

# ***REGIONAL HOUSING AUTHORITY***

**Financial Statements and Independent Auditors' Report**

**Year Ended March 31, 2023**



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# REGIONAL HOUSING AUTHORITY

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**REGIONAL HOUSING AUTHORITY**

List of Principal Officials

The following table lists the Board Members as of March 31, 2023:

Chairperson.....	Many Cardoza
Vice-Chairperson.....	Bob Woten
Commissioner.....	John Loudon
Commissioner.....	Nicholas Micheli
Commissioner.....	Jeramy Chapdelaine
Commissioner.....	Don Blaser
Commissioner.....	Anthony Kurlan
Commissioner.....	Susan Hoek
Commissioner.....	Lisa Swarthout
Commissioner.....	Kent Boes
Commissioner.....	Doug Lofton
Commissioner.....	Marc Boomgaarden
Commissioner.....	Denise Conrado
Tenant Commissioner.....	Suzanne Gallaty

In addition to the above Commissioners, the Administrator of Regional Housing Authority is Gustavo Becerra, who serves as the Executive Director.

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## INDEPENDENT AUDITORS' REPORT

To the Governing Body of  
Regional Housing Authority

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the financial statements of the business-type activities of Regional Housing Authority (Authority), as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of March 31, 2023, and the changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### BASIS FOR OPINION

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 Authority 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 opinion.

#### RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 opinion. 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:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) 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; (3) 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 Authority's internal control. Accordingly, no such opinion is expressed; (4) 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; (5) Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 schedules of the pension and OPEB plan (see table of contents for page locations), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



#### **SUPPLEMENTARY INFORMATION**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements.

The schedule of expenditures of federal awards, required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

In addition, the accompanying statement and certification of actual costs, required by the U.S. Department of Housing and Urban Development, is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

That information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

#### **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2023, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control over financial reporting and compliance.

August 16, 2023  
Redlands, CA

## **REGIONAL HOUSING AUTHORITY**

### Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

The Regional Housing Authority's (Authority, we, us, our) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of our financial activity, (c) identify changes in our financial position and its resulting ability to address the next and subsequent year challenges, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with our financial statements.

### **FINANCIAL HIGHLIGHTS**

The Housing Authority ended the fiscal year of operations with assets of \$56.4 million; deferred outflows of resources of \$2.1 million; liabilities of \$16.4 million; deferred inflows of resources of \$2.5 million; and net position of \$39.6 million, which consisted of \$24.6 million invested in land, buildings, and equipment; \$2.9 million in restricted assets; and \$12.1 million in unrestricted assets.

The ending net position of \$39.6 million represents an increase in assets of \$1.6 million from the prior fiscal year, which resulted from operating revenues of \$27.5 million, non-routine revenues of \$0.0 million, operating expenses of \$26.6 million, and a \$0.7 million prior period adjustment.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual financial report consists of two parts: management's discussion and analysis and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. While detailed sub-fund information is not presented, separate accounts are maintained for each program of the Authority.

The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The statement of net position provides a record or snapshot of the assets and liabilities at the close of the fiscal year. It presents the financial position of the Authority on a full accrual historical cost basis. The statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year. The statement of cash flows is related to the other financial statements by the way it links changes in assets and liabilities to the effects on cash and cash equivalents over the course of the fiscal year. The notes to the financial statements provide useful information regarding the Authority's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

## REGIONAL HOUSING AUTHORITY

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

### FINANCIAL ANALYSIS OF THE AUTHORITY

#### Net Position

The following table reflects the condensed Statement of Net Position compared to prior year.

			Change	
	2023	2022	Dollar	Percentage
Cash and equivalents	\$ 8,396,938	\$ 8,317,692	\$ 79,246	1.0%
Other current assets	1,861,216	996,897	864,319	86.7%
Total current assets	10,258,154	9,314,589	943,565	10.1%
Net capital assets	37,139,717	36,590,458	549,259	1.5%
Other non-current assets	9,006,638	9,222,109	(215,471)	(2.3%)
Total non-current assets	46,146,355	45,812,567	333,788	0.7%
Total assets	56,404,509	55,127,156	1,277,353	2.3%
Deferred outflows of resources	2,126,933	2,864,535	(737,602)	(25.7%)
<b>Total</b>	<b>\$ 58,531,442</b>	<b>\$ 57,991,691</b>	<b>\$ 539,751</b>	<b>0.9%</b>
Current liabilities	\$ 1,582,210	\$ 2,263,702	\$ (681,492)	(30.1%)
Non-current liabilities	14,778,300	15,481,024	(702,724)	(4.5%)
Total liabilities	16,360,510	17,744,726	(1,384,216)	(7.8%)
Deferred inflows of resources	2,540,525	1,514,798	1,025,727	67.7%
Net investment in capital assets	24,558,096	23,274,354	1,283,742	5.5%
Restricted net position	2,930,231	3,198,377	(268,146)	(8.4%)
Unrestricted net position	12,142,080	12,259,436	(117,356)	(1.0%)
Total net position	39,630,407	38,732,167	898,240	2.3%
<b>Total</b>	<b>\$ 58,531,442</b>	<b>\$ 57,991,691</b>	<b>\$ 539,751</b>	<b>0.9%</b>

As previously illustrated by the Statement of Net Position, the Housing Authority ended the fiscal year of operations with assets of \$56.4 million; deferred outflows of resources of \$2.1 million; liabilities of \$16.4 million; and deferred inflows of resources of \$2.5 million resulting in a net position of \$39.6 million. This net position consists of \$24.6 million net investment in capital assets such as land, buildings and equipment, net of related debt; \$2.9 million in restricted assets; and \$12.1 million in unrestricted assets. The ending net position of \$39.6 million represents an increase in net position of \$0.9 million from the prior fiscal year's ending net position of \$38.7 million.

**REGIONAL HOUSING AUTHORITY**

Management’s Discussion and Analysis (Required Supplemental Information – Unaudited)

Revenues, Expenses, and Changes in Net Position

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	<u>2023</u>	<u>2022</u>	Change	
			<u>Dollar</u>	<u>Percentage</u>
Net rental revenue	\$ 3,401,494	\$ 3,280,427	\$ 121,067	3.7%
Operating grants and subsidies	22,641,234	18,600,513	4,040,721	21.7%
Other operating revenues	<u>1,444,012</u>	<u>2,062,517</u>	<u>(618,505)</u>	<u>(30.0%)</u>
Total operating revenues	<u>27,486,740</u>	<u>23,943,457</u>	<u>3,543,283</u>	<u>14.8%</u>
Depreciation expense	(2,075,927)	(1,887,994)	(187,933)	10.0%
Housing assistance payments	(15,665,185)	(12,401,447)	(3,263,738)	26.3%
Other operating expenses	<u>(8,845,037)</u>	<u>(5,237,762)</u>	<u>(3,607,275)</u>	<u>68.9%</u>
Total operating expenses	<u>(26,586,149)</u>	<u>(19,527,203)</u>	<u>(7,058,946)</u>	<u>36.1%</u>
<b>Operating income (loss)</b>	<b>900,591</b>	<b>4,416,254</b>	<b>(3,515,663)</b>	<b>79.6%</b>
Investment income	252,256	294,078	(41,822)	(14.2%)
Interest expense	(313,885)	(447,671)	133,786	(29.9%)
Other non-operating items	<u>59,278</u>	<u>(484)</u>	<u>59,762</u>	<u>(&gt;100%)</u>
<b>Income (loss) before contributions and other items</b>	<b>898,240</b>	<b>4,262,177</b>	<b>(3,363,937)</b>	<b>78.9%</b>
Special items	-	-	-	0.0%
Net operating transfers	-	-	-	0.0%
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0%</u>
<b>Change in net position</b>	<b>\$ 898,240</b>	<b>\$ 4,262,177</b>	<b>\$ (3,363,937)</b>	<b>78.9%</b>

As shown by the Statement of Revenues, Expenses and Changes in Fund Net Position, the Housing Authority’s net position increased by \$0.9 million from the prior fiscal year. This continues the Housing Authority’s increase in net position over the last several years, howbeit at a lower rate. The increase was derived from:

- An overall increase in Operating revenues across all fund classes; U.S Department of Housing and Urban Development (HUD), U.S. Dept. of Agriculture Farmworker Housing, Office of Migrant Services, and Business Activities.
- A higher Section 8 voucher utilization rate and an increased rate per voucher.
- The Section 22 conversion of our HUD Public Housing program to Business Activity properties with assigned HUD Project Based Vouchers.

## REGIONAL HOUSING AUTHORITY

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

### CAPITAL ASSETS

As of year-end, we had \$3,799,969 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$549,259 from the end of last year.

	2023	2022	Change	
			Dollar	Percentage
Land	\$ 3,799,969	\$ 3,799,969	\$ -	0%
Construction in progress	1,484,090	1,465,347	18,743	1%
Buildings and improvements	60,071,410	57,533,540	2,537,870	4%
Equipment and furnishings	1,534,341	1,525,772	8,569	1%
Accumulated depreciation	(29,750,093)	(27,734,170)	(2,015,923)	7%
<b>Net capital assets</b>	<b>\$ 37,139,717</b>	<b>\$ 36,590,458</b>	<b>\$ 549,259</b>	<b>2%</b>

The change in Capital Assets is presented in detail in the Notes to the Financial Statements.

### DEBT ADMINISTRATION

The Authority had the following amounts of debt outstanding:

	2023	2022	Change	
			Dollar	Percentage
Total Debt	\$ 12,581,621	\$ 13,060,933	\$ (479,312)	(4%)

### ECONOMIC FACTORS

Significant economic factors affecting us are as follows:

Federal funding by 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.

### FINANCIAL CONTACT

The individual to be contacted regarding this report is Marco Cruz, Chief Financial Officer for the Regional Housing Authority. Specific requests may be submitted to the Finance Department at the Regional Housing Authority, 1455 Butte House Rd., Yuba City, CA, 95993.

**REGIONAL HOUSING AUTHORITY**

Statement of Net Position

March 31, 2023

**Assets and deferred outflows of resources**

Operating cash	\$ 4,805,880
Restricted cash	<u>3,591,058</u>
Total cash and equivalents	8,396,938
Net accounts receivable	902,060
Accrued interest receivable	9,525
Investments - operating	624,090
Prepaid expenses and other current assets	<u>325,541</u>
Total current assets	<u>10,258,154</u>
Capital assets, at cost	
Land	3,799,969
Construction-in-progress	1,484,090
Buildings and improvements	60,071,410
Equipment and furnishings	<u>1,534,341</u>
Total acquisition costs	66,889,810
Less: Accumulated depreciation	<u>(29,750,093)</u>
Net capital assets	37,139,717
Notes receivable, net of current	7,783,172
Long-term accrued interest receivable	828,631
Investment in joint ventures and partnerships	<u>394,835</u>
Total non-current assets	<u>46,146,355</u>
Total assets	<u>56,404,509</u>
Deferred outflows related to pension	1,362,208
Deferred outflows related to other-post employment benefits	<u>764,725</u>
Total deferred outflows of resources	<u>2,126,933</u>
<b>Total assets and deferred outflows of resources</b>	<b><u><u>\$ 58,531,442</u></u></b>

*See accompanying notes.*

**REGIONAL HOUSING AUTHORITY**

Statement of Net Position

March 31, 2023

**Liabilities, deferred inflows of resources, and net position**

Accounts payable	\$ 102,802
Unearned revenues	471,030
Deposits held in trust, contra	175,354
Other current liabilities	2,245
Accrued wages payable	125,868
Accrued vacations payable, current portion	205,662
Debt, current portion	499,249
Total current liabilities	<u>1,582,210</u>
Accrued vacations payable, net of current	152,475
Net pension liability	1,174,198
Net other-post employment benefits liability	502,411
Long-term accrued interest payable	313,907
Debt, net of current	12,082,372
Other long-term liabilities	552,937
Total non-current liabilities	<u>14,778,300</u>
Total liabilities	<u>16,360,510</u>
Deferred inflows related to pension	796,622
Deferred inflows related to other-post employment benefits	1,743,903
Total deferred inflows of resources	<u>2,540,525</u>
Net investment in capital assets	24,558,096
Restricted net position	2,930,231
Unrestricted net position	12,142,080
Total net position	<u>39,630,407</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 58,531,442</u></b>

*See accompanying notes.*

**REGIONAL HOUSING AUTHORITY**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Year Ended March 31, 2023

Tenant rental revenue, net of collection losses	\$ 3,401,494
Operating grants and subsidies	22,641,234
Fee revenue	56,724
Other revenue	<u>1,387,288</u>
Total operating revenues	<u>27,486,740</u>
Administrative	4,941,847
Tenant services	419,642
Utilities	723,749
Ordinary maintenance and operations	2,352,756
Protective services	60
Insurance premiums	283,492
Other general expenses	123,491
Housing assistance payments	15,665,185
Depreciation	<u>2,075,927</u>
Total operating expenses	<u>26,586,149</u>
Operating income (loss)	900,591
Investment income	252,256
Gains (losses) on disposition of assets	59,278
Interest expense	<u>(313,885)</u>
Total non-operating revenues (expenses)	<u>(2,351)</u>
<b>Change in net position</b>	<b><u>\$ 898,240</u></b>
Net position, beginning of year	\$ 38,035,936
Change in net position	898,240
Prior-period restatements	<u>696,231</u>
<b>Net position, end of year</b>	<b><u>\$ 39,630,407</u></b>

*See accompanying notes.*

**REGIONAL HOUSING AUTHORITY**Statement of Cash Flows  
Year Ended March 31, 2023

Cash receipts from tenants	\$ 3,489,641
Cash receipts from grants	21,951,769
Cash payments for Housing Assistance payments	(15,665,185)
Cash payments to suppliers for goods and services	(3,982,910)
Cash payments for wages and benefits	(3,189,330)
Other cash payments and receipts	<u>1,035,858</u>
Net cash from operating activities	<u>3,639,843</u>
Acquisition and construction of capital assets	(2,625,186)
Proceeds from disposition of capital assets	59,278
Payments of interest	(271,128)
Principal payments on debt	<u>(479,312)</u>
Net cash from capital and related financing activities	<u>(3,316,348)</u>
Receipts of interest on cash deposits	20,521
Receipts of interest on notes receivable	(1,534)
Net (purchases)/proceeds of investments	<u>(263,236)</u>
Net cash from investing activities	<u>(244,249)</u>
Net change in cash and equivalents	79,246
Cash at beginning of period	<u>8,317,692</u>
<b>Cash at end of period</b>	<b><u>\$ 8,396,938</u></b>
<i>Reconciliation of cash to the statement of net position:</i>	
Cash and equivalents - operating	\$ 4,805,880
Restricted cash and equivalents	<u>3,591,058</u>
<b>Total cash and equivalents</b>	<b><u>\$ 8,396,938</u></b>

*See accompanying notes.*

**REGIONAL HOUSING AUTHORITY**Statement of Cash Flows  
Year Ended March 31, 2023Reconciliation of operating income (loss) to net cash  
from operating activities:

Operating income (loss)	\$ 900,591
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation	2,075,927
Bad debt	43,036
Pension and other post-employment benefits	2,199,505
Realized and unrealized gains/losses on investments	(17)
Allocation of tax credits	(339,822)
Changes in operating assets and liabilities:	
Accounts receivable	(413,522)
Prepaid expenses and other assets	(222,305)
Accounts payable	(112,452)
Accrued wages and benefits	37,126
Deposits held in trust, contra	22,133
Unearned revenues	(321,280)
Other liabilities	(229,077)
<b>Net cash from operating activities</b>	<b><u>\$ 3,639,843</u></b>

*See accompanying notes.*

**NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION**

The Consolidated Area Housing Authority of Sutter County was established in April 1946, by a resolution of the Sutter County Board of Supervisors and reorganized as the Consolidated Area Housing Authority of Sutter County, California in February 1994, by agreement between the City of Live Oak, the City of Yuba City, and the County of Sutter. In April 2011, the Consolidated Area Housing Authority of Sutter County combined with the Nevada County Housing Authority and was reorganized as the Regional Housing Authority of Sutter and Nevada Counties. In April 2017, the name was changed to Regional Housing Authority (Authority, we, us, our) to more adequately represent the areas served.

The Authority is governed by a 15-member Board of Commissioners. The Board of Commissioners is made up of 2 members appointed by the Sutter County Board of Supervisors, 2 members appointed by the City of Yuba City, 2 members appointed by the City of Live Oak, 2 members appointed by the Nevada County Board of Supervisors, 2 members appointed by the County of Yuba, 2 members appointed by the County of Colusa, and 2 members appointed by the City of Colusa. The remaining member is a resident of affordable housing selected by the members of the Authority's Board of Commissioners and approved by Sutter County, City of Live Oak, City of Yuba City, County of Nevada, County of Yuba, County of Colusa, and City of Colusa. Commissioners are appointed for 4-year terms.

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 us to administer certain HUD funds.

Our primary operations are comprised of the Housing Choice Voucher Program. This program is designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. We administer contracts with independent landlords that own property and rent that property to families that have applied for housing assistance. We subsidize the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable us to structure a lease that sets the participants' rent at 30% of household income.

In addition, the Authority operates other non-federal housing programs. In August 2022, the Authority underwent a Section 22 Streamline Conversion of its entire Public Housing portfolio. These properties are funded primarily by Project Based Voucher assistance contracts with HUD, as well as rental income from tenants.

**Reporting Entity**

As described in GASB Statement No. 34, paragraph 134, the Authority is considered a primary government and meets the definition of a special purpose government ("SPG"). The Authority is a legally separate entity that is engaged in only business-type activities. Business-type activities are defined as activities that are financed in whole or in part by fees charged to external parties for goods or services. SPGs engaged only in business-type activities are required to present only the financial statements required for proprietary funds, which includes Management's Discussion and Analysis ("MD&A"), basic financial statements, and Required Supplemental Information ("RSI").

All inter-program activities have been eliminated in these financial statements.

We are an independent agency, with operations separate from those of the City of Yuba City, the City of Live Oak, Nevada County, the County of Yuba, the County of Colusa, the City of Colusa, and Sutter County. Our obligations, including loans through direct borrowing or the sale of bonds, are not obligations of these municipalities. Additionally, these municipalities do not hold title to any of our assets, nor do they have any right to our surpluses. These municipalities do not have the ability to exercise influence over our daily operations or approve our budgets.

## REGIONAL HOUSING AUTHORITY

### Notes to Financial Statements

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 following:

Blended Component Units:

#### *Building Better Partnerships, Inc. (BBP)*

This is a legally separate Corporation that is a 501 (c) (3) not-for-profit corporation. The board of the corporation is comprised of the management of the Authority with one additional member from the Authority's Board. The purpose is to provide affordable housing for low-income persons. BBP shares the March 31<sup>st</sup> year-end with the Authority. There are no separately issued audited financial statements for this entity, however a copy of the most recent informational tax return (Form 990) can be obtained from staff at our office.

Financial statement data of this component unit as of March 31, 2023, has been blended through consolidation with the primary government's financial statement data.

BBP has created numerous sole member limited liability companies which are formed for various housing projects. These include Cedar Lane PSH-BBP LLC, Cedar Lane-BBP LLC, Healthy Housing LLC, Cashin's Field-BBP LLC, Brunswick-BBP LLC, Lone Oak I-BBP LLC, Devonshire-BBP LLC, Grass Valley Terrace-BBP LLC, Rancho Colus-BBP LLC, Bear Ridge-BBP LLC, and River Oaks-BBP LLC.

## **NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### *Accrual Basis of Accounting*

The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Authority has elected to apply all relevant Government Accounting Standards Board (GASB) pronouncements.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from grant agreements, providing services, and producing and delivering goods in connection with the ongoing principal operations. The principal operating revenues of the Authority include program specific grants, rental income from tenants of the various housing projects. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

# REGIONAL HOUSING AUTHORITY

## Notes to Financial Statements

### 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.

### Cash and Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in Money Market funds, and Certificates of Deposit.

### Restricted Cash

Restricted cash consists of cash and investments that are held in trust, reserves, and escrows, as well as other cash that are restricted for specific purposes.

### Accounts Receivable from Tenants

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.

In accordance with Governmental Accounting Standards Board Statement No. 34, revenues in proprietary funds should be reported as net of all related allowances, which include amounts pertaining to uncollectible accounts. Therefore, the increase and decrease in the estimate of uncollectible accounts should be reported net of revenue instead of bad debt expense. The Authority's bad debt expense charged against revenue was \$43,036 for the year ended March 31, 2023.

### Accounts Receivable from HUD and Other Governments

The amounts reported as accounts receivable from HUD or due from other governments represent reimbursable costs or grant subsidies earned that have not been received as of year-end; these amounts are considered fully collectible.

### Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the Statement of Net Position. The estimated useful lives for each major class of depreciable capital assets are as follows:

Building and improvements.....	10 – 30 years
Equipment .....	2 – 10 years

*Impairment of Capital Assets*

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of March 31, 2023, there has been no impairment of the capital assets.

*Leased Assets*

Leased assets are amortized over periods that are in line with the same major class of capital asset.

*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.

Currently, management has deemed all notes receivable fully collectible and thus has not recorded any provision for uncollectible notes.

*Tenant Security Deposits*

Security deposits consist of amounts held in trust with the Authority for tenants to secure apartment leases.

*Compensated Absences*

Compensated absences are absences for which employees will be paid, e.g., sick leave, vacation, and other approved leave. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, we accrue the liability for those absences for which the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation pay is recorded as an expense and related liability in the year earned by employees.

*Unearned Revenue*

Unearned revenues consist of rental payments made by tenants in advance of their due date, and/or rental subsidies received in advance of the period earned.

*Deferred Outflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

The deferred outflows of resources related to the net pension liability resulted from Authority contributions to the employee pension plan subsequent to the measurement date of the actuarial valuation for the pension plan, the difference between actual and expected, the effect of changes in actuarial assumptions, and the effect of the Authority's change in proportion. The deferred outflows related to the net pension liability will be deferred and amortized as detailed in Note 10 to the financial statements.

The deferred outflows of resources related to the net OPEB obligation resulted from the effect of changes in actuarial assumptions. The deferred outflows related to the net pension obligation will be deferred and amortized as detailed in Note 09 to the financial statements.

*Deferred Inflows of Resources*

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then.

The deferred inflow of resources related to the net pension liability results from and the difference between actual and expected experience and difference between projected and actual earnings on pension plan investments, the effect of changes in actuarial assumptions, the change in the Authority's proportionate share of pension contributions and the effect of the change in the Authority's proportion. These amounts are deferred and amortized as detailed in Note 10 to the financial statements.

The deferred inflows of resources related to the net OPEB obligation resulted from the differences between expected and actual experience in measurements. The deferred inflows related to the net pension obligation will be deferred and amortized as detailed in Note 09 to the financial statements.

*Leasing Activities*

We are the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. We may cancel the leases only for a cause. Revenues associated with these leases are reported in the accompanying financial statements and related schedules within dwelling rent revenue.

*Pension Plan*

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.

*Family Self Sufficiency Escrow Deposits*

The Authority under the Section 8 Housing Choice Voucher and Public and Indian Housing programs 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.

**Net Position**

In the statement of net position, equity is classified as net position and displayed in three components: (1) 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. (2) 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. (3) Unrestricted net position – All other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted net positions are available for use, generally it is our policy to use restricted resources first.

**Investment Policy**

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

**Fair Value Measurements**

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs that have the lowest priority and consist of unobservable inputs for an asset or liability.

The Authority measures its operating investments at Level 1.

**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**

We are 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. We 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.

# REGIONAL HOUSING AUTHORITY

Notes to Financial Statements

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).

Our 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.

## Income Taxes

We are not subject to federal or state income taxes.

## Subsequent Events

We have evaluated subsequent events through August 16, 2023, the date the consolidated financial statements were available to be issued.

## **NOTE 03 - RESTRICTED CASH**

The following schedule presents the breakdown of restricted cash as of year-end:

Emergency Housing Voucher advance funding	357,891
Cash in the Family Self Sufficiency (FSS) escrow account	127,582
Tenant security deposits	175,354
Restricted cash with offsetting liabilities	<u>660,827</u>
Cash balances associated with the EHV HAP equity	78,976
Cash balances associated with the MSV HAP equity	23,220
Butte View Estates RD reserves	119,057
Centennial Arms RD reserves	148,686
Other USDA RD reserves	2,023,600
Other required reserves	536,692
Restricted cash reflected in restricted net position	<u>2,930,231</u>
<b>Total restricted cash and equivalents</b>	<b><u>\$ 3,591,058</u></b>

**NOTE 04 - ACCOUNTS RECEIVABLE**

Accounts receivable as of year-end were comprised of the following:

Receivables from HUD	\$ 721,550
Receivables from other governments	28,741
Tenant receivables	47,249
Fraud recovery receivables	98,073
Allowance for doubtful accounts - fraud	<u>(98,073)</u>
Net fraud recovery receivables	<u>-</u>
Other receivables	<u>104,520</u>
<b>Net accounts receivable</b>	<b><u><u>\$ 902,060</u></u></b>

**NOTE 05 - INVESTMENTS IN JOINT VENTURES AND PARTNERSHIPS**

The Authority is a Limited Partner in Maple Park I, L.P., and Maple Park Phase 2, L.P. The Authority's partnership percentage is 0.001 percent and 0.001 percent, respectively.

Building Better Partnerships, Inc., is a General Partner in Maple Park Phase 2, L.P., and its partnership percentage is 0.003 percent.

At March 31, 2023, the Authority's investment in the partnerships was \$394,835.

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**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

**NOTE 06 - CAPITAL ASSETS**

A summary of the land, structures, and equipment for the year is as follows:

	<b>3/31/22</b>	<b>Additions</b>	<b>Deletions</b>	<b>3/31/23</b>
<b>Non-Depreciable</b>				
Land	\$ 3,799,969	\$ -	\$ -	\$ 3,799,969
Construction in process	<u>1,465,347 *</u>	<u>836,861</u>	<u>(818,118)</u>	<u>1,484,090</u>
	<u>5,265,316</u>	<u>836,861</u>	<u>(818,118)</u>	<u>5,284,059</u>
<b>Depreciable</b>				
Buildings and improvements	57,533,540	2,537,870	-	60,071,410
Equipment and furnishings	<u>1,525,772</u>	<u>77,294</u>	<u>(68,725)</u>	<u>1,534,341</u>
	<u>59,059,312</u>	<u>2,615,164</u>	<u>(68,725)</u>	<u>61,605,751</u>
Total acquisition costs	64,324,628	3,452,025	(886,843)	66,889,810
Accumulated depreciation	<u>(27,734,170)</u>	<u>(2,075,927)</u>	<u>60,004</u>	<u>(29,750,093)</u>
<b>Net capital assets</b>	<b><u>\$ 36,590,458</u></b>	<b><u>\$ 1,376,098</u></b>	<b><u>\$ (826,839)</u></b>	<b><u>\$ 37,139,717</u></b>

Construction-in-progress as of March 31, 2023, was comprised of various unit-turnaround costs that we deemed capitalizable in accordance with our capitalization policy.

\* A prior period restatement was required increasing beginning construction in progress balance by \$696,231.

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**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

**NOTE 07 - NOTES RECEIVABLE**

Notes receivable for the Authority and respective accrued interest receivable were comprised of the following:

	<b>Principal</b>	<b>Interest Receivable</b>
Loans provided to William Senior Associates in the total amount of \$434,000, bears simple interest at 3%, required annual payments from surplus cash/residual receipts, and matures 2071. Interest revenue was \$13,020 for 2023.	\$ 434,000	\$ 82,460
Loans provided to Live Oak Pacific Associates in the total amount of \$1,160,143, bears simple interest at 3%, required annual payments from surplus cash/residual receipts, and matures 2070. Interest revenue was \$34,804 for 2023.	1,160,143	224,124
Loan provided to Colusa Devonshire LP in the total amount of \$401,090, bears simple interest at 3%, required annual payments from surplus cash/residual receipts, and matures 2075. Interest revenue was \$12,033 for 2023.	401,090	325,621
Loans provided to Yuba City PSH Associates in the total amount of \$3,616,117, bears simple interest at 3%, required annual payments from surplus cash/residual receipts, and matures 2075. Interest revenue was \$108,484 for 2023.	3,616,117	98,536
Loan provided to Penn Valley Pacific Associates in the total amount of \$1,082,000, bears simple interest at 3%, required annual payments from surplus cash/residual receipts, and matures 2075. Interest revenue was \$32,460 for 2023.	1,082,000	47,926
Loans provided to Grass Valley PSH Associates in the total amount of \$700,000, bears simple interest at 3%, required annual payments from surplus cash/residual receipts, and matures 2075. Interest revenue was \$21,000 for 2023.	700,000	36,527
Loan provided to Nevada City Cashin's Field LP in the total amount of \$50,000, bears simple interest at 3%, required annual payments from surplus cash/residual receipts, and matures 2076. Interest revenue was \$1,500 for 2023.	50,000	4,711
Loan provided to Wheatland Pacific Associates in the amount of \$339,822, bears simple interest at 3 percent and will be repaid from excess cash flows (residual receipts), and matures 2077. Interest revenue was \$8,435 for 2023.	339,822	8,726
<b>Total</b>	<b><u>\$ 7,783,172</u></b>	<b><u>\$ 828,631</u></b>

**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

**NOTE 08 - LONG-TERM LIABILITIES**

Changes in long-term liabilities are summarized below:

	03/31/22	Additions	Reductions	03/31/23
FSS escrow deposits, contra	\$ 140,082	\$ -	\$ (12,500)	\$ 127,582
Miscellaneous	399,112	26,243	-	425,355
<b>Other long-term liabilities</b>	<b>\$ 539,194</b>	<b>\$ 26,243</b>	<b>\$ (12,500)</b>	<b>\$ 552,937</b>
Direct borrowings	\$ 12,504,080	\$ -	\$ (421,708)	\$ 12,082,372
Accrued interest payable	\$ 271,150	\$ 42,757	\$ -	\$ 313,907
Net pension obligation	\$ 29,397	\$ 1,144,801	\$ -	\$ 1,174,198
Net OPEB obligation	\$ 1,991,323	\$ -	\$ (1,488,912)	\$ 502,411

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**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

Notes from Direct Borrowings:

Notes from direct borrowings were comprised of the following as of yearend:

	<b>Principal</b>	<b>Interest Payable</b>
Community Development Block Grant (CDBG) loan from the City of Yuba City, in the original amount of \$847,383, bearing no interest, with no required monthly payments of principal or interest, maturing March 2062. The loan is secured by the Kingwood Commons apartments. The loan will be forgiven at maturity as long as the Authority complies with the loan's Regulatory Agreement.	\$ 847,838	\$ -
Agency loan from the City of Yuba City, in the original amount of \$825,000, bears simple interest at 1% per annum, with required annual payments based on residual receipts, maturing March 2058 at which point all unpaid principal and interest are due. The loan is secured by the Kingwood Commons apartments.	825,000	165,000
Homeless Mentally Ill Outreach and Treatment Program (HMIOT) loan from the County of Nevada, in the original amount of \$898,000, bears simple interest at 3% per annum, with required annual payments based on residual receipts received from Lone Oak Senior apartments, maturing May 2075 at which point all unpaid principal and interest are due. The loan is unsecured.	898,000	82,167
Homeless Mentally Ill Outreach and Treatment Program (HMIOT) loan from the County of Nevada, in the original amount of \$50,000, bears simple interest at 3% per annum, with required annual payments based on residual receipts received from Cashin's Fields apartments, maturing May 2075 at which point all unpaid principal and interest are due. The loan is unsecured.	50,000	4,123
Umpqua Bank loan, in the original amount of \$576,000, bears variable interest (currently 5.75% per annum), with required monthly payments of principal and interest of \$3,392, maturing December 2040. The loan is secured by the Centennial Arms apartments.	446,743	-
River Valley Community Bank loan, in the original amount of \$2,200,569, bears variable interest (currently 3.8% per annum), with required monthly payments of principal and interest of \$10,306, maturing January 2037. The loan is secured by the Kingwood Commons apartments.	2,143,774	-
River Valley Community Bank loan, in the original amount of \$665,600, bears interest at 3.5% per annum, with required monthly payments of principal and interest of \$6,597, maturing January 2032. The loan is secured by the Authority's office building.	586,396	-

**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

	<b>Principal</b>	<b>Interest Payable</b>
Rural Development (RD) loan from the USDA, in the original amount of \$311,897, bearing interest at 4%, with annual payments of principal or interest of \$14,444, maturing December 2043. The loan is secured by the Centennial Arms apartments.	\$ 306,852	\$ 62,617
Rural Development (RD) loan from the USDA, in the original amount of \$549,323, bearing interest at 6.25%, with annual payments of principal or interest of \$35,933, maturing November 2043. The loan is secured by the Butte View Estates apartments.	495,072	-
Rural Development (RD) loan from the USDA, in the original amount of \$633,688, bearing interest at 3.875%, with monthly payments of principal or interest of \$2,396, maturing November 2041. The loan is secured by the Centennial Arms apartments.	575,473	-
Rural Development (RD) loan from the USDA, in the original amount of \$290,000, bearing interest at 1%, with annual payments of principal or interest of \$10,361, maturing August 2033. The loan is secured by the Richland Housing apartments.	66,867	-
Rural Development (RD) loan from the USDA, in the original amount of \$22,670, bearing interest at 1%, with annual payments of principal or interest of \$810, maturing October 2032. The loan is secured by the Richland Housing apartments.	7,008	-
Rural Development (RD) loan from the USDA, in the original amount of \$7,466, bearing interest at 1%, with annual payments of principal or interest of \$267, maturing October 2032. The loan is secured by the Richland Housing apartments.	2,308	-
Rural Development (RD) loan from the USDA, in the original amount of \$47,378, bearing interest at 1%, with annual payments of principal or interest of \$1,693, maturing October 2032. The loan is secured by the Richland Housing apartments.	14,645	-
Rural Development (RD) loan from the USDA, in the original amount of \$2,902, bearing interest at 1%, with annual payments of principal or interest of \$104, maturing October 2032. The loan is secured by the Richland Housing apartments.	897	-

**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

	Principal	Interest Payable
Rural Development (RD) loan from the USDA, in the original amount of \$4,875, bearing interest at 1%, with annual payments of principal or interest of \$174, maturing October 2032. The loan is secured by the Richland Housing apartments.	\$ 1,507	\$ -
Rural Development (RD) loan from the USDA, in the original amount of \$1,412,827, bearing interest at 1%, with annual payments of principal or interest of \$50,477, maturing October 2032. The loan is secured by the Richland Housing apartments.	436,774	-
Rural Development (RD) loan from the USDA, in the original amount of \$139,624, bearing interest at 1%, with annual payments of principal or interest of \$4,988, maturing October 2032. The loan is secured by the Richland Housing apartments.	43,168	-
Rural Development (RD) loan from the USDA, in the original amount of \$1,500,000, bearing interest at 1%, with annual payments of principal or interest of \$55,006, maturing March 2038. The loan is secured by the Richland Housing apartments.	850,592	-
Rural Development (RD) loan from the USDA, in the original amount of \$3,000,000, bearing interest at 1%, with annual payments of principal or interest of \$110,013, maturing March 2042. The loan is secured by the Richland Housing apartments.	1,902,781	-
Rural Development (RD) loan from the USDA, in the original amount of \$127,817, bearing interest at 1%, with annual payments of principal or interest of \$4,687, maturing February 2044. The loan is secured by the Richland Housing apartments.	79,363	-
Multifamily Housing Revenue bond with Chase Bank, in the original amount of \$810,000, bearing interest at 5.14%, with annual payments of principal or interest of \$4,687, maturing November 2034. The bond is secured by the Butte View Estates apartments.	464,440	-
Various capital leases for solar equipment and vehicles. The financing is secured by the respective leased assets.	1,536,123	-
<b>Total</b>	<b><u>\$ 12,581,621</u></b>	<b><u>\$ 313,907</u></b>

**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 499,249	\$ 289,497	\$ 788,746
2025	507,528	277,610	785,138
2026	489,573	265,175	754,748
2027	506,740	252,169	758,909
2028	524,641	238,563	763,204
2029-2033	2,804,932	973,060	3,777,992
2034-2038	3,100,065	586,910	3,686,975
2039-2043	982,704	222,281	1,204,985
2044-2048	545,351	25,928	571,279
2054-2058	825,000	453,750	1,278,750
2059-2063	-	-	-
2064-2068	-	-	-
2069-2073	-	-	-
2074-2078	948,000	1,564,200	2,512,200
Subtotal	<u>11,733,783</u>	<u>5,149,143</u>	<u>16,882,926</u>
Forgivable	<u>847,838</u>	<u>-</u>	<u>847,838</u>
<b>Total</b>	<b><u>\$ 12,581,621</u></b>	<b><u>\$ 5,149,143</u></b>	<b><u>\$ 17,730,764</u></b>

**NOTE 09 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The Authority offers other post-employment benefits in the form of a health care plan (OPEB Plan) to qualified retired employees. Medical insurance benefits are offered through CalPERS. The CalPERS Plan is an agent multiple-employer plan governed by the Public Employees’ Medical & Hospital Care Act (PEMHCA).

As of March 31, 2023, the Authority’s net OPEB obligation, OPEB expense and deferred inflows of resources and deferred outflows of resources for the above OPEB Plan is as follows:

	<b>Net OPEB Liability (Asset)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>OPEB Expense (Credit)</b>
CaIPERS	<u>\$ 502,411</u>	<u>\$ 764,725</u>	<u>\$ 1,743,903</u>	<u>\$ 26,886</u>

Plan Description

The OPEB Plan is available to retired employees who have retired from the Authority and met the eligibility requirements under the Authority’s pension plan. Eligible retirees are entitled to statutory minimum employer contributions under Government Code Section 22892 of the PEMHCA, further subject to the unequal contribution provisions of Section 22892(c).

**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

Benefits Provided

The OPEB Plan provisions and benefits in effect at September 30, 2022, are summarized as follows:

	<b>All Employees</b>
Benefit types provided	Medical only
Duration of benefits	Lifetime
Required service	Pension eligibility
Minimum age	Pension eligibility
Dependent coverage	Surviving spouse only
Contribution	100% to cap
Contribution cap	Govt. Code Section 22892 Statutory minimum

Contributions

The OPEB Plan and its contribution requirements are established by Board action and may be amended by Board action. The Authority contributes to a Trust which pays the statutory minimum per member of the cost of current-year premiums for eligible retired plan members and their dependents (pay-as-you-go).

Changes in the OPEB Liability

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

	(a) Total OPEB Liability	(b) Plan Fiduciary Net Position	(a) - (b) = (c) Net OPEB Liability
Measurement at March 31, 2022	\$ 1,979,509	\$ -	\$ 1,979,509
Changes recognized for measurement period:			
Service cost	111,757	-	111,757
Interest	50,002	-	50,002
Net investment income	-	(6,984)	6,984
Contributions – employer	-	411,772	(411,772)
Actual benefit payments	(15,772)	(15,772)	-
Administrative expense	-	(74)	74
Expected minus actual benefit payments	-	-	-
Experience gains (losses)	1,220	-	1,220
Changes in assumption	(1,235,363)	-	(1,235,363)
	-	-	-
<b>Measurement at March 31, 2023</b>	<b>\$ 891,353</b>	<b>\$ 388,942</b>	<b>\$ 502,411</b>

**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

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

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Discount Rate	1% Increase
OPEB Plan	\$ 635,262	\$ 502,411	\$ 381,720

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

The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
OPEB Plan	\$ 362,433	\$ 502,411	\$ 664,234

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

Deferred outflows and inflows of resources related to the OPEB obligation from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 1,105	\$ 380,960
Effect of changes in assumptions	578,617	1,362,943
Differences between projected & actual investment earnings	17,387	-
Contributions subsequent to measurement date	167,616	-
	<b>\$ 764,725</b>	<b>\$ 1,743,903</b>

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

2024	\$ (120,196)
2025	(120,196)
2026	(120,196)
2027	(120,197)
2028	(124,543)
Thereafter	(541,466)
	<b>\$ (1,146,794)</b>

# REGIONAL HOUSING AUTHORITY

Notes to Financial Statements

## Actuarial Methods and Assumptions

The Authority's net OPEB obligation was measured and valued based on the following actuarial methods and assumptions:

Valuation date	March 31, 2022
Measurement date	March 31, 2022
Actuarial cost method	Entry Age Normal
Experience study	2017 CalPERS Study
Inflation	2.26%
Investment return/discount rate	7.59%
Healthcare trend	Varies by year
Payroll increase	3.25%

The target allocation and best estimates of long-term expected real rate of return by asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Equity	62%	4.99%
Fixed Income	60%	2.46%
REITs	8%	5.34%
Cash	0%	0.00%

**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

**NOTE 10 - PENSION PLAN**

The Authority participates in a cost sharing multiple-employer defined benefit plan through the California Public Employees' Retirement System (CalPERS) which covers substantially all regular full-time employees of the Authority. CalPERS acts as a common investment and administrative agent for participating public entities with the state of California and reports information to the Authority in accordance with reporting standards established by the Governmental Accounting Standards Board (GASB).

As of March 31, 2023, the Authority's proportionate share of the net pension liability, pension expense and deferred inflows of resources and deferred outflows of resources for the above plan is as follows:

	<b>Net Pension Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Pension Expense (Credit)</b>
CalPERS	<u>\$ 1,174,198</u>	<u>\$ 1,362,208</u>	<u>\$ 796,622</u>	<u>\$ 1,370,877</u>

Comprehensive Plan Information

Information regarding the following items for the Plan is publicly available in a separate comprehensive annual financial report. A copy of the CalPERS annual financial report may be online at <https://www.calpers.ca.gov/>.

- Plan description and benefits provided;
- Contribution rates;
- Actuarial methods and assumptions; and
- Plan asset target allocations and expected returns.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected & actual experience	\$ 23,580	\$ 15,793
Effect of changes in assumptions	120,321	-
Differences between projected & actual investment earnings	215,082	-
Effect of changes in proportions	871,660	424,616
Differences between proportionate share & actual contributions	-	356,213
Contributions subsequent to measurement date	131,565	-
	<u>\$ 1,362,208</u>	<u>\$ 796,622</u>

# REGIONAL HOUSING AUTHORITY

Notes to Financial Statements

The deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability next year.

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

2024	\$ (33,217)
2025	134,791
2026	200,897
2027	131,550
2028	-
Thereafter	-
	<u><u>\$ 434,021</u></u>

## Changes of Assumptions

The following presents the Authority's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected & actual experience	\$ 23,580	\$ 15,793
Effect of changes in assumptions	120,321	-
Differences between projected & actual investment earnings	215,082	-
Effect of changes in proportions	871,660	424,616
Differences between proportionate share & actual contributions	-	356,213
Contributions subsequent to measurement date	131,565	-
	<u><u>\$ 1,362,208</u></u>	<u><u>\$ 796,622</u></u>

## **NOTE 11 - PRIOR PERIOD RESTATEMENT**

During the year, it was determined by management that \$696,231 of capitalizable costs associated with the Rancho Colus development project had improperly been expensed in prior periods. Therefore, an adjustment was required to correct this resulting in an increase in net investment in capital assets by that amount.

**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

**NOTE 12 - NET POSITION**

Net investment in capital assets was comprised of the following as of yearend:

Land	\$ 3,799,969
Construction in progress	1,484,090
Buildings and improvements	60,071,410
Equipment and furnishings	1,534,341
Less:	
Accumulated depreciation	(29,750,093)
Short term capital debt obligations	(499,249)
Long term capital debt obligations	<u>(12,082,372)</u>
<b>Net investment in capital assets</b>	<b><u>\$ 24,558,096</u></b>

Restricted net position was comprised of the following as of yearend:

Restricted cash and equivalents	\$ 3,591,058
Less:	
Tenant security deposit, contra	(175,354)
Family Self-Sufficiency escrow deposits, contra	(127,582)
Emergency Housing Voucher advance funding	<u>(357,891)</u>
<b>Restricted net position</b>	<b><u>\$ 2,930,231</u></b>

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**Government Examinations

We have received funds from Federal grant programs. It is possible that at some future date, it may be determined that we were not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although we do not expect such disallowed amounts, if any, to materially affect the financial statements.

Construction Contracts

During the normal course of business, the Authority is engaged in various construction contracts for rehabilitation and modernization of various properties owned by the Authority.

**NOTE 14 - BUSINESS RISK AND CONCENTRATIONS***Risk Management*

We are exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils. Insurance for these perils are underwritten by a housing authority insurance pool: Housing Authority Risk Retention Pool (HARRP).

HARRP is an unincorporated association organized under the intergovernmental cooperation laws of the states of Washington, Oregon, California, and Nevada, to manage the self-insurance program of housing authorities and community development cooperatives.

The Authority has also joined together with other housing authorities to participate in the California Housing Worker's Compensation Authority (CHWCA). This joint venture is a public entity risk pool which serves as a common risk management and insurance program for workers' compensation coverage for 29 housing authority members.

Also, commercial carriers insure all other common perils such as business, auto, flood (where applicable), and other miscellaneous policies.

*Concentration – Major Contributor*

For the year ended March 31, 2023, approximately 67% of operating revenues reflected in the financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are 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 costs and the additional administrative burden to comply with the changes.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Our policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is our policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, our deposits may not be returned. Our policy for custodial credit risk requires collateral to be held in our name by its agent or by the bank's trust department.

**REGIONAL HOUSING AUTHORITY**

Notes to Financial Statements

**NOTE 15 - CONDENSED COMBINING FINANCIAL STATEMENTS**

Condensed combining financial statements are presented below:

	AUTHORITY	BBP	ELIM	TOTAL
Cash and equivalents	\$ 8,099,611	\$ 297,327	\$ -	\$ 8,396,938
Intercompany receivables	49,004	-	(49,004)	-
Other current assets	<u>1,822,243</u>	<u>38,973</u>	<u>-</u>	<u>1,861,216</u>
Total current assets	9,970,858	336,300	(49,004)	10,258,154
Net capital assets	37,139,717	-	-	37,139,717
Other non-current assets	<u>9,006,638</u>	<u>-</u>	<u>-</u>	<u>9,006,638</u>
Total assets	56,117,213	336,300	(49,004)	56,404,509
Deferred outflows of resources	<u>2,126,933</u>	<u>-</u>	<u>-</u>	<u>2,126,933</u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 58,244,146</u></b>	<b><u>\$ 336,300</u></b>	<b><u>\$ (49,004)</u></b>	<b><u>\$ 58,531,442</u></b>
Intercompany payables	\$ 49,004	\$ -	\$ (49,004)	\$ -
Other current liabilities	<u>1,568,603</u>	<u>13,607</u>	<u>-</u>	<u>1,582,210</u>
Total current liabilities	1,617,607	13,607	(49,004)	1,582,210
Total non-current liabilities	<u>14,778,300</u>	<u>-</u>	<u>-</u>	<u>14,778,300</u>
Total liabilities	16,395,907	13,607	(49,004)	16,360,510
Deferred inflows of resources	<u>2,540,525</u>	<u>-</u>	<u>-</u>	<u>2,540,525</u>
Net investment in capital assets	24,558,096	-	-	24,558,096
Restricted	2,930,231	-	-	2,930,231
Unrestricted	<u>11,819,387</u>	<u>322,693</u>	<u>-</u>	<u>12,142,080</u>
Total net position	39,307,714	322,693	-	39,630,407
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 58,244,146</u></b>	<b><u>\$ 336,300</u></b>	<b><u>\$ (49,004)</u></b>	<b><u>\$ 58,531,442</u></b>

## REGIONAL HOUSING AUTHORITY

Notes to Financial Statements

	AUTHORITY	BBP	ELIM	TOTAL
Operating revenues	\$ 27,255,312	\$ 231,428	\$ -	\$ 27,486,740
Operating expenses	26,557,139	29,010	-	26,586,149
Operating income (loss)	<u>698,173</u>	<u>202,418</u>	<u>-</u>	<u>900,591</u>
Non-operating revenues (expenses)	<u>(2,639)</u>	<u>288</u>	<u>-</u>	<u>(2,351)</u>
Income (loss) before contributions and other items	695,534	202,706	-	898,240
Contributions, transfers, and other items	-	-	-	-
<b>Change in net position</b>	<b><u>\$ 695,534</u></b>	<b><u>\$ 202,706</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 898,240</u></b>
Net position, beginning of year	\$ 37,603,982	\$ 431,954	\$ -	\$ 38,035,936
Change in net position	695,534	202,706	-	898,240
Prior-period restatements	696,231	-	-	696,231
Equity transfers	311,967	(311,967)	-	-
<b>Net position, end of year</b>	<b><u>\$ 39,307,714</u></b>	<b><u>\$ 322,693</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 39,630,407</u></b>

	AUTHORITY	BBP	ELIM	TOTAL
Net cash from operating activities	\$ 3,803,714	\$ (163,871)	\$ -	\$ 3,639,843
Net cash from capital and related financing activities	(3,602,204)	285,856	-	(3,316,348)
Net cash from non-capital financing activities	-	-	-	-
Net cash from investing activities	<u>(244,537)</u>	<u>288</u>	<u>-</u>	<u>(244,249)</u>
Net change in cash	(43,027)	122,273	-	79,246
Cash at beginning of period	<u>8,142,638</u>	<u>175,054</u>	<u>-</u>	<u>8,317,692</u>
<b>Cash at end of period</b>	<b><u>\$ 8,099,611</u></b>	<b><u>\$ 297,327</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,396,938</u></b>

**REGIONAL HOUSING AUTHORITY**

Pension Schedules

**NET PENSION LIABILITY (ASSET) AND RELATED RATIOS**

Plan Measurement Date under GASB 68 as of June 30	Proportion of Pension Liability	Proportionate share of Net Pension Liability (Asset)	Covered Employee Payroll**	Proportionate share of the Net Pension Liability as a percentage of covered-employee payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2015	0.020760%	\$ 1,424,797	\$ 1,640,583	86.85%	81.54%
2016	0.021300%	\$ 1,842,723	\$ 2,073,870	88.85%	77.57%
2017	0.021400%	\$ 2,123,094	\$ 1,702,102	124.73%	76.70%
2018	0.021100%	\$ 2,032,920	\$ 1,836,905	110.67%	78.24%
2019	0.022080%	\$ 2,262,231	\$ 1,606,517	140.82%	77.30%
2020	0.017440%	\$ 1,897,660	\$ 1,582,806	119.89%	81.94%
2021	0.013670%	\$ (739,077)	\$ 1,046,379	-70.63%	106.56%
2022	0.010165%	\$ 1,174,198	\$ 1,940,551	61%	90.08%

**SCHEDULE OF PENSION PLAN'S CONTRIBUTIONS**

Plan Measurement Date under GASB 68 as of June 30	Actuarially determined contribution [A]	Contributions in relation to actuarially determined contribution [B]	Contribution deficiency (excess) [C]=[A]-[B]	Covered-employee payroll	Contribution as a percentage covered-employees payroll
2016	\$ 313,684	\$ 313,684	\$ -	\$ 2,073,870	15.13%
2017	\$ 267,571	\$ 267,571	\$ -	\$ 1,702,102	15.72%
2018	\$ 175,370	\$ 175,370	\$ -	\$ 1,836,905	9.55%
2019	\$ 278,365	\$ 229,403	\$ 48,962	\$ 1,606,517	14.28%
2020	\$ 268,083	\$ 268,083	\$ -	\$ 1,582,806	16.94%
2021	\$ 302,228	\$ 877,228	\$ (575,000)	\$ 1,046,379	83.83%
2022	\$ 312,105	\$ 1,447,535	\$ (1,135,430)	\$ 1,940,551	67.40%

**NOTES TO PENSION SCHEDULES:**

In November 2021, the CalPERS Board of Administration adopted new investment portfolios as well as several changes to actuarial assumptions. For PERF C, these changes were implemented in the June 30, 2021, actuarial valuations for funding purposes. Included in these changes were assumptions for inflation, the discount rate, and administrative expenses, as well as demographic assumptions including changes to mortality rates. The inflation assumption was reduced from 2.50 percent to 2.30 percent, the administrative expense assumption was reduced from 0.15 percent to 0.10 percent, and the discount rate was reduced from 7.00 percent to 6.80 percent. As a result, for financial reporting purposes, the discount rate for the PERF C was lowered from 7.15 percent to 6.90 percent in Fiscal Year 2021-22.

In Fiscal Year 2020-21, no changes were made to the actuarial assumptions in relation to financial reporting.

## **REGIONAL HOUSING AUTHORITY**

### Pension Schedules

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount.

In addition, the policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes, investment gains/losses, and non-investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In Fiscal Year 2019-20, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In Fiscal Year 2018-19, CalPERS implemented a new actuarial valuation software system for the June 30, 2018, valuation. This new system has refined and improved calculation methodology.

In December 2017, the Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017, experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016, published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These changes will be implemented in two steps commencing in the June 30, 2017, funding valuation. For financial reporting purposes, these assumption changes are fully reflected in the results for Fiscal Year 2017-18.

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. In December 2016, the Board approved lowering the funding discount rate used in the PERF C from 7.50 percent to 7.00 percent, which was phased in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period and remained adjusted for administrative expenses.

**REGIONAL HOUSING AUTHORITY**

OPEB Schedule

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY, CONTRIBUTIONS, AND RELATED RATIOS**

Measurement period:	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Total OPEB liability (asset)</b>				
Service cost	\$ 82,572	\$ 85,992	\$ 98,738	\$ 160,217
Interest	52,296	57,003	65,452	57,938
Experience (gains)/losses	-	(10,043)	(9,733)	(427,744)
Changes of assumptions	(19,825)	124,253	626,154	(190,631)
Benefit payments	<u>(7,755)</u>	<u>(8,025)</u>	<u>(8,757)</u>	<u>(24,682)</u>
Net change in total OPEB liability	107,288	249,180	771,854	(424,902)
Total OPEB liability - beginning	<u>1,276,089</u>	<u>1,383,377</u>	<u>1,632,557</u>	<u>2,404,411</u>
Total OPEB liability - ending	1,383,377	1,632,557	2,404,411	1,979,509
Plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net OPEB liability (asset)</b>	<b><u>\$ 1,383,377</u></b>	<b><u>\$ 1,632,557</u></b>	<b><u>\$ 2,404,411</u></b>	<b><u>\$ 1,979,509</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered-employee payroll	\$ 2,132,431	\$ 1,954,667	\$ 1,972,177	\$ 2,147,575
Total OPEB liability as a percentage of covered payroll	64.9%	83.5%	121.9%	92.2%
Actuarially Determined Contribution (ADC)	\$ 7,755	\$ 8,025	\$ 8,757	\$ 24,682
Actual contributions	<u>(7,755)</u>	<u>(8,025)</u>	<u>(8,757)</u>	<u>(24,682)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered-employee payroll	0.4%	0.4%	0.4%	1.1%

**REGIONAL HOUSING AUTHORITY**

OPEB Schedule

Measurement period:	<b>2022</b>
<b>Total OPEB liability (asset)</b>	
Service cost	\$ 111,757
Interest	50,002
Experience (gains)/losses	1,220
Changes of assumptions	(1,235,363)
Benefit payments	<u>(15,772)</u>
Net change in total OPEB liability	(1,088,156)
Total OPEB liability - beginning	<u>1,979,509</u>
Total OPEB liability - ending	891,353
Plan fiduciary net position	<u>388,942</u>
<b>Net OPEB liability (asset)</b>	<b><u>\$ 502,411</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability	129%
Covered-employee payroll	\$ 1,742,025
Total OPEB liability as a percentage of covered payroll	28.8%
Actuarially Determined Contribution (ADC)	\$ 15,772
Actual contributions	<u>(15,772)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Contributions as a percentage of covered-employee payroll	0.9%

**NOTES TO OPEB SCHEDULES:**

The Discount Rate changed from 2.40% as of March 31, 2021, to 7.59% as of March 31, 2022.

The average per capita claims cost was updated to reflect actual 2021 and 2022 premiums and the health care cost trend rate was updated to reflect 2022 industry survey data and use of the 2022 Getzen model. The Discount Rate changed from 2.27% as of March 31, 2020, to 2.40% as of March 31, 2021.

**REGIONAL HOUSING AUTHORITY**

Schedule of Expenditures of Federal Awards  
Year Ended March 31, 2023

Program Title	ALN	Cluster Title	Award Type	Pass-Through No.	Expenditures	Amounts Passed Through to Sub-
Section 8 Housing Choice Vouchers	14.871	HVC	Direct		\$15,196,099	\$ -
Emergency Housing Vouchers	14.871	HVC	Direct		917,507	-
<i>Total Section 8 Housing Choice Vouchers</i>					<u>16,113,606</u>	-
Mainstream Vouchers	14.879	HVC	Direct		1,083,022	-
Public and Indian Housing	14.850		Direct		306,340	-
Public Housing Capital Fund	14.872		Direct		586,356	-
Family Self-Sufficiency Program	14.896		Direct		209,968	-
Rural Rental Assistance Payments	10.427		Direct		<u>1,570,558</u>	-
<b>Total Federal Financial Assistance</b>					<u><b>\$19,869,850</b></u>	<u><b>\$ -</b></u>
<i>Federal Grantor:</i>						<b>Expenditures</b>
US Department of Housing and Urban Development						\$18,299,292
US Department of Agriculture						<u>1,570,558</u>
<b>Total Federal Financial Assistance</b>						<u><b>\$19,869,850</b></u>
<i>Cluster Title:</i>						<b>Expenditures</b>
Housing Voucher Cluster						\$17,196,628
<i>Award Type:</i>						<b>Expenditures</b>
Direct						\$19,869,850
Indirect						-
<b>Total Federal Financial Assistance</b>						<u><b>\$19,869,850</b></u>

**NOTE 01 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Authority under programs of the federal government for the year ended March 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of our operations, it is not intended to and does not present our financial position, changes in net positions, or cash flows.

**NOTE 02 - INDIRECT COST RATE**

We have elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**REGIONAL HOUSING AUTHORITY**

Statement and Certification of Actual Costs

March 31, 2023

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</b>
CA01P048501-22	\$ 586,356	\$ 586,356	\$ 586,356	\$ -

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.

## **INDEPENDENT AUDITORS' 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***

The Governing Body of  
Regional Housing Authority

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 Regional Housing Authority (Authority), as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 16, 2023.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing auditing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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



## REPORT ON COMPLIANCE AND OTHER MATTERS

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

## PURPOSE OF THIS REPORT

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

Smith Marion : 

August 16, 2023  
Redlands, CA

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- redlands, ca 92374



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Governing Body of  
Regional Housing Authority

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

#### **OPINION ON EACH MAJOR FEDERAL PROGRAM**

We have audited Regional Housing Authority's (Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2023. The Authority'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 Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2023.

#### **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 Authority 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 Authority'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 Authority's federal programs.



## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority'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 Authority'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:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and (3) Obtain an understanding of the Authority'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 Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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

Smith Marion & Co.

August 16, 2023  
Redlands, CA

**REGIONAL HOUSING AUTHORITY**

Schedule of Findings and Questioned Costs

Year Ended March 31, 2023

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

1. Type of Auditor Report on the financial statements:
2. Internal control over financial reporting:
- a. Material weakness(es) identified?  Yes  No
- b. Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None noted
3. Noncompliance material to financial statements?  Yes  No

**Federal Awards:**

4. Type of auditors' report on compliance for major programs:
5. Internal control over major programs:
- a. Material weakness(es) identified?  Yes  No
- b. Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None noted
6. Audit findings noted which are required to be reported in accordance with 2 CFR Section 200.516(a)?  Yes  No

7. Identification of Major Programs:

ALN	Program(s) Name
10.427	Rural Rental Assistance Payments
Various	Housing Voucher Cluster

8. The Dollar Threshold Used to Distinguish Between Type A and Type B Programs:
9. Auditee qualified as a low-risk auditee?  Yes  No

**REGIONAL HOUSING AUTHORITY**

Status of Prior Audit Findings

Year Ended March 31, 2023

**Financial Statement Findings:**

<b>Prior Year Findings No.</b>	<b>Findings Title</b>	<b>Status/ Current Year Finding No.</b>
2022-001	Unreported Debt	Cleared.

**Federal Award Findings and Question Costs:**

<b>Prior Year Findings No.</b>	<b>Findings Title</b>	<b>Status/ Current Year Finding No.</b>
N/A	There were no prior findings reported.	N/A