)	(2,733)
Net change in fiduciary net position	592,000	557,500	592,100	389,300	1,453,800	(616,300)	556,100
Beginning fiduciary net position	2,484,100	3,076,100	3,633,600	4,225,700	4,615,000	6,068,800	5,452,500
<b>Ending Fiduciary Net Position</b>	<b>\$ 3,076,100</b>	<b>\$ 3,633,600</b>	<b>\$ 4,225,700</b>	<b>\$ 4,615,000</b>	<b>\$ 6,068,800</b>	<b>\$ 5,452,500</b>	<b>\$ 6,008,600</b>
Net OPEB liability (asset)	\$ 7,041,300	\$ 7,151,100	\$ 4,594,300	\$ 4,738,400	\$ 2,140,100	\$ 2,803,900	\$ 5,859,400
Plan fiduciary net position as a percent of total OPEB liability	30.40%	33.69%	47.91%	49.34%	73.93%	66.04%	50.63%
Covered-employee payroll	\$ 6,778,800	\$ 6,586,200	\$ 7,137,600	\$ 7,522,500	\$ 7,963,400	\$ 9,607,600	\$ 10,091,000
Net OPEB liability as percent of covered payroll	103.87%	108.58%	64.37%	62.99%	26.87%	29.18%	58.07%
Actuarially determined contribution (ADC)	\$ 867,100	\$ 882,400	\$ 890,500	\$ 663,900	\$ 676,300	\$ 867,100	\$ 493,300
Actual contributions	(774,600)	(810,500)	(871,100)	(728,100)	(701,700)	(729,100)	(803,700)
<b>Contribution Deficiency (Excess)</b>	<b>\$ 92,500</b>	<b>\$ 71,900</b>	<b>\$ 19,400</b>	<b>\$ (64,200)</b>	<b>\$ (25,400)</b>	<b>\$ 138,000</b>	<b>\$ (310,400)</b>
Contributions as a percentage of covered payroll	11.43%	12.31%	12.20%	9.68%	8.81%	7.59%	7.96%

**Notes to Schedule**

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

Valuation date:

Actuarially determined contribution rates for fiscal year 2022 - 2023, were calculated based on the June 30, 2020, funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal.
Amortization method:	For details, see June 30, 2024 Funding Valuation Report.
Asset valuation method:	Fair Value of Assets. For details, see June 30, 2020 Funding Valuation Report.
Inflation:	2.50%
Salary increases:	Varies by entry age and service.
Payroll growth	2.75%
Investment rate of return:	7.00% net of pension plan investment and administrative expenses; including inflations.
Retirement age:	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality:	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Change in assumptions:

For changes to previous years' information, refer to past GASB 68 reports.

**Housing Authority of the County of Kern**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

	<b>Assistance Listing Number(s)</b>	<b>Award Type</b>	<b>Expenditures</b>
<b>U.S. Department of HUD</b>			
Housing Choice Vouchers			\$ 6,089,616
Emergency Housing Vouchers			<u>2,825,728</u>
<b>Total Housing Choice Voucher</b>	14.871	Direct	<b>8,915,344</b>
Mainstream Vouchers	14.879	Direct	<u>520,776</u>
<b>Total Housing Voucher Center Cluster</b>			<b>9,436,120</b>
Moving to Work Demonstration Program	14.881	Direct	38,560,980
Housing Opportunities of Persons with AIDS - Passed through County of Kern	14.241	Indirect	354,090
Resident Opportunity and Supportive Services	14.870	Direct	102,083
Continuum of Care Program	14.267	Direct	5,079,199
PIH Family Self-Sufficiency Program	14.896	Direct	<u>298,304</u>
<b>Totals U.S. Department of HUD</b>			<b>53,830,776</b>
<b>U.S. Department of Agriculture Rural Development</b>			
Rural Rental Housing Loans	10.415	Direct	2,415,508
Rural Rental Assistance Payments	10.427	Direct	<u>509,779</u>
<b>Totals U.S. Department of Agriculture Rural Development</b>			<b>2,925,287</b>
<b>U.S. Department of Treasury</b>			
Coronavirus State and Local Fiscal Recovery - Passed through California Department of Housing and Community Development	21.027	Indirect	<u>1,050,000</u>
<b>Totals U.S. Department of Treasury</b>			<b>1,050,000</b>
<b>U.S. Department of Health and Human Services</b>			
HIV Care Formula - Passed through County of Kern	93.917	Indirect	<u>183,181</u>
<b>Totals U.S. Department of Health and Human Services</b>			<b>183,181</b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 57,989,244</u></b>
<b>Award Type</b>			
Direct			\$ 56,401,973
Indirect			\$ 1,587,271

**Housing Authority of the County of Kern**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

**NOTE 1: SCOPE OF PRESENTATION**

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

**NOTE 2: BASIS OF ACCOUNTING**

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

**NOTE 3: 10% DE MINIMIS INDIRECT COST RATE**

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

**NOTE 4: FEDERAL LOAN BALANCES**

The Authority participate in housing programs where funds have been provided by federal agencies as loans as presented below:

<b>Federal Program Loans</b>	<b>ALN</b>	<b>Balance at</b>			<b>Balance at</b>
		<b>07/01/23</b>	<b>Additions</b>	<b>Deletions</b>	<b>06/30/24</b>
Rural Rental Housing Loans	10.415	\$ 2,415,508	\$ -	\$ (14,601)	\$ 2,400,907
Total		<u>\$ 2,415,508</u>	<u>\$ -</u>	<u>\$ (14,601)</u>	<u>\$ 2,400,907</u>

**Housing Authority of the County of Kern**

Statement and Certification of Actual Costs

June 30, 2024

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

<b>Grant</b>	<b>Funds Approved</b>	<b>Funds Disbursed</b>	<b>Funds Expended</b>	<b>Balance Unspent</b>
CA16P008501-20	\$ 2,098,244	\$ 1,281,552	\$ 1,281,552	\$ 816,692
CA16P008501-21	\$ 2,184,750	\$ 2,174,865	\$ 2,174,865	\$ 9,885
CA16P008501-22	\$ 2,675,222	\$ 309,975	\$ 309,975	\$ 2,365,247
CA16P008501-23	\$ 2,756,841	\$ 274,800	\$ 274,800	\$ 2,482,041
CA16P008501-24	\$ 2,271,152	\$ 227,115	\$ 227,115	\$ 2,044,037

2. The distribution of costs as shown on the Financial Statement of Costs accompanying the Actual Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.
3. For the above completed grants, all costs have been paid and all related liabilities have been discharged through payment.

## Board of Commissioners

Housing Authority of the County of Kern  
Bakersfield, CA

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

#### **Independent Auditors' Report**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the County of Kern as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Kern's basic financial statements, and have issued our report thereon dated March 5, 2025.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority of the County of Kern's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Kern's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Kern's internal control.

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

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

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

As part of obtaining reasonable assurance about whether the Housing Authority of the County of Kern's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item **Finding 2024-001**.



### **The Housing Authority of the County of Kern's Response to Findings**

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

### **Purpose of This Report**

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

March 5, 2025

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**Board of Commissioners**

Housing Authority of the County of Kern  
Bakersfield, CA

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

**Independent Auditors' Report**

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the Housing Authority of the County of 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 the Housing Authority of the County of Kern's major federal programs for the year ended June 30, 2024. The 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.

In our opinion, the 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, 2024.

**Basis for Opinion on Each Major Federal Program**

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

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

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Housing Authority of the County of Kern's federal programs could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.



### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Housing Authority of the County of Kern's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Housing Authority of the County of Kern's compliance with the requirements of each major federal program as a whole.

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Housing Authority of the County of Kern's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

Obtain an understanding of the Housing Authority of the County of Kern's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Kern's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

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



### Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies. 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **Finding 2024-002** to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the Housing Authority of the County of Kern's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Housing Authority of the County of Kern's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

March 5, 2025

Housing Authority of the County of Kern

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

**Section I Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued

Internal controls over financial reporting:

    Material weakness(es) identified

    Significant deficiency(ies) identified

Noncompliance material to financial statements noted

**Federal Awards**

Internal control over major federal programs

    Material weakness(es) identified

    Significant deficiency(ies) identified

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

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

Identification of major federal programs:

<b>ALN(s)</b>	<b>Name of Federal Program or Cluster</b>
<b>14.881</b>	<b>Moving to Work Demonstration Program</b>
<b>14.871</b>	<b>Housing Choice Vouchers</b>
<b>14.879</b>	<b>Mainstream Vouchers</b>
<b>10.415</b>	<b>Rural Rental Housing Loans</b>

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

Auditee qualified as a low-risk auditee:



**Section III Federal Awards Findings**

**US Department of Housing and Urban Development**

**Direct Award**

Program Name **Moving to Work**  
 Program Name **Housing Choice Vouchers/Mainstream Vouchers**  
 ALN **14.881**  
 ALN **14.871/14.879**

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

**2024-002 Housing Quality Inspection Follow Up**

**Criteria** The PHA must inspect the unit leased to a family at least bi-annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR §§982.405, 983.103)).

Additionally, for units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family’s failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

**Condition** During our audit, we identified ten (10) failed HQS that did not receive a pass for several months and no rent abatement process was started or enforced during that time period.

**Context** During the audit, a sample of 40 HQS failed inspections were reviewed for MTW, and 11 HQS failed inspections were reviewed for the Housing Choice Voucher/Mainstream program. Of these reviewed inspections, 5 of the MTW and 5 of the HCV/Mainstream were not properly re-inspected, and no voucher abatement steps were taken to enforce compliance.

**Cause** Controls over compliance associated with HQS inspections are inadequate.

**Effect** The absence of voucher abatement steps and the failure to enforce compliance through potential voucher loss may result in noncompliance with federal program requirements and potential financial implications.

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

**Management Views** Management agrees, see Corrective Action Plan.

**Housing Authority of the County of Kern**

Summary Schedule of Prior Year Findings and Questioned Costs

For the Year Ended June 30, 2024

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**Financial Statement Findings**

<b>Prior Year Findings Number</b>	<b>Findings Title</b>	<b>Status/ Current Year Finding Number</b>
2023-001	Lack of Account Reconciliations and Material Prior Period Restatements	Repeated - See Finding 2024-001

**Federal Award Findings and Questioned Costs**

<b>Prior Year Findings Number</b>	<b>Findings Title</b>	<b>Status/ Current Year Finding Number</b>
2023-002	HQS Enforcement	Repeated - See Findings 2024-002



# HOUSING AUTHORITY

## OF THE COUNTY OF KERN

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

### **CORRECTIVE ACTION PLAN**

Name of auditee: Housing Authority of the County of Kern

Name of audit firm: Smith Marion & Co. Inc.

Period covered by the audit: Fiscal Year Ending June 30, 2024

CAP Prepared by

Name: Petra Bantum

Position: Finance Director

Telephone Number: (661) 631-8500

Current Findings on the Schedule of Findings, Questioned Costs, and Recommendations.

#### 1. Finding 2024-001

##### a. Comments on the Finding and Each Recommendation:

Management agrees with the finding and recommendation.

##### b. Action(s) Taken or Planned on the Finding

Finance Director will review the tasks and determine which ones can be handled in-house and which ones will require the services of a CPA, including advisory services related specifically to RAD conversions or MTW (as needed).

In addition, with responsibilities shifting within the agency, we foresee that we will have additional resources available in finance to handle the accounts review and reconciliation tasks monthly. The year end process will also be reviewed with a CPA to determine a plan of action before the year ending 06/30/2025.





# HOUSING AUTHORITY

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### CORRECTIVE ACTION PLAN

Name of auditee: Housing Authority of the County of Kern

Name of audit firm: Smith Marion & Co. Inc.

Period covered by the audit: Fiscal Year Ending June 30, 2024

CAP Prepared by

Name: Latrice Posey

Position: Housing Administrator

Telephone Number: (661) 631-8500

Current Findings on the Schedule of Findings, Questioned Costs, and Recommendations.

#### 1. Finding 2024-002

a. Comments on the Finding and Each Recommendation:

Management agrees with the finding and recommendation.

b. Action(s) Taken or Planned on the Finding

- I. New supervisor put in place as of 10/7/2024. New supervisor trained in generating the Failed inspections report.
  - a. Failed inspection report is to be generated at least monthly; more frequently as needed to reduce reinspection scheduling.
  - b. Failed inspection report reveals number of failed inspections and whether an abatement has been entered or not.
- II. New supervisor has been trained in the entering/applying of abatements after the second failed inspection that are due to owner deficiencies. The supervisor will not rely on staff to determine if an abatement is necessary.
  - a. Supervisor will enter abatement and begin the process for the mandatory transfer for the tenant, and the termination of the HAP contract.
  - b. Families will be issued a moving voucher for units whose HAP is in abatement due to owner deficiencies. If corrections are made, family may continue to reside in the unit.





# HOUSING AUTHORITY

OF THE COUNTY OF KERN

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- III. New supervisor will shadow Inspectors to observe inspections.
  - a. Supervisor will also attend professional training for HQS and take certification exam in March 2025.
  - b. Supervisor will be trained in the random selection of quality control inspections for inspections conducted in last 90-days.
  - c. Supervisor will conduct quality control inspections, and provide feedback to inspectors on inconsistencies and differing results.

