

HOUSING AUTHORITY OF THE COUNTY OF BUTTE (HACB)
Board of Commissioners Meeting
2039 Forest Avenue, Chico, California 95928

SPECIAL MEETING AGENDA

November 10, 2020
2:00 p.m.

Coronavirus (COVID-19) Advisory Notice: The health and safety of Butte County residents and community members, public officials and employees is a top priority for the Housing Authority of the County of Butte and the Board of Commissioners.

Pursuant to current State Public Health directives to shelter-in-place and practice social distancing, and as authorized by Governor Gavin Newsom’s Executive Orders N-25-20 and N-29-20, Board of Commissioners meetings will be closed to the public for the foreseeable future. Members of the Board of Commissioners and HACB staff will be participating either in person or via teleconference. The Board of Commissioners encourages members of the public to participate remotely from a safe location.

Please join my meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/503939877>

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If you have any trouble accessing the meeting agenda, or attachments; or if you are disabled and need special assistance to participate in this meeting, please email marysolp@butte-housing.com or call 530-895-4474 x.210.

Notification at least 24 hours prior to the meeting will enable the Housing Authority to make a reasonable attempt to assist you.

NEXT RESOLUTION NO. 4796

ITEMS OF BUSINESS

1. ROLL CALL
2. AGENDA AMENDMENTS
3. CONSENT CALENDAR
4. CORRESPONDENCE

5. REPORTS FROM EXECUTIVE DIRECTOR

5.1 HACB Audit – Receive and accept FY2019 Audit Report.

Recommendation:

Motion

6. MEETING OPEN FOR PUBLIC DISCUSSION

7. MATTERS CONTINUED FOR DISCUSSION

8. SPECIAL REPORTS

9. REPORTS FROM COMMISSIONERS

10. MATTERS INITIATED BY COMMISSIONERS

11. EXECUTIVE SESSION

12. COMMISSIONERS' CALENDAR

- **Next Meeting – November 19, 2020.**

13. ADJOURNMENT

November 6, 2020

MEMO

To: HACB Board of Commissioners

From: Sue Kemp, Finance Director

Subject: Fiscal Year 2019 Government-Wide Audit Report

To follow, you will find the HACB government-wide Audited Financial Statements for the year ended September 30, 2019. This report includes the component units of Butte County Affordable Housing Development Corporation (BCAHDC) and Banyard Management. The report was delayed due to the pandemic, with an extended due date of December 31, 2020.

To gain a better understanding of the financials, please review the Management's Discussion and Analysis (MD&A) portion of the audit report on pages 5-14, as well as the Notes to Financial Statements (Notes) on pages 21-43. The MD&A contains a narrative overview of the HACB's programs; financial highlights for the year; comparisons and explanations of changes from 2018 to 2019; and a discussion regarding future economic challenges. The Notes provide detail and explanations for many of the figures on the balance sheet, as well as providing information about the HACB and its operations.

Fiscal year 2019 included the Camp Fire Disaster and the challenges it presented to the community as well as the Section 8 Housing Choice Voucher Program; the redemption of the Multifamily Housing Revenue Bonds Series 2000A; and a second \$1 million seed deposit into the Section 115 Trust for unfunded pension liability. With healthy reserves and the pay down of debt, the HACB maintained a stable financial Net Position throughout the year and continuing Higher Performer status for both the Section 8 and Public Housing programs.

The scope of the Audit covers the accuracy of the financial statements; compliance with funding agency rules and regulations; and compliance with HACB's internal policies and procedures. We are happy to report that, after another detailed and complex audit, there were no findings and no questioned costs (see page 66).

If you have any questions I will gladly answer them at the Board Meeting.

Recommendation: Motion to accept the FY 2019 Audit Report as presented.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
CHICO, CALIFORNIA**

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019



HOUSING AUTHORITY OF THE COUNTY OF BUTTE
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**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
OFFICIAL ROSTER
SEPTEMBER 30, 2019**

BOARD OF COMMISSIONERS

Member	Position	Term Expires
Laura Moravec	Chair	January 9, 2023
Anne Jones	Vice Chair	April 11, 2020
Larry Hamman	Commissioner	January 9, 2021
Kate Anderson	Commissioner	January 9, 2021
David Pittman	Commissioner	January 9, 2021
Patricia Besser	Tenant Commissioner	April 11, 2020

ADMINISTRATION

Edward S. Mayer	Executive Director
Larry Guanzon	Deputy Executive Director
Marysol Perez	Executive Assistant
Sue Kemp	Finance Officer
Tamra C. Young	Admin Operation Director
Tim Fox	Systems Administrator

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Housing Authority of The County of Butte
Chico, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Housing Authority of The County of Butte (the Authority), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Housing Authority of The County of Butte's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate discretely presented component units of Housing Authority of The County of Butte as of September 30, 2019, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in Net OPEB Liability, Schedule of plan contribution (OPEB), schedule of proportionate share of the net pension liability and schedule of pension contributions on pages 5 through 14 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Housing Authority of The County of Butte's basic financial statements. The combining and individual financial statements of the component units, Reconciliation of Comprehensive Grant and Capital Funds Advances with Costs Owned Housing SF-171, Debt Service Coverage Ratio, Financial Data Schedule as required by U.S. Department of Housing and Urban Development and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual financial statements of the component units, Reconciliation of Comprehensive Grant and Capital Funds Advances with Costs Owned Housing SF-171, Debt Service Coverage Ratio, Financial Data Schedule and and schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual financial statements of the component units, Reconciliation of Comprehensive Grant and Capital Funds Advances with Costs Owned Housing SF-17, Debt Service Coverage Ratio, Financial Data Schedule and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 04, 2020, on our consideration of Housing Authority of The County of Butte's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Housing Authority of The County of Butte's internal control over financial reporting and compliance.

Harshwal & Company LLP

Oakland, California
November 04, 2020

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

The Housing Authority of the County of Butte (the "Authority") was established by the County of Butte, California, in 1946 under the California Health and Safety Code as a non profit public corporation. The mission of the Authority is to assist low and moderate income residents of Butte County to secure and maintain quality affordable housing. The Authority owns and/or manages various properties and programs subject to the laws and regulations of numerous funding and monitoring agencies. These agencies include: U.S. Department of Housing and Urban Development (HUD); U.S. Department of Agriculture Rural Development (USDA RD); the California Department of Housing and Community Development (HCD); the California Tax Credit Allocation Committee (CTCAC); the California Debt Limit Allocation Committee (CDLAC) and local communities. In addition to properties and programs, the Authority has two affiliated non profit Component units under its umbrella. Below are further descriptions of the specific programs and properties that are within the financial scope of this audit.

HUD Low Income Public Housing (LIPH): The Authority owns three hundred forty five (345) LIPH units scattered throughout Butte County in the cities of Chico, Oroville, Biggs, and Gridley. Under the LIPH program, the Authority rents units that it owns to low income households. The program is operated under an annual contributions contract with HUD. HUD provides operating subsidy to enable the Authority to provide housing at a rent that is based on 30% of household income. The LIPH program also includes funding for the Capital Fund Program, which is the primary funding source for capital improvements to the Authority's LIPH properties.

HUD Section 8 Housing Choice Voucher Program (S8 HCV): The Authority operates the S8 HCV program under an annual contributions contract with HUD, administering two thousand two hundred and six (2,206) vouchers, as of September 30, 2019. Under the S8 HCV program, the Authority administers contracts with landlords who own rental property. The Authority subsidizes the participating family's rent through a housing assistance payment (HAP) made to the landlord. HUD provides an annual funding to enable the Authority to structure a lease that sets the participant's share of rent not to exceed 30% of household income at the time of initial eligibility. HUD also provides a monthly Administrative Fee, based upon the number of units leased in the S8 HCV program. The Veteran's Assisted Supportive Housing (HUD VASH) voucher program is a subcomponent of the overall S8 HCV program and provides housing assistance and supportive services to homeless veterans. Supportive services are provided by the local office of the US Department of Veterans Affairs.

HUD Resident Opportunity and Self Sufficiency (ROSS) Grant: ROSS Grants are available to eligible grantees to fund Family Self Sufficiency (FSS) Coordinator positions. The FSS Coordinator currently works with participants in the Authority's S8 HCV program to assist them in achieving life goals for self sufficiency. Upon graduation from the program, participants can cash out on an escrow account that has been growing over time as their income increases. The Authority maintains a voluntary program of fifty (50) participating S8 HCV households.

HUD Continuum of Care (CoC) Grant Program: This program is administered under annual grant agreements with HUD. Under this program, the Authority administers HAP contracts with landlords to provide rent payments on behalf of homeless households. Butte County Department of Behavioral Health and Youth for Change provide in kind matching supportive services to the participants for the two grants received in FY 2018.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

USDA-RD Farm Labor Housing Rental Assistance and Loans and Grants: The Authority owns one hundred twenty one (121) units of Farm Labor Housing in Gridley, California (FLH). Under this program, the Authority rents units that it owns to low income, farm labor households. The program is operated under loan agreements, as well as a rental assistance agreement, with USDA RD. Household rent is not to exceed 30% of household income and is subsidized by means of USDA Rental Assistance. Currently, thirty units (30) are designated uninhabitable or vacant awaiting rehabilitation. Rehabilitation of the older units, using USDA Loans and Grants, was on hold for FY 2019, pending another \$3 million USDA-RD Section 516 grant cycle.

HCD Joe Serna Jr. Farmworker Housing Grant Program: HCD awarded grant funds in 2012 that were expended toward rehabilitation work at Gridley FLH. The Authority executed a Regulatory Agreement with HCD that remains in effect through a fifty five (55) year compliance term, ending September 1, 2067.

Business Activities: Under the Business Activities category, the Authority owns one hundred fifty-nine (159) rental units including: one hundred fifteen (115) Bond financed units; twenty four (24) Low Income Housing Tax Credit (LIHTC) and HCD regulated units (Gridley Springs II); and ten (10) other unrestricted single-family units. Several commercial spaces are leased to outside agencies to provide supportive services at Gridley FLH. The City of Chico and the County of Butte contract with the Authority to process HAP to landlords and to perform inspections on behalf of their local housing assistance programs. The Authority contracts with both of its components units for Corporate Services; Managing General Partner Services; and Construction Management Services. Lastly, the Authority currently receives interest income from its loans to two (2) LIHTC partnerships. The Bond financed units were reduced by twelve (12) units, from one hundred twenty-seven (127) total, due to the destruction of Kathy Ct Apartments, Paradise in the Camp Fire Disaster on November 8, 2018.

Component Units: The Authority's financial statements include two Component Units: Butte County Affordable Housing Development Corporation (BCAHDC), and Banyard Management. Both are 501(c)(3) non profit entities formed to participate in various LIHTC projects as the managing general partner. These instrumentalities are further discussed in the Notes and in the Supplementary Information to the Audit Report.

FINANCIAL HIGHLIGHTS

- The Camp Fire Disaster (Disaster), which destroyed over 14,000 housing units in Butte County on November 8, 2018, significantly changed the operational landscape for the Authority.
 - ◆ Fifteen percent of Butte County's housing stock was lost in a day.
 - ◆ In the Disaster, the Authority lost a 12-unit multi-family Bond financed property, Kathy Court Apartments in Paradise. The Authority received nearly \$1.7 million in insurance proceeds for the loss and, under the terms of the Multifamily Bond Series 2000A Indenture, directed the proceeds towards redemption of the bonds. This resulted in a bond principal balance reduction of \$1.7 million in FY 2019. Additionally, the \$1.335 million in remaining bonds were redeemed in full at the beginning of the following fiscal year, using Bond reserves, a loan from BCAHDC, and HACB General Fund dollars. These same funds were held in the Bond reserves accounts at the 2019 fiscal year end.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

- ◆ Fifteen percent of the Authority's S8 HCV participants (320 families) were displaced by the Disaster. Leasing dropped to 84.7% of ACC units for the fiscal year, while using 94% of available HAP funding. The Authority received two programmatic waivers from HUD to facilitate recovery of the program. 2019 saw significant gains made in rebuilding the Section 8 program. The initial work was challenged by the acute lack of housing opportunity in the area, much less the region and state.
- The HUD S8 HCV program experienced a 0.5% increase in Administrative Fee (AF) proration level for CY 2019, totaling 81.1%. CY 2019 HAP funding was renewed at a 111.83% inflated proration level, providing a significant boost in HAP dollars. As discussed above, the program took a significant hit from the Disaster and building back the program size will be a multi-year endeavor. Many families moved out of the area to higher cost areas, which increased both HAP per unit costs and administrative costs. Fortunately, the program holds \$1.0 mil in AF Reserves which the Board has committed to use to assist re-housing the families displaced by the Disaster. The Authority received a waiver of scoring for Section Eight Management Assessment Program and continued to be classified as a High Performer.
- The HUD VASH voucher program remains at one hundred sixty-four (164) vouchers. Leasing has been difficult, and the availability of participants was reduced due to Department of Veteran's Affairs staffing shortages.
- The LIPH Operating Subsidy funding proration level for CY 2019 was 97.85%, a 3.0% proration increase over the CY 2018 funding level of 94.95%. The Authority maintained High Performer status under HUD's Public Housing Assessment System through FY 2019, with the carry forward of the FY 2018 score authorized by the CARES Act.
- The Authority expended a total of \$519,103 of HUD LIPH Capital Fund Program dollars: \$339,573 from the 2017 grant, and \$179,531 from the 2018 grant. A total of \$188,032 in capital improvements were transferred to the LIPH balance sheet. The 2019 Capital Fund Program award was \$812,881, a slight increase over the previous year.
- Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" required adjusting transactions for FY 2019, using the CalPERS June 30, 2019 measurement date Accounting Valuation data. The results to the Primary Government Balance Sheet were as follows: Deferred Outflows increased \$118,996 to a balance of \$784,287; Deferred Inflows decreased \$52,219 to a balance of \$254,912; and the Unfunded Pension Liability (UPL) increased by \$247,745 to a balance of \$3,488,204. CalPERS updated the Authority's amortization schedule to a fifteen (15) year pay down of the UPL. This will result in higher annual UPL payments. Please see Note 5 for Pension Plan and GASB 68 disclosures.
- The Section 115 Trust managed by Public Agency Retirement Services (PARS), with Union Bank as the Trustee, increased in value a second \$1.0 million deposit in FY 2019. The Trust accrued \$102,103 in investment earnings net of expenses, bringing the Trust balance to over \$2.1 million. The fund was re-analyzed by the Actuary and the Authority is forecasted to be successful in meeting the 15-year amortization of the UPL, using the Trust has a supplemental funding vehicle.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

- FY 2019 was the second year of reporting for the GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The Authority administers an Other Post-Retirement Benefit (OPEB) plan to include five years of health, dental, and vision premium contributions for qualifying retirees hired prior to October 1, 2013. The Authority maintains a Section 115 Trust account with California Employees Retirement Benefit Trust and makes required annual contributions to the trust, less direct benefits to retirees. At fiscal year-end, the Net Liability was \$187,528, Deferred Outflows were \$5,420, and Deferred Inflows were \$16,277. Please see Note 6 for GASB 75 disclosures.
- At fiscal year end, the Assets and Deferred Outflows of the Authority's Primary Government exceeded its Liabilities and Deferred Inflows resulting in a total Net Position of \$26,395,922, a \$0.30 million increase from FY 2018, which includes increased investments and revenues.

FINANCIAL POSITION AND ANALYSIS

The following table compares the Fiscal Year 2019 and Fiscal Year 2018 Government Wide Financial Statements.

Statement of Net Position

September 30, 2019

	<u>Primary Government</u>		<u>Component Units</u>		<u>Total</u>		<u>Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
Current and Other Assets	\$ 9,980,493	\$ 9,740,184	\$ 1,244,647	\$ 1,215,163	\$11,225,140	\$ 10,955,347	2.5 %
Noncurrent Assets	26,424,908	27,835,564	773,318	786,269	27,198,226	28,621,833	(5.0)%
Deferred Outflows	<u>789,707</u>	<u>671,279</u>	<u>-</u>	<u>-</u>	<u>789,707</u>	<u>671,279</u>	<u>17.6 %</u>
Total Assets & Def. Outflows	<u>37,195,108</u>	<u>38,247,027</u>	<u>2,017,965</u>	<u>2,001,432</u>	<u>39,213,073</u>	<u>40,248,459</u>	<u>(2.6)%</u>
Current and Other Liabilities	3,103,065	1,553,721	50,194	50,778	3,153,259	1,604,499	96.5 %
Noncurrent Liabilities	7,424,932	10,288,939	19,272	21,574	7,444,204	10,310,513	(27.8)%
Deferred Inflows	<u>271,189</u>	<u>307,131</u>	<u>-</u>	<u>-</u>	<u>271,189</u>	<u>307,131</u>	<u>(11.7)%</u>
Total Liabilities & Def. Inflows	<u>10,799,186</u>	<u>12,149,791</u>	<u>69,466</u>	<u>72,352</u>	<u>10,868,652</u>	<u>12,222,143</u>	<u>(11.1)%</u>
Invested in Capital Assets Net of Related Debt	15,696,340	15,674,895	385,954	352,399	16,082,294	16,027,294	0.3 %
Restricted Net Position	2,806,530	2,626,686	-	-	2,806,530	2,626,686	6.8 %
Unrestricted Net Position	<u>7,893,052</u>	<u>7,795,655</u>	<u>1,562,545</u>	<u>1,576,681</u>	<u>9,455,597</u>	<u>9,372,336</u>	<u>0.9 %</u>
Total Net Position	<u>\$26,395,922</u>	<u>\$26,097,236</u>	<u>\$ 1,948,499</u>	<u>\$ 1,929,080</u>	<u>\$28,344,421</u>	<u>\$ 28,026,316</u>	<u>1.1 %</u>

- Total assets and Deferred Outflows decreased by 2.60%.
 - ◆ Current and Other Assets increased by 2.5%, which is a minor change due to more cash on hand and increased Deferred Outflows due to GASB 68 Pension adjustments.
 - ◆ Noncurrent Assets decreased by 5.0% due to the disposition of the Kathy Ct Apartments asset, office equipment dispositions, and normal annual depreciation expenses.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

- ◆ Deferred Outflows increased by 17.6%. As required by GASB 68 and GASB 75, the significant increase was in the Authority's proportionate share of the Deferred Outflows as reported in the CalPERS Miscellaneous Risk Pool CostSharing MultipleEmployer Defined Benefit Pension Plan as of June 30, 2019.
- Total Liabilities and Deferred Inflows decreased by 11.1% .
 - ◆ Current and Other Liabilities increased by 96.5% with the reclassification of the 1.335%\$1.335 million Bonds principal payable in the next fiscal year.
 - ◆ Noncurrent Liabilities reduced by 27.8% with receipt of insurance proceeds to pay down the Bonds; normal debt services payments on USDA-RD loans.
 - ◆ Deferred Inflows, as required to be reported by GASB 68 and GASB 75, decreased 11.7% with the Authority's proportionate share of the CalPERS Miscellaneous Risk Pool Cost Sharing Multiple Employer Defined Benefit Pension Plan, as of June 30, 2019 also decreasing.
- Total Net Position for FY 2019 ended with an overall increase of 1.1% over FY 2018, which is mostly the reflection of an increase in restricted investments.

The following is a comparison of the detailed changes in Fund Net Position.

**Statement of Revenues, Expenses and Changes in Fund Net Position- Detailed
September 30, 2019**

	Primary Government		Component Units		Total		Change %
	2019	2018	2019	2018	2019	2018	
Net Operating revenue (expense)							
Low Income Public housing	\$ (760,226)	\$ (921,585)	\$ -	\$ -	\$ (760,226)	\$ (921,585)	(17.51)%
Business Activities Housing choice	1,799,673	433,746	-	-	1,799,673	433,746	314.91 %
Vouchers	(443,470)	(199,825)	-	-	(443,470)	(199,825)	121.93 %
Farm Labor Housing	(494,787)	(479,874)	-	-	(494,787)	(479,874)	3.11 %
BCAHDC	-	-	27,347	59,402	27,347	59,402	(53.96)%
Banyard Management	-	-	(8,948)	(9,238)	(8,948)	(9,238)	(3.14)%
Total Net Operating revenue (expense)	101,190	(1,167,538)	18,399	50,164	119,589	(1,117,374)	(110.70)%
Nonoperating revenue (expense)							
Interest Expenses	(234,427)	(265,800)	(239)	(261)	(234,666)	(266,061)	(11.80)%
Capital Contributions	188,032	446,929	-	-	188,032	446,929	(57.93)%
Interest Income	243,891	128,621	1,259	923	245,150	129,544	89.24 %
Changes in Net Assets	298,686	(857,788)	19,419	50,826	318,105	(806,962)	(139.42)%
Prior year Adjustments	-	(375,241)	-	-	-	(375,241)	(100.00)%
Net Position, Beginning	26,097,236	27,330,265	1,929,080	1,878,254	28,026,316	29,208,519	(4.05)%
Net Position, Ending	\$26,395,922	\$26,097,236	\$1,948,499	\$1,929,080	\$28,344,421	\$28,026,316	1.14 %

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

- Low Income Public Housing reflected a \$760,226 decrease in Net Revenues due to a high GASB 68 Pension Expense adjustment and high tenant bad debt write off.
- Business Activities shows a nearly \$1.8 million increase in Net Revenue due the Kathy Ct Apartments insurance proceeds, plus minor changes in various expense categories.
- The Housing Choice Voucher program shows a \$443,470 decrease in Net Revenue because Disaster-related lower leasing levels resulted in lower HAP and Admin Revenues, plus a higher relative GASB 68 Pension expense.
- Farm Labor Housing had a \$494,787 decrease in Net Revenue because of increased depreciation of almost \$715,000 associated with the renovations completed the prior fiscal year.
- BCAHDC experienced lower Net Revenue with less LIHTC partnership fee revenue than the prior year, due to lower cash flow distributions.
- Banyard Management had slightly higher Net Revenues.

The Authority's funds are all Proprietary Funds; therefore, no discussion of Government Funds is included in the supplementary information.

BUDGETARY ANALYSIS OF THE GENERAL FUND

The General Fund is included as a Business Activities fund. It is budgeted for revenue and expenditures that cannot be classified into any other category. Most Revenues are discretionary public funds, used for purposes other than the more restrictive federally funded programs. In 2018, Revenue was derived from Office Space rental, Mortgage Interest, Management Fees for non federal activities, and Profits from LIHTC partnerships. Other programs include several rental assistance programs funded by the City of Chico and the County of Butte.

**General Fund Budget Analysis
September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Investment Income	\$ 2,500	\$ 2,500	\$ 9,667	\$ 7,167
Mortgage Interest Income	68,894	68,894	65,913	(2,981)
Other Income	<u>523,284</u>	<u>523,284</u>	<u>504,041</u>	<u>(19,243)</u>
Total Revenues	<u>594,678</u>	<u>594,678</u>	<u>579,621</u>	<u>(15,057)</u>
Expenditures				
Total Expenditures	<u>643,878</u>	<u>643,878</u>	<u>514,977</u>	<u>128,901</u>
Retained Earnings	<u>\$ (49,200)</u>	<u>\$ (49,200)</u>	<u>\$ 64,644</u>	<u>\$ 113,844</u>

- Investment income was higher than budget resulting from gains in the 115 Trust.
- Mortgage interest income was slightly lower than budget, which was estimated too high.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

- Other Income is lower than budget due to, in part, reduced leasing and HAP reimbursements from local agencies for special programs. Leasing dropped due to the Disaster.
- Total Expenditures are lower than budgeted as a result of lower than budget HAP monies that were not expended and lower overhead costs being allocated to the fund.

CAPITAL ASSETS AND LONG-TERM DEBT

As of September 30, 2019, the Authority's Primary Government had \$15.7 million invested in capital assets net of related debt and long-term debt of \$7.39 million. The components of the long-term debt are \$0.22 due to CA HCD; \$3.58 million due to USDA; and \$1.34 million payable for the 2000A bonds, and \$350,000 due to BCAHDC for funds used to pay off the 2000A Bonds. Investment in Capital Assets increased \$21,446, which is net of capital improvements and replacements, property and equipment dispositions, and depreciation. The 2000A Bond series exceeded the minimum required 1.1:1 Debt Service Coverage Ratio with a ratio of 1.54:1.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Camp Fire Disaster, which destroyed 14,000 housing units in Butte County on November 8, 2018, the most destructive wild fire in California's history, significantly changed the operational landscape for the Authority. Fifteen percent of Butte County's housing stock was lost in a day. Thirty-five thousand persons were permanently displaced, many of whom were low-income, elderly, and/or disabled. While the local housing market was "impacted" pre-Disaster, with a vacancy rate hovering around 1.5%, the market remains "hyper-impacted", where demand far exceeds availability, particularly for lower income households, characteristic of the jurisdiction. While the Town of Paradise saw destruction of 90% of its buildings, the cities of Chico and Oroville saw the fastest growth in the state, approaching 20% in a year, reflective of the displaced population. The historic event saw twofold impact to the Authority: 318 households participating in the S8 HCV program were left without a home, as well as six employees of the Authority, who were compelled to leave the Authority to re-build their lives.

The HUD S8 HCV program was severely impacted by the Disaster, fully fifteen percent of the Authority's Section 8 participants (318) were displaced, resulting in threat to future HAP funding, should expenditure rates not be achieved, and loss of administrative revenues, because fees are based on numbers served. By year end, however, program expenditures had recovered to where the next year's HAP funding was assured, with Administrative Fee losses backfilled by means of the more-than-adequately funded Administrative Fee Reserves, designed for such an event.

Several strategies were employed in the S8 HCV program recovery and Disaster response:

- Adjusted Administrative Policy to temporarily allow program participants to lease-up in other jurisdictions, providing housing opportunity where none otherwise existed, but resulting in significantly higher average HAP's, as clients leased up in the Sacramento and Bay Areas.
- Secured a one-year HUD program Waiver, allowing refusal of incoming program participants from other jurisdictions, justified by the severe lack of area housing and administrative focus on area Disaster response.
- Secured a one-year HUD program Waiver, exempting the program from the Section 8 Management Assessment Program (SEMAP) Leasing Indicator, addressing program performance relative to funding.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

- Administrative focus placed on program lease-ups and application and admissions processing, to address both utilization and expenditure rates.
- Implemented a Disaster Preference for admissions, to prioritize delivery of housing assistance.

Next steps in program recovery involve the re-absorption of vouchers “ported” to other jurisdictions during the initial Disaster response. When a program participant is “absorbed” by another jurisdiction’s local Section 8 program, the Authority’s voucher returns. Re-issuance of the voucher will then see lease-up in Butte or Glenn Counties, resulting in lower average HAP, increased utilization rates because of available funding, and increased administrative revenues for increased units managed. This process of absorption is estimated to take two to three years’ time.

Additionally, a Project Based Voucher (PBV) component of the S8 HCV program has been initiated as a strategy to secure area affordable housing opportunity for S8 HCV participants, and ease utilization of S8 HCV vouchers in the area. Both Federal and State post-Disaster response includes funding considerations for development of new multi-family housing. Project-basing of vouchers secures housing opportunity in an area known for its lack, while also being used to help facilitate new multi-family development, when resources provide. The Authority and its development instrumentality, BCAHDC, are positioned to act as development partner and facilitator in new affordable housing development projects, bringing S8 HCV rental assistance to generate housing opportunity, and achieve affordability, for the community’s lowest income cohorts. By the end of 2019, the Authority had issued its first Request for Proposals for the project-basing of S8 HCV Vouchers.

Despite the Disaster, the 2019 year saw the Authority retain HUD “High Performer” status in the administration of each of its LIPH and S8 HCV programs.

The Authority has continued its work with the community developing and empowering homeless service agencies and coordination, to address the increasing needs of the homeless and displaced. The Authority is represented on the local Homeless Continuum of Care Council (CoC) and has administered the affairs of the CoC, under contract, since its inception. 2019 saw discussion amongst CoC stakeholders to move the administrative hub of the CoC from the Authority to Butte County. Given the growth of HUD Homeless Programs policies and administrative requirements, and growth of the homeless population in general, the conversation is considered timely and appropriate. The CoC has grown to the point where a larger entity is needed to effectively serve the administrative and planning needs of the CoC and the homeless community it represents.

The State of California, under the leadership of Governor Gavin Newsom and a supportive legislature, is spending significant sums on homeless and housing issues. State HEAP and CESH funds, targeting homeless populations, and funding rounds for the No Place Like Home program, supporting development of permanent supportive housing for persons who need mental health services and are experiencing homelessness, chronic homelessness, or are at-risk of chronic homelessness, have been issued and are being processed by the community. The State is reorganizing its four “pillars” of affordable housing support: CTCAC, CDLAC, CalHFA, and HCD, to bring better coherence and functionality to the State’s offerings. The new funding sources provide promise in the funding of new housing development. While the State is seeing more resources devoted to housing, little is being done to address the regulatory system that resulted in the State’s systemic inability to provide housing to its citizenry, housing that is sufficient in quantity and affordable.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

Congressional appropriations have remained supportive and relatively consistent over the past three years, including a large step increase to funding of the Public Housing Capital Fund program. 2019's federal funding streams to the Authority are consistent with 2018's flows, moving away from years of funding swings and uncertainty to a near-term funding environment characterized by relative stability. Congress appears to be increasingly sensitized to the housing needs of the country. However, prospects for funding past FY 2019 are expected to remain consistent, due to institutional momentum, despite the Administration's and Congress's ongoing failure to articulate a long-term guiding vision, strategy, or policy for social housing programs.

Late delivery of federal budgets remains an ongoing issue, with 2019's budget delivered in April, four months into the operating year. This is an issue of particular concern for the S8 HCV program. The timing leaves the Authority conservatively budgeting for the worst, operating blindly in the first half of the year, and then scrambling to perform to actual in the second half of the year. This dynamic is aggravated with the impact of special events, such as the Disaster and its impact to the S8 HCV program. As S8 HCV funding is based on performance, late delivery of budget authority aggravates the agency's ability and capacity to optimize program administration in service to its clients.

The Gridley Farm Labor Housing (FLH) property, subject to a USDA-RD Workout Plan and ongoing renovation because of age and deferred capital needs, operated at break even. Operations were again challenged by mandated flood insurance and flood improvement district premiums. Phases II and III of the rehabilitation work was postponed to 2020, in order to secure a new project architect. The Workout Plan Phases include renovation of eleven (11) duplexes, resulting in seventeen (17) units.

The Butte County market area is hyper impacted, with residential vacancy rates unmeasurable in the wake of the Disaster. Consistent with California as a whole, the general lack of housing opportunity is attributable to systemic issues with housing production, wherein long-term regulatory structures reflective of cultural attitudes have resulted in an inability to provide sufficient housing to citizenry. The shortage of housing has resulted in increasing numbers of homeless, economic distress for lower income households, rental market price increases and pressures, and landlord dis-inclination to rent to S8 HCV Voucher holders. This has affected leasing performance in the Authority's S8 HCV and Homeless Programs; rental assistance recipients struggle to find housing opportunity unless they are already living in a unit eligible for subsidy. The Authority now sees development of new housing as the principal means to achieve real housing opportunity; and finds itself marketing its rental-assistance programs ever more pro-actively to area landlords. Further, the Authority recognizes that its S8 HCV Payment Standards, reviewed and reset annually, now functions to establish the "base" of the area rental market; any increases in Payment Standards results in an immediate increase of base rent levels throughout the jurisdiction.

The Authority is focused on property development work to generate housing opportunity in the area. Given the lack of housing opportunity in Butte County, the Authority worked in partnership with other entities to bring forward affordable housing product. Specifically, the Authority worked with Pacific West Communities to advance a 37-unit apartment property serving lower-income seniors in Gridley; worked with the UHC/Veterans Resource Center partnership to create a 50-unit apartment property serving homeless veterans in Chico; and finally, worked with the Chico-based northern California non-profit, CHIP, to advance a 100 unit property serving Lower-income seniors in Chico, such development to be constructed on City-donated land. 2019 saw these projects in packaging and financing modes.

By the end of the 2019 year, the Authority had committed thirty-six (36) S8 HCV Vouchers to two projects/two developers: Pacific West Communities in support of the Gridley Senior project, and the Veterans Resource Center, in support of the Chico Veterans project. In addition, by fiscal year end, the Authority had issued another Request for Proposals for project-basing of S8 HCV Vouchers.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
SEPTEMBER 30, 2019**

While outside the timeframe of this report, the effort has resulted in the Authority's participation in ten (10) development projects in Butte and Glenn Counties, in partnership with three developers, Pacific West Communities, Eagle, ID, Affordable Housing Development Corporation, Clovis, CA, and Jamboree Housing Corp, Sacramento, CA, to produce a proposed 527 units of affordable housing in Butte and Glenn Counties. Of these ten projects, six have seen Authority commitment of a total of 274 project-based vouchers in support of the development efforts. The development work is seen as Disaster responsive, a means to secure housing opportunity for lower income households in the community, and an asset-based strategy that will fuel future growth of the Authority.

The Authority completed a Strategic Plan in 2016, one of whose objectives was the development of a strategic asset plan. As Asset Repositioning Study was completed in July 2019. The Study analyzed the Authority's non-HUD, non-USDA properties for mission sensitivity, location, physical needs, and financing opportunities, seeking to leverage assets into additional affordable housing, and to bring coherence to the Authorities portfolio of variously financed and acquired properties. The Study established three (3) broad directions: 1) complete a pooled bond refinance of Authority-owned multi-family properties, to address physical needs and take advantage of historically low interest rates; 2) complete a scattered site 4% LIHTC transaction to restructure the Chico Commons Apartments (Banyard Management), and Walker Commons and 1200 Park Avenue Apartments (BCAHDC) properties; and 3) dispose of single-family properties.

In preparation for the pooled bond refinance, 2019 saw investment-grade appraisals and physical needs assessments (PNA's) completed for six (6) Authority-owned multi-family properties. Bond sale proceeds are to be used to complete property capital improvement work recommended by the PNA's, reimburse the Authority for pay-off of the 2000A Bond Series, complete extraordinary improvement work to two of the properties, acquire additional affordable housing units, and initiate re-building of the Kathy Court Apartments, Paradise, lost to the Disaster.

The Authority updated its Credit Rating work, initiated with S&P Global Ratings in 2016. The Authority secured a 2019 credit rating of "A+", with a "Credit Watch", a function of area Disaster recovery.

It is no longer federal funding uncertainty and associated lack of guiding vision that most threaten stable operations. It is the lack of available housing inventory for use by area rental assistance program participants that most challenges Authority operations. The nation's appropriations policies and challenged budget capacities remain of particular long-term concern. Appreciating operational costs demand close attention. However, the Authority's strong cash and asset positions, and excellence in administration, engaged in re-leveraging and renewal of its properties, and further engaged in numerous new affordable housing developments, set the stage for continued success of the Authority and its growth.

REQUEST FOR INFORMATION

The audit report is designed to provide a general overview of the Authority's accountability for all those interested. If you should have additional questions regarding the financial information, you may contact our office in writing at the following address:

Housing Authority of the County of Butte
Attention: Edward S. Mayer, Executive Director
2039 Forest Avenue, Chico, California 95928

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government	Component Unit	Total
ASSETS			
Current assets:			
Cash			
Cash - unrestricted	\$ 2,245,160	\$ 580,055	\$ 2,825,215
Cash - tenant security	291,845	10,750	302,595
Cash - restricted for payment of current liabilities	1,404,895	-	1,404,895
Cash - restricted - modernization and development	186,018	-	186,018
Cash - other restricted	554,273	-	554,273
Total cash	<u>4,682,191</u>	<u>590,805</u>	<u>5,272,996</u>
Receivables			
Accounts receivable - NPLH Butte Co.	440	-	440
Accounts receivable - HUD other projects	60,581	-	60,581
Accounts receivable - other government	32,368	-	32,368
Accounts receivable - miscellaneous	147,716	48,699	196,415
Accounts receivable - tenant dwelling rents	50,682	1,494	52,176
Allowances for doubtful accounts - dwelling rents	(10,661)	(373)	(11,034)
Notes receivable - current	-	350,000	350,000
Accrued interest receivable	34,168	288	34,456
Total receivable	<u>315,294</u>	<u>400,108</u>	<u>715,402</u>
Investments - unrestricted	2,572,573	250,000	2,822,573
Investments - restricted	2,102,103	-	2,102,103
Prepaid expenses and other assets	275,666	3,734	279,400
Inventories	20,334	-	20,334
Interprogram - due from	12,488	-	12,488
Allowance for obsolete inventory	(156)	-	(156)
Total current assets	<u>9,980,493</u>	<u>1,244,647</u>	<u>11,225,140</u>
Noncurrent assets:			
Capital assets			
Land and land rights	1,651,569	188,299	1,839,868
Construction in progress	289,197	-	289,197
Infrastructure	2,889,796	-	2,889,796
Buildings and improvements	46,411,256	663,226	47,074,482
Furniture and equipment	1,889,538	10,722	1,900,260
Vehicles	267,850	-	267,850
Accumulated depreciation	(32,220,563)	(454,718)	(32,675,281)
Total capital assets, net	<u>21,178,643</u>	<u>407,529</u>	<u>21,586,172</u>
Notes receivable - noncurrent	1,864,881	-	1,864,881
Other assets	10	-	10
Investments in joint ventures	3,381,374	365,789	3,747,163
Total noncurrent assets	<u>26,424,908</u>	<u>773,318</u>	<u>27,198,226</u>
Total assets	<u>\$ 36,405,401</u>	<u>\$ 2,017,965</u>	<u>\$ 38,423,366</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government	Component Unit	Total
Deferred outflows of resources - pension	\$ 784,287	\$ -	\$ 784,287
Deferred outflows of resource - OPEB	<u>5,420</u>	<u>-</u>	<u>5,420</u>
Total assets and deferred outflow of resources	<u>37,195,108</u>	<u>2,017,965</u>	<u>39,213,073</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION			
Current liabilities:			
Accounts payable	184,506	4,234	188,740
Accrued wage/payroll taxes payable	10,807	-	10,807
Accrued compensated absences - current	108,942	-	108,942
Accrued interest payable	190,758	-	190,758
Deferred revenue - HUD PHA programs	3,097	-	3,097
Tenant security deposits	289,239	10,750	299,989
Deferred revenues - other	252,901	2,382	255,283
Current portion of long-term debt	1,856,120	2,303	1,858,423
Interprogram - due to	12,488	-	12,488
Other current liabilities	19,037	-	19,037
Accrued liabilities - other	<u>175,170</u>	<u>30,525</u>	<u>205,695</u>
Total current liabilities	<u>3,103,065</u>	<u>50,194</u>	<u>3,153,259</u>
Noncurrent liabilities:			
Long-term debt, net of current portion	3,626,183	19,272	3,645,455
Accrued compensated absences - noncurrent	38,954	-	38,954
Other noncurrent liabilities	84,064	-	84,064
Net OPEB liability	187,528	-	187,528
Net pension liability	<u>3,488,203</u>	<u>-</u>	<u>3,488,203</u>
Total noncurrent liabilities	<u>7,424,932</u>	<u>19,272</u>	<u>7,444,204</u>
Total liabilities	<u>10,527,997</u>	<u>69,466</u>	<u>10,597,463</u>
Deferred inflows of resources - pension	254,912	-	254,912
Deferred inflows of resources - OPEB	<u>16,277</u>	<u>-</u>	<u>16,277</u>
Total liabilities and deferred inflow of resources	<u>10,799,186</u>	<u>69,466</u>	<u>10,868,652</u>
NET POSITION			
Net investments in capital assets	15,696,340	385,954	16,082,294
Restricted	2,806,530	-	2,806,530
Unrestricted	<u>7,893,052</u>	<u>1,562,545</u>	<u>9,455,597</u>
Total net position	<u>26,395,922</u>	<u>1,948,499</u>	<u>28,344,421</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 37,195,108</u>	<u>\$ 2,017,965</u>	<u>\$ 39,213,073</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
OPERATING REVENUES			
Rental revenue- tenants	\$ 3,141,039	\$ 172,769	\$ 3,313,808
Grants:			
Federal - HUD PHA	15,014,496	-	15,014,496
Federal - USDA	353,865	-	353,865
State - USDA	3,956	-	3,956
Other revenues	<u>2,423,596</u>	<u>112,534</u>	<u>2,536,130</u>
Total operating revenues	<u>20,936,952</u>	<u>285,303</u>	<u>21,222,255</u>
OPERATING EXPENSES			
Administration	3,792,171	122,030	3,914,201
Tenant services	101,368	-	101,368
Utilities	441,974	15,979	457,953
Maintenance and operations	1,756,677	87,728	1,844,405
Protective services	47,004	-	47,004
General expenses	621,338	22,242	643,580
Housing assistance payments	12,354,774	-	12,354,774
Depreciation	<u>1,720,454</u>	<u>18,926</u>	<u>1,739,380</u>
Total operating expenses	<u>20,835,760</u>	<u>266,905</u>	<u>21,102,665</u>
Operating income (loss)	101,192	18,398	119,590
NONOPERATING REVENUES (EXPENSES)			
Interest income - mortgage loans	65,913	287	66,200
Other interest income	72,969	973	73,942
Gain (loss) on Investments - restricted	105,008	-	105,008
Interest expenses and amortization	<u>(234,428)</u>	<u>(239)</u>	<u>(234,667)</u>
Total nonoperating revenues (expenses)	<u>9,462</u>	<u>1,021</u>	<u>10,483</u>
Net income (loss) before capital contribution and transfers	110,654	19,419	130,073
CONTRIBUTIONS AND TRANSFERS			
Capital contributions from HUD & USDA	188,032	-	188,032
Transfer in	284,201	-	284,201
Transfer out	<u>(284,201)</u>	<u>-</u>	<u>(284,201)</u>
Total capital contributions and transfers	<u>188,032</u>	<u>-</u>	<u>188,032</u>
Change in net position	298,686	19,419	318,105
Net position at beginning of year	<u>26,097,236</u>	<u>1,929,080</u>	<u>28,026,316</u>
Net position at end of year	<u>\$ 26,395,922</u>	<u>\$ 1,948,499</u>	<u>\$ 28,344,421</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>			
Receipts from dwelling rents	\$ 3,134,529	\$ 177,282	\$ 3,311,811
Receipts of operating grants	15,343,423	-	15,343,423
Receipts from other miscellaneous sources	2,469,675	92,118	2,561,793
Payments for housing assistance	(12,354,774)	-	(12,354,774)
Payments for tenant and protective services	(143,533)	750	(142,783)
Payments for utilities	(441,974)	(15,979)	(457,953)
Payment for general and administrative expenses	(4,413,509)	(144,272)	(4,557,781)
Payments for maintenance and other operation expenses	<u>(1,602,229)</u>	<u>(89,084)</u>	<u>(1,691,313)</u>
Net cash provided (used) by operating activities	<u>1,991,608</u>	<u>20,815</u>	<u>2,012,423</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of construction and capital assets	(337,498)	(50,201)	(387,699)
Proceeds from long term debt	350,000	-	350,000
Payment of long term debt	(1,892,963)	(2,280)	(1,895,243)
Capital contribution received	188,032	-	188,032
Capital asset disposition	138,562	-	138,562
Interest paid	<u>(305,177)</u>	<u>(239)</u>	<u>(305,416)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,859,044)</u>	<u>(52,720)</u>	<u>(1,911,764)</u>
<i>Cash flows from investing activities:</i>			
Proceeds from maturity (purchase) of investments	(473,451)	(350,000)	(823,451)
Receipts from (payment to) joint ventures	(72,011)	44,226	(27,785)
Collection of notes receivable	(38,851)	-	(38,851)
Interest on cash and investments	113,640	973	114,613
Interest received on note receivable and investments	<u>31,745</u>	<u>(1)</u>	<u>31,744</u>
Net cash provided (used) by investing activities	<u>(438,928)</u>	<u>(304,802)</u>	<u>(743,730)</u>
Net increase (decrease) in cash and cash equivalents	(306,364)	(336,707)	(643,071)
Cash and cash equivalents at beginning of year	<u>4,988,555</u>	<u>927,512</u>	<u>5,916,067</u>
Cash and cash equivalents at end of year	<u>\$ 4,682,191</u>	<u>\$ 590,805</u>	<u>\$ 5,272,996</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>			
Operating income (loss)	\$ 101,192	\$ 18,398	\$ 119,590
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,720,454	18,926	1,739,380
Change in assets and liabilities:			
(Increase) Decrease in accounts receivable	34,561	(15,652)	18,909
(Increase) Decrease in prepaid expenses and other assets	(23,648)	(251)	(23,899)
(Increase) Decrease in inventory	(238)	-	(238)
Increase (Decrease) in accounts payable	57,324	(3,473)	53,851
Increase (Decrease) in tenant security deposits	4,839	750	5,589
Increase (Decrease) in compensated absences payable	(22,531)	-	(22,531)
Increase (Decrease) in deferred revenue	102,240	2,117	104,357
Increase (Decrease) in accrued wages and accrued other liabilities	(37,435)	-	(37,435)
Increase (Decrease) in net pension and OPEB liability, deferred outflows and deferred inflows	<u>54,850</u>	<u>-</u>	<u>54,850</u>
Net cash provided (used) by operating activities	<u>\$ 1,991,608</u>	<u>\$ 20,815</u>	<u>\$ 2,012,423</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Housing Authority of The County of Butte (the "Authority") is a public corporation located in Chico, California and was established under Section 34200 of the California Health and Safety Code as a local agency within the Ralph M. Brown Act of 1937. Public Housing Authorities were authorized by the Federal Housing Act of 1937. Under that authority, the Housing Authority of The County of Butte was incorporated in 1946 to provide and promote safe and sanitary housing for low-income persons residing in Butte County.

The Authority is governed by a citizen's commission appointed by the County Board of Supervisors.

The Authority's financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of Government Accounting Standards Board's (GASB's) Codification of Governmental Accounting and Financial Reporting Standards, include whether:

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

Based on the foregoing criteria, two entities were identified as component units of the Authority and are included in the Authority's financial statements.

Banyard Management, Inc., (Banyard) a nonprofit and legally separate entity, is a general partner in Chico Commons, L.P., a Limited Partnership, and reports its activity on an equity basis as a joint venture under GASB 14. Chico Commons, L.P. has a December 31 year-end.

Butte County Affordable Housing Development Corporation (BCAHDC), a nonprofit and legally separate entity, is a general partner in the following California Limited Partnerships who report their activities on an equity basis as a joint venture under GASB 14: Walker Commons, L.P.; 1200 Park Avenue, L.P.; Chico Harvest Park, L.P.; and DHI-DFA Gridley Springs Associates, L.P. All partnerships have December 31 year ends.

B. Basis of Presentation

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the USA.

Government-wide Statements: The statement of net position and the statement of activities display information about the Authority (and its component unit). These statements include the financial activities of the overall Authority. The Authority's business-type activities are financed in whole or in part by fees charged to external parties.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basis of Presentation -Cont'd

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants, federal annual contribution contracts (ACC), and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as grants, ACC, and investment earnings, result from nonexchange transactions or ancillary activities.

C. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include grants, ACC, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant or ACC agreements, the Authority may fund certain programs with a combination of cost reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The Authority follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors in accounting for its business-type activities, unless those pronouncements conflict with Government Accounting Standards Board pronouncements.

The Authority considers all of its funds to be proprietary. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Authority or if total assets, liabilities, revenues, or expenses of the individual fund are at least 10 percent of the Authority-wide total. The Authority considers all of its activity to be housing related and therefore considers all the financial activity of the Authority to be one major fund.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting - Cont'd

The statement of position presents the Authority's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Net position is reported in three categories:

- *Net Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. There was no restricted net position.
- *Unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Statement of Revenues, Expenses, and Changes in Net Position is the operating statement for the enterprise fund. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income.

D. Programs Administered by the Authority

The Authority administers ACCs and grants to provide low-income housing with primary financial support from the U.S. Department of Housing and Urban Development (HUD). ACC's administered by the Authority are as follows:

<u>Program Name</u>	<u>Contract Number</u>	<u>Number of Units</u>
<u>Component Units</u>		
Butte County Affordable Housing Dev. Corp		20
Banyard Management, Inc.		0
<u>Housing Authority</u>		
Farm Labor Housing		121
Low Rent Public Housing	SF-171	345
Housing Choice Vouchers	SF-479	2042
Continuum of Care Program		5
Veterans Affairs Supportive Housing		164
Administrative Fund		190

E. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reporting amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from such estimates.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Cash, Cash Equivalents and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments. For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents have an original maturity date of three months or less from the date of purchase.

The Authority pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as *cash* and *investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance. Investments are reported at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for External Investment Pools.

G. Capital Assets

The Authority has a \$5,000 capitalization threshold, as per policy. All capital assets are recorded at cost. Non-expendable assets are capitalized and depreciated from the respective place-in-service date. Depreciation is computed on the straight-line method based on the estimated useful lives of the individual assets: 15-40 years for building and improvements and 5-10 years for equipment. Maintenance and repairs are charged to expense when incurred.

H. Compensated Absences

Vacation and related benefits fully vest as earned and are paid in full upon termination. Sick vests, as per policy, up to \$2,500 and is payable upon termination if not qualified for Other Post Retirement Benefits. Vested vacation and sick obligations are recorded as accrued compensated absences until paid. Changes in compensated absences during fiscal year ended September 30, 2019, are presented as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due within One Year
Compensated absences	\$ <u>170,427</u>	\$ <u>166,592</u>	\$ <u>189,123</u>	\$ <u>147,896</u>	\$ <u>108,942</u>

I. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 5 and 6 for additional information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Notes 5 and 6 for additional information.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J. Taxes

The Authority is exempt from federal and state income taxes. The Authority is also exempt from property taxes, but makes payments to the County of Butte in lieu of taxes under Memorandum of Understanding agreements.

NOTE 2 - CASH AND INVESTMENTS

A. Policies

California Law generally requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the Authority ahead of general creditors of the institution. As of September 30, 2019, the Authority's cash in the bank was insured or collateralized as discussed above.

The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for the fiscal year.

B. Cash, Cash Equivalents and Investments

For purposes of reporting cash flows, the Authority considers each entity's share of cash to be cash and cash equivalents.

C. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of the Authority's debt instruments. The Authority's money market funds were rated AAAM as of September 30, 2019.

	<u>Primary Government</u>	<u>Component Units</u>
Cash in bank - unrestricted	\$ 2,245,160	\$ 580,055
Cash in bank - restricted	2,437,031	10,750
Investments - unrestricted	2,572,573	250,000
Investments - restricted	<u>2,102,103</u>	<u>-</u>
Total cash and investments	<u>9,356,867</u>	<u>840,805</u>
<u>Composition:</u>		
Cash	3,686,301	311,523
Money market funds	3,540,566	279,282
Certificate of deposits	<u>2,130,000</u>	<u>250,000</u>
Total cash and investments	<u>\$ 9,356,867</u>	<u>\$ 840,805</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 - CASH AND INVESTMENTS (CONT'D)

D. Investments Authorized by the California Government Code and the Authority's Investment Policy

The California Government code allows the Authority to invest in the following; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Specified Percentage of Portfolio</u>	<u>Minimum Credit Quality</u>
Local agency bonds	5 years	None	None
U.S. treasury obligations	5 years	None	None
State of California obligations	5 years	None	None
CA Local agency obligations	5 years	None	None
U.S. agencies	5 years	None	None
Banker's acceptances	180 days	40%	A1/P1
Commercial paper - select agencies	270 days	40%	A1/P1
Commercial paper - other agencies	270 days	25%	None
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements and Securities lending agreements	92 days	20%	None
Medium-term notes	5 years	30%	A
Mutual funds	N/A	20%	Multiple
Money market mutual funds	N/A	20%	Multiple
Collateralized bank deposits	5 years	None	None
Mortgage pass-through securities	5 years	20%	AA
Time deposits	5 years	None	None
County pooled investment funds	N/A	None	None
Local agency investment fund (LAIF)	N/A	None	None

There are no restrictions on the maximum amount invested in each security type or maximum that can be invested in any one issuer.

The Authority does not have reverse repurchase agreements.

E. Investments Authorized by Debt Agreements

The Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with the Authority's resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 - CASH AND INVESTMENTS (CONT'D)

E. Investments Authorized by Debt Agreements Cont'd

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum in Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Repurchase agreements	N/A	Highest Rating Category	No Limit	No Limit
Government obligations	N/A	N/A	N/A	N/A
U.S. Government agency obligations	N/A	N/A	N/A	N/A
State obligations	N/A	Highest Rating Category	No Limit	No Limit
Commercial paper	N/A	Highest Rating Category	No Limit	No Limit
Negotiable certificates of deposit	N/A	Highest Rating Category	No Limit	No Limit
Time deposits	N/A	Highest Rating Category	No Limit	No Limit
Bankers acceptances	N/A	Highest Rating Category	No Limit	No Limit
Guaranteed investment contracts	N/A	Highest Rating Category	No Limit	No Limit
Money market mutual funds	N/A	AAA	No Limit	No Limit
State of California local agency Investment fund (LAIF Pool)	Upon Demand	N/A	\$50,000,000 per account	\$50,000,000 per account

There are no restrictions on the maximum amount invested in each security type or maximum that can be invested in any one issuer.

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The Authority invests in cash, money market funds and time deposits, which may be drawn down as needed, subject to terms of the underlying debt indenture.

G. Concentration Risk

Significant investments in the securities of any individual issuers, other than U.S. Treasury securities, or mutual funds are required to be disclosed when they exceed five percent of the total portfolio. The Authority has no investments meeting this definition.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 - CASH AND INVESTMENTS (CONT'D)

H. Investment in Joint Ventures

As of September 30, 2019, the Authority had invested in the interest of limited partnership as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Walker commons L.P.	\$ 1,623,290	\$ 66,961
Chico Commons L.P.	1,758,084	299,562
Chico Harvest Park L.P.	-	(202)
DHI-DFA Gridley Springs Associates, L.P.	-	(9)
1200 Park Avenue L.P.	-	(523)
	<u> </u>	<u> </u>
Total investment in Joint Ventures	<u>\$ 3,381,374</u>	<u>\$ 365,789</u>

NOTE 3 - CAPITAL ASSETS

Changes in the Authority's capital assets are summarized below:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion / Transfers</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land and land rights	\$ 1,651,569	\$ -	\$ -	\$ -	\$ 1,651,569
Construction in progress	<u>21,252</u>	<u>267,945</u>	<u>-</u>	<u>-</u>	<u>289,197</u>
Total capital assets not being depreciated	<u>1,672,821</u>	<u>267,945</u>	<u>-</u>	<u>-</u>	<u>1,940,766</u>
Capital assets being depreciated:					
Buildings and improvements	46,764,267	46,962	(413,019)	13,046	46,411,256
Vehicles	267,850	-	-	-	267,850
Infrastructure	2,889,796	-	-	-	2,889,796
Furniture and equipment	<u>1,938,890</u>	<u>22,591</u>	<u>(58,897)</u>	<u>(13,046)</u>	<u>1,889,538</u>
Total capital assets being depreciated	<u>51,860,803</u>	<u>69,553</u>	<u>(471,916)</u>	<u>-</u>	<u>51,458,440</u>
Less: accumulated depreciation for:					
Buildings and improvements	(28,711,678)	(1,468,352)	276,236	(6,522)	(29,910,316)
Vehicles	(176,548)	(21,598)	-	-	(198,146)
Infrastructure	(587,913)	(144,904)	-	-	(732,817)
Furniture and equipment	<u>(1,357,324)</u>	<u>(85,600)</u>	<u>57,118</u>	<u>6,522</u>	<u>(1,379,284)</u>
Total accumulated depreciation	<u>(30,833,463)</u>	<u>(1,720,454)</u>	<u>333,354</u>	<u>-</u>	<u>(32,220,563)</u>
Total capital assets being depreciated, net	<u>21,027,340</u>	<u>(1,650,901)</u>	<u>(138,562)</u>	<u>-</u>	<u>19,237,877</u>
Total capital assets, net	<u>\$ 22,700,161</u>	<u>\$ (1,382,956)</u>	<u>\$ (138,562)</u>	<u>\$ -</u>	<u>\$ 21,178,643</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 - CAPITAL ASSETS (CONT'D)

Component Units

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and land rights	\$ 188,299	\$ -	\$ -	\$ 188,299
Total capital assets not being depreciated	<u>188,299</u>	<u>-</u>	<u>-</u>	<u>188,299</u>
Capital assets being depreciated:				
Buildings and improvements	613,026	50,200	-	663,226
Furniture and equipment	<u>10,722</u>	<u>-</u>	<u>-</u>	<u>10,722</u>
Total capital assets being depreciated	<u>623,748</u>	<u>50,200</u>	<u>-</u>	<u>673,948</u>
Less: accumulated depreciation for:				
Buildings and improvements	(427,287)	(18,210)	-	(445,497)
Furniture and equipment	<u>(8,505)</u>	<u>(715)</u>	<u>-</u>	<u>(9,220)</u>
Total accumulated depreciation	<u>(435,792)</u>	<u>(18,926)</u>	<u>-</u>	<u>(454,718)</u>
Total capital assets being depreciated, net	<u>187,956</u>	<u>31,274</u>	<u>-</u>	<u>219,230</u>
Total capital assets, net	<u>\$ 376,255</u>	<u>\$ 31,274</u>	<u>\$ -</u>	<u>\$ 407,529</u>

NOTE 4 - LONG-TERM DEBT

A schedule of changes in long-term debt of the Authority for the year ended September 30, 2019 is shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Series 2000 A bonds	\$ 3,060,000	\$ -	\$ 1,725,000	\$ 1,335,000	\$ 1,335,000
Rural Housing Construction Loan	218,032	-	-	218,032	-
GFLH USDA Loan #4	149,148	-	53,371	95,777	53,946
GFLH USDA Loan #5	1,769,932	-	57,594	1,712,338	58,876
GFLH USDA Loan #7	1,828,154	-	56,998	1,771,156	58,298
Loan from BCAHDC	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>350,000</u>
Total	<u>\$ 7,025,266</u>	<u>\$ 350,000</u>	<u>\$ 1,892,963</u>	<u>\$ 5,482,303</u>	<u>\$ 1,856,120</u>

A schedule of changes in long-term debt of the component units for the year ended September 30, 2019 is shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Loan from City of Chico	\$ 23,855	\$ -	\$ 2,280	\$ 21,575	\$ 2,303
Total	<u>\$ 23,855</u>	<u>\$ -</u>	<u>\$ 2,280</u>	<u>\$ 21,575</u>	<u>\$ 2,303</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 - LONG-TERM DEBT (CONT'D)

The notes payable consist of the following at September 30, 2019:

	<u>Primary Government</u>	<u>Component Units</u>
<u>Loan from City of Chico</u>		
On September 17, 1998, the Authority obtained a loan in the amount of \$65,000 from the City of Chico. The loan bears 1.0% annual interest rate and matures September 17, 2028. Annual payment, including interest, is \$2,519.	\$ -	\$ 21,575
<u>Series 2000 A Bonds</u>		
On July 7, 2000, the Authority issued Series 2000 A Bonds (the Bonds) in the amount of \$4,550,000 to finance and refinance the acquisition and rehabilitation of five apartment projects consisting of 127 units. The Bonds are paid semi-annually and mature on October 1, 2030. Annual interest rates range from 5.50% to 7.25% through the Bonds' term. At September 30, 2019, accrued interest on the Bonds was \$48,200. Bonds will be paid in full on October 1, 2020.	1,335,000	-
<u>Rural Housing Construction Loan</u>		
On June 28, 2013, as part of the purchase of Gridley Springs II (the Property), the Authority assumed an existing Rural Housing Construction Program loan in the amount of \$218,032 from State of California Housing and Community Development Program. The loan bears an interest rate of 3% with payments of interest only at 0.042%. The entire loan matures in March 2048. At September 30, 2019, accrued interest on the loan was \$142,172.	218,032	-
<u>Farm Labor Housing Loan USDA Loan # 4</u>		
On December 27, 1989, the Authority entered into a 33-year loan agreement with the United States Department of Agriculture in the amount of \$1,450,000. The Loan bears annual interest of 1% and matures on December 27, 2022. Annual payment, including interest, is \$54,630. At September 30, 2019, accrued interest on the loan was \$3.	95,777	-
<u>Gridley Farm Labor Housing USDA Loan # 5</u>		
On December 16, 2013, the Authority entered into a 33-year loan agreement with the United States Department of Agriculture in the amount of \$2,000,000. The Loan bears annual interest of 1% and matures on December 1, 2046. Annual payment, including interest, is \$73,342. As of September 30, 2019, the Authority's draw-down of loan amount less payments was \$1,712,338 and accrued interest was \$47.	1,712,338	-
<u>Gridley Farm Labor Housing USDA Loan # 7</u>		
On December 16, 2013, the Authority entered into a 33-year loan agreement with the United States Department of Agriculture in the amount of \$2,000,000. The Loan bears annual interest of 1% and matures on December 1, 2046. Annual payment, including interest, is \$73,342. As of September 30, 2019, the Authority's draw-down of loan amount less payments was \$1,771,156 and accrued interest was \$49.	\$ 1,771,156	\$ -

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 - LONG-TERM DEBT (CONT'D)

Loan from BCAHDC

On September 20, 2019, the Authority entered into a short-term promissory note with BCAHDC, a component unit of Authority in the amount of \$350,000. The loan bears an interest rate of 3% p.a. The principal including interest is payable in semi-annual installment, final installment is due on September 19, 2020.

	\$ <u>350,000</u>	\$ <u> -</u>
Total long term debts	\$ <u>5,482,303</u>	\$ <u>21,575</u>

Annual debt service requirements to maturity for debt are as follows:

Year ending September 30	Primary Government		Component Units	
	Principal	Interest	Principal	Interest
2020	\$ 1,856,120	\$ 147,100	\$ 2,303	\$ 216
2021	159,520	40,714	2,326	193
2022	118,450	38,929	2,349	169
2023	119,640	37,929	2,373	146
2024	120,842	36,537	2,396	122
Thereafter	3,107,731	499,954	9,828	247
	\$ 5,482,303	\$ 801,163	\$ 21,575	\$ 1,093

NOTE 5 - PENSION PLAN

The Authority contributes to the California Public Employee's Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities with the State of California.

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 Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. Plan Description and Provisions

CalPERS provides retirement, death, disability benefits and, annual cost-of-living adjustments benefits to plan members and beneficiaries. The Authority is part of a "cost sharing" pool within CalPERS. Benefit provisions and all other requirements are established by State statute and Authority resolution.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 - PENSION PLAN (CONT'D)

A. Plan Description and Provisions - Cont'd

All full-time employees participate in the CalPERS retirement system. Employees are eligible for retirement at the age of 55 and are entitled to a monthly benefit of 2 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement may begin at age 50 with a reduced benefit rate or after age 55 to 63 with an increased rate. Retirement benefits fully vest after 5 years of credited service. Upon separation from the fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The California Public Employees' Pension Reform Act of 2013 (PEPRA) changes benefits for all new members after January 1, 2013 to 2 percent at age 62. The Authority has thirteen employees who are subject to the new benefit formula.

B. Actuarial Assumptions

For the measurement period ended June 30, 2019, the total pension liabilities were determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2018 and June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

<u>Miscellaneous Plan (1)</u>	
Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost Method
<u>Actuarial Assumptions:</u>	
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increase Rate	Varies by Entry Age and Service
Mortality	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 2019 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 - PENSION PLAN (CONT'D)

C. Contributions - Cont'd

For the CalPERS's year ended June 30, 2019, the Authority's proportionate share in the contributions to the Plan were as follows:

Contributions employer's allocation rate	0.0008711
Authority's portion	\$ 440,437

D. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources

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 Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of September 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to September 30, 2019 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined.

As of September 30, 2019, Authority's proportionate share of net pension liability is \$3,488,203.

For the year ended September 30, 2019, the Authority recognized pension expense of \$405,120. At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 328,590	\$ -
Changes of Assumptions	166,334	58,965
Differences between Expected and Actual Experience	242,270	18,771
Difference in actual contribution and proportionate share of contribution	-	98,113
Changes in proportion	47,093	18,078
Differences between Projected and Actual Investment Earnings	-	60,985
Total	<u>\$ 784,287</u>	<u>\$ 254,912</u>

The Authority reported \$328,590 as deferred outflows of resources related to pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 - PENSION PLAN (CONT'D)

D. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources - Cont'd

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Measurement Periods Ended September 30:</u>	<u>Authority's Share</u>
2020	\$ 222,086
2021	(67,637)
2022	34,014
2023	12,322
2024	-
Thereafter	<u>-</u>
Total	<u>\$ 200,785</u>

E. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	<u>Discount Rate - 1% 6.15%</u>	<u>Current Discount Rate 7.15%</u>	<u>Discount Rate + 1% 8.15%</u>
Net Pension Liability	\$ <u>5,427,217</u>	\$ <u>3,488,203</u>	\$ <u>1,887,686</u>

F. Expected Average Remaining Service Lifetime (EARSL)

The EARSL for PERF C for the measurement date ending June 30, 2019 is 3.8 years, which was obtained by dividing the total service years of 530,470 (the sum of remaining service lifetimes of the active employees) by 140,593 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

G. Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the rate plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS's website under GASB 68 section.

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

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 5 - PENSION PLAN (CONT'D)

G. Discount Rate - Cont'd

In determining the long-term expected rate of return, staff took into account both short term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

H. Required Supplementary Information

Summary of Changes of Benefits or Assumptions

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specified time period (a.k.a. Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statement as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes of Assumptions: None

Employers should refer to CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019, which may be accessed on the CalPERS website at www.calpers.ca.gov, to obtain the required supplementary information for proper financial reporting.

NOTE 6 - OTHER POST EMPLOYMENT BENEFIT (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

	Miscellaneous Plan (1)
Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 - OTHER POST EMPLOYMENT BENEFIT (OPEB) (CONT'D)

A. Plan Description

Retired HACB employees are entitled to medical, dental and vision benefits if they:

- Were hired before October 01, 2013
- Retire at age 55 or older under CalPERS, and
- Have accumulated a minimum of 240 unused sick leave hours with HACB

Employees hired after October 1, 2013 are not eligible for post-retirement benefits under this plan. Benefits are provided to retirees, spouses and beneficiaries for a period of 5 years after retirement. This benefit is in lieu of accrued sick leave pay out at retirement. Benefits cease if the retiree dies prior to receiving 5 years of benefits. The HACB contribution amount is calculated at the time of retirement and is based on plan coverage at retirement, hours of unused sick leave, and the HACB contribution percentage on the date of retirement. The HACB contribution amount is calculated as the % of premiums HACB will cover (90% in 2018) times the CSAC Silver PPO plan premium at the coverage level selected, then scaled by accrued sick leave hours / required accrued sick leave hours (capped at 100%). The HACB contribution amount will not increase after the first 12 months of retirement and the retiree is responsible for any premiums in excess of the maximum.

B. Employees Covered

The participant data used in the valuation was provided by the Authority as of June 30, 2017. It is assumed that this data is representative of the population as of June 30, 2019. While the participant data was checked for reasonableness, the data was not audited. The valuation results presented in this report are dependent upon the accuracy of the participant data provided. The table below presents a summary of the basic participant information for the active and retired participants covered under the terms of the Plan.

	<u>Total</u>
<u>Actives</u>	
Total counts	25
Average age	50
Average service	10
<u>Retirees</u>	
Counts	
Under age 65	2
Age 65 and over	0
Total counts	2
Average age	57
Total participants	27
<u>Covered dependents of retirees</u>	
Counts	
Spouses/Domestic partners	1
Children	0
Total	1
Grand total	28

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 - OTHER POST EMPLOYMENT BENEFIT (OPEB) (CONT'D)

C. Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Assumptions - June 30, 2019 Measurement Date

Actuarial valuation date	June 30, 2017
Discount rate	6.50%, based on CERBT Strategy 2 investment policy
Net investment return	6.50%, based on CERBT Strategy 2 investment policy
General inflation	Assumed 2.26% annual inflation
Payroll increases	3.25% annual increases.
Average Per Capita Claims Costs (Baseline Cost)	<ul style="list-style-type: none"> • \$7,308 per year for retirees • \$7,020 per year for spouses
Administrative Expenses	We assumed that the administrative expense were \$254 for the measurement period ending June 30, 2019.
Health Plan Participation	Assumed that 100% of eligible participants will participate and will chose the HACB plans for the first three years of coverage
Medicare Coverage	We assumed that all future retirees will be eligible for Medicare when they reach age 65.
Morbidity Factors	CalPERS 2013 study
Population for Curving	CalPERS 2013 study
Mortality	The mortality rates used in this valuation are those used in the 2014 CalPERS valuations.
Disability	Because of the anticipated low incidence of disability retirements, did not value disability.
Percent Married	Assumed that all participants will cover current spouses, if any.

As of June 30, 2019, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

<u>Investment Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	43.00 %	5.43 %
Fixed Income	49.00 %	1.63 %
REITs	8.00 %	5.06 %
Cash	0.00 %	0.00 %

The above table shows the target asset allocation in the CERBT Strategy 2 investment policy.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 - OTHER POST EMPLOYMENT BENEFIT (OPEB) (CONT'D)

D. Discount Rate

The discount rate is based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

Above are the arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate.

	June 30, 2019	June 30, 2018
Discount rate	6.50 %	6.50 %
Bond Buyer 20-Bond GO Index	3.50 %	3.87 %

E. Sensitivity of the Net OPEB Liability to changes in the discount rate

The following presents the Authority's Net OPEB Liability if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	Discount Rate - 1% 5.50%	Current Discount Rate 6.50%	Discount Rate + 1% 7.50%
Net OPEB Liability	\$ 255,208	\$ 187,528	\$ 125,649

F. Sensitivity of the Net OPEB Liability to changes in the Trend rate

The following presents the Authority's Net OPEB Liability if it were calculated using a trend table that is 1% point lower or 1% point higher than the current rate:

	Trend Rate - 1%	Base Trend Rate	Trend Rate + 1%
Net OPEB Liability	\$ 118,003	\$ 187,528	\$ 266,494

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 - OTHER POST EMPLOYMENT BENEFIT (OPEB) (CONT'D)

G. Changes in Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/ (Asset) (c) =(a) - (b)
Beginning Balance	\$ 741,028	\$ 514,975	\$ 226,053
Changes Recognized for the Measurement Period			
▪ Service Cost	29,120	-	29,120
▪ Interest	49,152	-	49,152
▪ Difference between Expected and Actual Experience	(2,063)	-	(2,063)
▪ Contributions from the Employers	-	78,772	(78,772)
▪ Net Investment Income ²	-	36,216	(36,216)
▪ Benefit Payments, including Refunds of Employee Contributions	(28,378)	(28,378)	-
▪ Administrative Expenses	-	(254)	254
Net Changes	<u>47,831</u>	<u>86,356</u>	<u>(38,525)</u>
Ending Balance	<u>\$ 788,859</u>	<u>\$ 601,331</u>	<u>\$ 187,528</u>

H. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2019, the Authority recognized OPEB expense of \$44,687. As of fiscal year ended September 30, 2019, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 4,126	\$ 12,227
Differences between Expected and Actual Experience	205	1,849
Net Differences between Projected and Actual Earnings on OPEB Plan Investments	<u>1,089</u>	<u>2,201</u>
Total	<u>\$ 5,420</u>	<u>\$ 16,277</u>

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

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 - OTHER POST EMPLOYMENT BENEFIT (OPEB) (CONT'D)

H. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - Cont'd

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ (374)
2021	(374)
2022	(374)
2023	(738)
2024	(187)
Thereafter	(709)
Total	\$ (2,756)

NOTE 7 - INTERPROGRAM BALANCES

At September 30, 2019, interprogram balances are as follows:

	Due To	Due From
Business Activity	\$ 2,086	\$ 10,402
Capital Fund	7,231	-
Farm Labor Housing	-	2,086
Housing & Community Development	3,171	-
Total	\$ 12,488	\$ 12,488

NOTE 8 - RELATED PARTIES

Discretely Presented Component Units

Banyard Management - was formed in July 1994 as a California non-profit public benefit corporation. Banyard Management has no employees, and is the managing general partner of Chico Commons L.P., a California Limited Partnership, which was formed in June 1991, to own, maintain and operate Chico Commons, a 72-unit apartment complex.

BCAHDC - Butte County Affordable Housing Development Corporation was formed in December 1994 as a California nonprofit public benefit corporation, owns a 20 unit housing development known as Cordillera Apartments. BCAHDC has no employees, and is the managing general partner of the following respective limited partnerships:

- DHI-DFA Gridley Springs I Associates, L.P., a California Limited Partnership, which was formed in July 2012, to own, maintain and operate Gridley Springs I, a 32-unit apartment complex.
- Chico Harvest Park L.P., a California Limited Partnership, which was formed in August 2011, to own, maintain and operate Harvest Park, a 90-unit apartment complex.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 8 - RELATED PARTIES (CONT'D)

- Walker Commons L.P., a California Limited Partnership, which was formed in May 1995, to own, maintain and operate Walker Commons, a 56-unit apartment complex.
- 1200 Park Avenue L.P. a California Limited Partnership, which was formed in March 2003, to own, maintain and operate 1200 Park Avenue Apartments. a 107-unit apartment complex.

Related Party Transactions - The Authority maintains the accounting records and provides managing general partner duties for various limited partnerships as well as providing Corporate Services for which it was paid management fees of \$21,081 and \$72,373 for Banyard Management and BCAHDC, respectively. The Authority did not charge the two component units with any of its overhead during the current fiscal year.

Five participants of the Housing Choice Voucher Program (CFDA #14.871) elected to use their vouchers to occupy units in BCAHDC's Cordillera Apartments. During the current fiscal year, the Authority made housing assistance payments from the HAP program for 5 tenants in the amount of \$14,195 to BCAHDC.

NOTE 9 - GRIDLEY FARM LABOR HOUSING REHAB

In September 2018 and July 2018, the Authority was granted two \$3 million grants from the USDA-RD for the purpose of rehabilitating units at Gridley Farm Labor Housing in Gridley, California. During the fiscal year, the Authority expended \$0 and \$0 was disbursed. Architectural work resumed this fiscal year using carryover loan funds. \$6 million in grant funds will be disbursed in FY 2020 with the commencement of renovation work.

NOTE 10 - JOINT POWER AGREEMENT

The Authority participates in a joint venture under a joint power agreement (JPA) with the California Housing Workers' Compensation Authority (CHWCA). CHWCA was formed to provide workers' compensation insurance coverage for member housing authorities. At December 31, 2019, there were thirty-three members. The relationship between the Authority and CHWCA is such that CHWCA is not a component unit of the Authority for financial reporting purposes.

Condensed audited financial information as of and for the year ended December 31, 2019, is as follows:

Total assets	\$ 30,367,986
Total liabilities	<u>15,625,835</u>
Net position	<u>14,742,151</u>
Total liabilities and net position	<u>30,367,986</u>
Operating revenues and non-operating revenues	7,069,185
Operating expenses	<u>5,972,722</u>
Net increase in net position	1,096,463
Net position, beginning of year	<u>13,645,688</u>
Net position, end of year	<u><u>\$ 14,742,151</u></u>

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 - JOINT POWER AGREEMENT (CONT'D)

The Authority's share of year end assets, liabilities, or retained earnings has not been calculated. The Authority's annual premium is based on covered payroll. Premium paid for the fiscal year ended September 30, 2019 was approximately \$47,900. CHWCA issues a separate comprehensive annual financial report. Copies of this report may be obtained by contacting Bickmore Risk Services, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California, 95833.

NOTE 11 - RISK MANAGEMENT

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management pool 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 is underwritten by a housing authority insurance pool: Housing Authorities Risk Retention Pool (HARRP).

HARRP is a Joint Powers Authority organized under the intergovernmental cooperation laws of the states of Washington, Oregon, California, and Nevada, to manage the self-insurance program of housing authorities. The relationship between the Authority and HARRP is not a component unit of the Authority for financial reporting purposes. Through HARRP, the Authority currently maintains general liability coverage for claims up to \$2 million and property insurance for claims up to \$2 million and also business auto, fidelity bonds and errors and omission coverages. Condensed audited financial information for the year ended December 31, 2018 is as follows:

Total assets	\$ 38,279,799
Total liabilities	<u>16,350,925</u>
Net assets	<u>21,928,874</u>
Total liabilities and equity	<u>38,279,799</u>
Total revenues	<u>10,998,917</u>
Total expenses	<u>12,937,873</u>
Net change in net assets	(1,938,956)
Net assets at beginning of year	<u>23,867,830</u>
Net assets at end of year	<u><u>\$ 21,928,874</u></u>

The Authority's share of year end assets, liabilities, or retained earnings has not been calculated. The Authority's annual premium paid for the fiscal year ended September 30, 2019 was approximately \$83,286 for property and \$11,554 for vehicle.

The Authority also procures flood insurance for Gridley Farm Labor and HUD properties in the flood plan for a cost of \$168,127.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES

In connection with various Federal and State grant programs, the Authority is obligated to administer the programs in accordance with regulatory restrictions, and is subject to audit by grantor agencies. In cases of noncompliance, the agencies involved may require the Authority to refund program monies. The amount of expenditures which may be disallowed, if any, by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority is contingently liable in connection with claims and contracts arising in the normal course of its activities. The Authority management is of the opinion that the outcome of such matters will not have a material effect on the basic financial statements.

The possibility exists that HUD contributions may decrease in the future. In the event that such contributions were significantly decreased, the Authority would need to seek other funding sources to maintain operations at current level or reduce services.

The Authority has various contracts they are committed to complete as of September 30, 2019. These contracts relate to the Authority various construction projects at Chico office. The funding to cover these commitments is through the general fund.

NOTE 13 - EVALUATION OF SUBSEQUENT EVENTS

In February 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

The COVID-19 pandemic is complex and rapidly evolving. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, and financial position.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>
<u>Total OPEB liability</u>		
Service cost	\$ 29,120	\$ 29,120
Interest	49,152	45,949
Differences between expected and actual experience	(2,063)	259
Benefit payments, including refunds of employee contributions	<u>(28,378)</u>	<u>(23,792)</u>
Net change in Total OPEB Liability	<u>47,831</u>	<u>51,536</u>
Total OPEB Liability - beginning (a)	<u>741,028</u>	<u>689,492</u>
Total OPEB Liability - ending (b)	<u>788,859</u>	<u>741,028</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - employer	78,772	45,274
Net investment income	36,216	29,068
Benefit payments, including refunds of employee contributions	(28,378)	(23,792)
Administrative expense	<u>(254)</u>	<u>(246)</u>
Net change in Plan Fiduciary Net Position	<u>86,356</u>	<u>50,304</u>
Plan Fiduciary Net Position - beginning (c)	<u>514,975</u>	<u>464,671</u>
Plan Fiduciary Net Position - ending (d)	<u>601,331</u>	<u>514,975</u>
Net OPEB Liability - beginning (a) - (c)	<u>226,053</u>	<u>224,821</u>
Net OPEB Liability - ending (b) - (d)	<u>\$ 187,528</u>	<u>\$ 226,053</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	76 %	69 %
Covered employee payroll	\$ 1,592,892	N/A
Plan Net OPEB Liability as percentage of covered employee payroll	12 %	N/A

* Fiscal year 2019 was the second year of implementation, therefore only two years are shown.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF PLAN CONTRIBUTION - OPEB
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution ²	\$ 46,028	\$ 46,287
Covered-employee payroll ³	1,592,892	N/A
Contributions as a % of covered-employee payroll ³	5%	N/A
Contributions to the Trust	50,394	5,422
Pay-go Payments by Employer Unreimbursed by the Trust	20,435	21,482
Active Implicit Rate Subsidy Transferred to OPEB	<u>7,943</u>	<u>18,370</u>
Total OPEB Contributions ¹	<u>\$ 78,772</u>	<u>\$ 45,274</u>

¹ ADC and Contributions are for the measurement periods ending June 30, 2018 to June 30, 2019.

² Employers setting a discount rate based on the assumption that assets will be sufficient to cover all future benefit payments under the plan are assumed to annually make contributions equal to the actuarially determined contribution. Annual contributions made that are substantially less than the ADC would require additional support for use of a discount rate equal to the long-term expected return on trust assets. The ADC is based on the actuarial valuation as of the July 6, 2018 ADC report.

³ Covered-Employee Payroll represented above is based on covered-employee payroll provided by the employer. GASB 75 defines covered-employee payroll as the total payroll of employees that are provided OPEBs through the OPEB plan. Accordingly, if OPEB covered-employee payroll shown above is different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

* Fiscal year 2019 was the second year of implementation, therefore only two years are shown.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Fiscal Year Ended September 30</u>	<u>Authority's Share</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Authority's proportion of the net pension liability (asset)	0.0858%	0.0847%	0.0803%	0.0818%	0.0871%
Authority's proportionate share of the net pension liability	2,358,466	2,943,783	3,368,291	3,240,459	3,488,203
Authority's covered-employee payroll	1,669,801	1,777,189	1,796,356	1,819,346	1,966,173
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141%	166%	188%	178%	177%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	75.87%	75.38%	77.68%	74.17%

* Fiscal year 2019 was the fifth year of implementation, therefore only five years are shown.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Fiscal Year Ended September 30</u>	<u>Authority's Share</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ 296,087	\$ 317,900	\$ 343,095	\$ 222,026	\$ 440,437
Contributions in relation to the actuarially determined contributions	<u>(296,087)</u>	<u>(317,900)</u>	<u>(343,095)</u>	<u>(222,026)</u>	<u>(440,437)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	<u>1,669,801</u>	<u>1,777,189</u>	<u>1,796,356</u>	<u>1,819,346</u>	<u>1,966,173</u>
Contributions as a percentage of covered payroll	<u>0.18%</u>	<u>0.18%</u>	<u>0.19%</u>	<u>0.12%</u>	<u>0.22%</u>

* Fiscal year 2019 was the fifth year of implementation, therefore only five years are shown.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
COMBINING SCHEDULE OF NET POSITION - COMPONENT UNITS
SEPTEMBER 30, 2019

	<u>BCAHDC</u>	<u>Banyard</u>	<u>Total Component Units</u>
ASSETS			
Current assets:			
Cash			
Cash - unrestricted	\$ 343,364	\$ 236,691	\$ 580,055
Cash - tenant security	<u>10,750</u>	<u>-</u>	<u>10,750</u>
Total cash	<u>354,114</u>	<u>236,691</u>	<u>590,805</u>
Receivables			
Accounts receivable - miscellaneous	48,699	-	48,699
Accounts receivable - tenant dwelling rents	1,494	-	1,494
Allowances for doubtful accounts - dwelling rents	(373)	-	(373)
Notes receivable - current	350,000	-	350,000
Accrued interest receivable	<u>288</u>	<u>-</u>	<u>288</u>
Total receivables	<u>400,108</u>	<u>-</u>	<u>400,108</u>
Investments - unrestricted	250,000	-	250,000
Prepaid expenses and other assets	<u>3,734</u>	<u>-</u>	<u>3,734</u>
Total current assets	<u>1,007,956</u>	<u>236,691</u>	<u>1,244,647</u>
Noncurrent assets:			
Capital assets			
Land and land rights	188,299	-	188,299
Buildings and improvements	663,226	-	663,226
Furniture and equipment	10,722	-	10,722
Accumulated depreciation	<u>(454,718)</u>	<u>-</u>	<u>(454,718)</u>
Total capital assets, net	<u>407,529</u>	<u>-</u>	<u>407,529</u>
Investments in joint ventures	<u>66,227</u>	<u>299,562</u>	<u>365,789</u>
Total noncurrent assets	<u>473,756</u>	<u>299,562</u>	<u>773,318</u>
Total assets	<u>\$ 1,481,712</u>	<u>\$ 536,253</u>	<u>\$ 2,017,965</u>

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
COMBINING SCHEDULE OF NET POSITION - COMPONENT UNITS
SEPTEMBER 30, 2019**

	<u>BCAHDC</u>	<u>Banyard</u>	<u>Total Component Units</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 4,234	\$ -	\$ 4,234
Tenant security deposits	10,750	-	10,750
Deferred revenues	2,382	-	2,382
Current portion of long-term debt	2,303	-	2,303
Accrued liabilities - other	<u>30,525</u>	<u>-</u>	<u>30,525</u>
Total current liabilities	<u>50,194</u>	<u>-</u>	<u>50,194</u>
Noncurrent liabilities:			
Long-term debt, net of current portion	<u>19,272</u>	<u>-</u>	<u>19,272</u>
Total noncurrent liabilities	<u>19,272</u>	<u>-</u>	<u>19,272</u>
Total liabilities	<u>69,466</u>	<u>-</u>	<u>69,466</u>
NET POSITION			
Net investments in capital assets	385,954	-	385,954
Unrestricted	<u>1,026,292</u>	<u>536,253</u>	<u>1,562,545</u>
Total net position	<u>1,412,246</u>	<u>536,253</u>	<u>1,948,499</u>
Total liabilities and net position	<u>\$ 1,481,712</u>	<u>\$ 536,253</u>	<u>\$ 2,017,965</u>

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>BCAHDC</u>	<u>Banyard</u>	<u>Total Component Units</u>
OPERATING REVENUES			
Rental revenue - tenants	\$ 172,769	\$ -	\$ 172,769
Other revenues	<u>99,190</u>	<u>13,344</u>	<u>112,534</u>
Total operating revenues	<u>271,959</u>	<u>13,344</u>	<u>285,303</u>
OPERATING EXPENSES			
Administration	99,778	22,252	122,030
Utilities	15,979	-	15,979
Maintenance and operations	87,728	-	87,728
General expenses	22,202	40	22,242
Depreciation	<u>18,926</u>	<u>-</u>	<u>18,926</u>
Total operating expenses	<u>244,613</u>	<u>22,292</u>	<u>266,905</u>
Operating income (loss)	<u>27,346</u>	<u>(8,948)</u>	<u>18,398</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income - mortgage loans	287	-	287
Other interest income	815	158	973
Interest expenses and amortization	<u>(239)</u>	<u>-</u>	<u>(239)</u>
Total nonoperating revenues (expenses)	<u>863</u>	<u>158</u>	<u>1,021</u>
Change in net position	28,209	(8,790)	19,419
Net position at beginning of year	<u>1,384,037</u>	<u>545,043</u>	<u>1,929,080</u>
Net position at end of year	<u>\$ 1,412,246</u>	<u>\$ 536,253</u>	<u>\$ 1,948,499</u>

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
 ANNUAL CONTRIBUTION CONTRACTS WITH THE
 U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 RECONCILIATION OF COMPREHENSIVE GRANT AND CAPITAL FUNDS
 ADVANCES WITH COSTS OWNED HOUSING - SF - 171
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Project Numbers</u>	<u>Funds Approved</u>	<u>Funds Advanced</u>	<u>Funds Expended</u>	<u>Excess/ (Deficiency)</u>
501-17	\$ 557,643	\$ 543,249	\$ 543,429	\$ 14,214
501-18	817,783	189,912	189,912	627,871
501-19	812,881	-	-	812,881

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
DEBT SERVICE COVERAGE RATIO - 2000A BONDS
SEPTEMBER 30, 2019

	<u>Combined Totals</u>	<u>Park Place Apts</u>	<u>Lincoln Apts</u>	<u>Kathy Ct Apts</u>	<u>Alamont Apts</u>	<u>Evanswoo d Estates</u>
REVENUES						
Gross rental income	\$ 1,127,191	\$ 279,875	\$ 142,435	\$114,091	\$ 270,865	\$ 319,925
Other income	46,730	6,695	8,866	12,611	10,957	7,601
Less: Vacancies and concessions	<u>(25,458)</u>	<u>(2,208)</u>	<u>(3,284)</u>	<u>(10,231)</u>	<u>(5,340)</u>	<u>(4,395)</u>
Total gross revenues	<u>1,148,463</u>	<u>284,362</u>	<u>148,017</u>	<u>116,471</u>	<u>276,482</u>	<u>323,131</u>
Less: Operating and maintenance expenses	<u>(584,485)</u>	<u>(127,914)</u>	<u>(93,031)</u>	<u>(87,632)</u>	<u>(112,978)</u>	<u>(162,930)</u>
Total net revenues	<u>563,978</u>	<u>156,448</u>	<u>54,986</u>	<u>28,839</u>	<u>163,504</u>	<u>160,201</u>
Note debt service payable	(369,650)	(107,497)	(15,290)	(41,936)	(89,171)	(115,756)
Transfer from Capitalized Interest Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flow from Surplus Fund	<u>\$ 194,328</u>	<u>\$ 48,951</u>	<u>\$ 39,696</u>	<u>\$ (13,097)</u>	<u>\$ 74,333</u>	<u>\$ 44,445</u>

Debt service coverage ratio for the fiscal year ended 2019 is 1.53.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
FINANCIAL DATA SCHEDULE
September 30, 2019

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	2 State/Local	1 Business Activities	Total
111 Cash - Unrestricted	\$ 210,427	\$ 10,308		\$ 141,672	\$ 580,055		\$ 1,855,711	\$ 2,798,173
112 Cash - Restricted - Modernization and Development		186,018						186,018
113 Cash - Other Restricted		326,650		111,105			143,560	581,315
114 Cash - Tenant Security Deposits	141,310	42,429			10,750		108,106	302,595
115 Cash - Restricted for Payment of Current Liabilities				6 21,689			1,383,200	1,404,895
100 Total Cash	351,737	565,405		6 274,466	590,805	-	3,490,577	5,272,996
122 Accounts Receivable - HUD Other Projects	20,663			39,918				60,581
124 Accounts Receivable - Other Government		28,412				3,956		32,368
125 Accounts Receivable - Miscellaneous					48,699		148,156	196,855
126 Accounts Receivable - Tenants	31,751	5,252			1,494	-	13,679	52,176
126.1 Allowance for Doubtful Accounts -Tenants	(7,938)	(46)			(373)	-	(2,677)	(11,034)
127 Notes, Loans, & Mortgages Receivable - Current					350,000			350,000
128 Fraud Recovery				34,394				34,394
128.1 Allowance for Doubtful Accounts - Fraud				(34,394)				(34,394)
129 Accrued Interest Receivable					288		34,168	34,456
120 Total Receivables, Net of Allowances for Doubtful Accounts	44,476	33,618	-	39,918	400,108	3,956	193,326	715,402
131 Investments - Unrestricted	1,032,940			1,009,000	250,000		530,633	2,822,573
132 Investments - Restricted				1,050,729			1,051,373	2,102,102
142 Prepaid Expenses and Other Assets	80,172	82,865		4,685	3,734		107,945	279,401
143 Inventories							20,334	20,334
143.1 Allowance for Obsolete Inventories							(156)	(156)
144 Inter Program Due From		2,086					10,402	12,488
150 Total Current Assets	1,509,325	683,974	6	2,378,798	1,244,647	3,956	5,404,434	11,225,140
161 Land	484,396	325,300			188,299		841,873	1,839,868
162 Buildings	27,615,079	11,665,151		396,855	663,226		6,721,124	47,061,435
163 Furniture, Equipment & Machinery - Dwellings	1,138,932	127,897			10,722		200,042	1,477,593
164 Furniture, Equipment & Machinery - Administration	503,200			88,203			112,161	703,564
166 Accumulated Depreciation	(22,667,617)	(5,621,450)		(325,461)	(454,718)		(3,606,035)	(32,675,281)
167 Construction in Progress	139,733	149,464						289,197
168 Infrastructure		2,889,796						2,889,796
160 Total Capital Assets, Net of Accumulated Depreciation	7,213,723	9,536,158	-	159,597	407,529	-	4,269,165	21,586,172
171 Notes, Loans and Mortgages Receivable - Non-Current							1,864,881	1,864,881
174 Other Assets							10	10
176 Investments in Joint Ventures					365,789		3,381,374	3,747,163

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
FINANCIAL DATA SCHEDULE
September 30, 2019

	Project Total	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	2 State/Local	1 Business Activities	Total
180 Total Non-Current Assets	7,213,723	9,536,158	-	159,597	773,318	-	9,515,430	27,198,226
200 Deferred Outflow of Resources	217,663	58,196		150,940			362,908	789,707
290 Total Assets and Deferred Outflow of Resources	8,940,711	10,278,328	6	2,689,335	2,017,965	3,956	15,282,772	39,213,073
312 Accounts Payable <= 90 Days	27,104	20,883	6	76,372	4,234	785	59,356	188,740
321 Accrued Wage/Payroll Taxes Payable							10,807	10,807
322 Accrued Compensated Absences - Current Portion	28,694	7,137		19,258			53,853	108,942
325 Accrued Interest Payable		98					190,660	190,758
331 Accounts Payable - HUD PHA Programs				3,097				3,097
341 Tenant Security Deposits	141,310	40,731			10,750		107,198	299,989
342 Unearned Revenue	10,203	5,553		224,211	2,382		12,934	255,283
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		171,120			2,303		1,685,000	1,858,423
345 Other Current Liabilities				18,592			445	19,037
346 Accrued Liabilities - Other	123,771	35,106			30,525		16,293	205,695
347 Inter Program - Due To	7,231					3,171	2,086	12,488
310 Total Current Liabilities	338,313	280,628	6	341,530	50,194	3,956	2,138,632	3,153,259
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		3,408,151			19,272		218,032	3,645,455
353 Non-current Liabilities - Other				84,064				84,064
354 Accrued Compensated Absences - Non Current	10,261	2,552		6,886			19,255	38,954
357 Accrued Pension and OPEB Liabilities	1,526,627	311,172		1,215,238			622,694	3,675,731
350 Total Non-Current Liabilities	1,536,888	3,721,875	-	1,306,188	19,272	-	859,981	7,444,204
300 Total Liabilities	1,875,201	4,002,503	6	1,647,718	69,466	3,956	2,998,613	10,597,463
400 Deferred Inflow of Resources	80,607	24,604		82,275			83,703	271,189
508.4 Net Investment in Capital Assets	7,213,723	5,956,887	-	159,597	385,954	-	2,366,133	16,082,294
511.4 Restricted Net Position	-	512,668	-	1,050,729	-	-	1,243,133	2,806,530
512.4 Unrestricted Net Position	(228,820)	(218,334)	-	(250,984)	1,562,545	-	8,591,190	9,455,597
513 Total Equity - Net Assets / Position	6,984,903	6,251,221	-	959,342	1,948,499	-	12,200,456	28,344,421
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 8,940,711	\$ 10,278,328	\$ 6	\$ 2,689,335	\$ 2,017,965	\$ 3,956	\$ 15,282,772	\$ 39,213,073

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
FINANCIAL DATA SCHEDULE
September 30, 2019

	Project Total	14.267 Continuum of Care Program	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	2 State/Local	1 Business Activities	Total
70300 Net Tenant Rental Revenue	\$ 1,281,281		\$ 452,662			\$ 172,769		\$ 1,407,096	\$ 3,313,808
70400 Tenant Revenue - Other	110,607		6,617			6,779		25,593	149,596
70500 Total Tenant Revenue	1,391,888	-	459,279	-	-	179,548	-	1,432,689	3,463,404
70600 HUD PHA Operating Grants	1,531,351	39,979		64,109	13,379,057				15,014,496
70610 Capital Grants	188,032								188,032
70800 Other Government Grants			353,865				3,956		357,821
71100 Investment Income - Unrestricted	24,203		189		20,480	973		9,310	55,155
71200 Mortgage Interest Income						287		65,913	66,200
71400 Fraud Recovery					48,366				48,366
71500 Other Revenue	20,992		2,865		21,321	105,755		2,187,235	2,338,168
72000 Investment Income - Restricted			1,041		52,243			70,511	123,795
70000 Total Revenue	3,156,466	39,979	817,239	64,109	13,521,467	286,563	3,956	3,765,658	21,655,437
91100 Administrative Salaries	347,574	885	109,413		562,568			170,236	1,190,676
91200 Auditing Fees	2,889	25	3,500		18,470	4,312		4,898	34,094
91400 Advertising and Marketing			2,520		8,151			6	10,677
91500 Employee Benefit contributions - Administrative	280,398	366	71,040		378,880			88,373	819,057
91600 Office Expenses	69,859	42	13,694		122,901	6,681		35,792	248,969
91700 Legal Expense	9,889		2,125		300	3,420		540	16,274
91800 Travel	2,856		756		5,083			7,385	16,080
91810 Allocated Overhead	511,774	821			434,111			135,882	1,082,588
91900 Other	24,556	1,647	5,911		26,291	112,581		237,905	408,891
91000 Total Operating - Administrative	1,249,795	3,786	208,959	-	1,556,755	126,994	-	681,017	3,827,306
92100 Tenant Services - Salaries				47,160					47,160
92300 Employee Benefit Contributions - Tenant Services				14,278					14,278
92400 Tenant Services - Other	1,569		1,112					23,053	25,734
92500 Total Tenant Services	1,569	-	1,112	61,438	-	-	-	23,053	87,172
93100 Water	98,518		17,075		1,076	5,278	3,956	42,893	168,796
93200 Electricity	25,542		29,417		13,428	2,708		25,350	96,445
93300 Gas	5,482		3,870		1,000	2,938		2,214	15,504
93600 Sewer	96,376		13,976		117	5,055		57,701	173,225
93000 Total Utilities	225,918	-	64,338	-	15,621	15,979	3,956	128,158	453,970
94100 Ordinary Maintenance and Operations - Labor	244,679		37,256					1,577	283,512
94200 Ordinary Maintenance and Operations - Materials and Other	132,173	11	16,039		4,133			17,215	169,571
94300 Ordinary Maintenance and Operations Contracts	607,512		102,825		11,990	87,728		388,484	1,198,539
94500 Employee Benefit Contributions - Ordinary Maintenance	138,789		18,411					1,128	158,328
94000 Total Maintenance	1,123,153	11	174,531	-	16,123	87,728	-	408,404	1,809,950
95200 Protective Services - Other Contract Costs	22,436		20,237		2,100			1,665	46,438
95000 Total Protective Services	22,436	-	20,237	-	2,100	-	-	1,665	46,438
96110 Property Insurance	27,910		10,753			6,150		11,200	56,013
96120 Liability Insurance	7,707		2,765					3,690	14,162
96130 Workmen's Compensation	29,627	5	5,548	434	7,557			1,522	44,693
96140 All Other Insurance	74,326		74,118		4,380			12,940	165,764
96100 Total Insurance Premiums	139,570	5	93,184	434	11,937	6,150	-	29,352	280,632
96200 Other General Expenses	1,317				45,139	857		36,237	83,550

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
 FINANCIAL DATA SCHEDULE
 September 30, 2019

	Project Total	14.267 Continuum of Care Program	10.427 Rural Rental Assistance Payments	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	2 State/Local	1 Business Activities	Total
96210 Compensated Absences	66,825	3	11,196	2,237	56,199			8,747	145,207
96300 Payments in Lieu of Taxes	101,098		22,021			109		5,014	128,242
96400 Bad debt - Tenant Rents	59,446		311			10,162		6,480	76,399
96000 Total Other General Expenses	228,686	3	33,528	2,237	101,338	11,128	-	56,478	433,398
96710 Interest of Mortgage (or Bonds) Payable			36,407					197,733	234,140
96720 Interest on Notes Payable (Short and Long Term)						239		288	527
96700 Total Interest Expense and Amortization Cost	-	-	36,407	-	-	239	-	198,021	234,667
96900 Total Operating Expenses	2,991,127	3,805	632,296	64,109	1,703,874	248,218	3,956	1,526,148	7,173,533
97000 Excess of Operating Revenue over Operating Expenses	165,339	36,174	184,943	-	11,817,593	38,345	-	2,239,510	14,481,904
97100 Extraordinary Maintenance								69,645	69,645
97300 Housing Assistance Payments		36,174			12,154,428			164,172	12,354,774
97400 Depreciation Expense	713,329		714,906		33,911	18,926		258,308	1,739,380
90000 Total Expenses	3,704,456	39,979	1,347,202	64,109	13,892,213	267,144	3,956	2,018,273	21,337,332
10010 Operating Transfer In	284,201								284,201
10020 Operating transfer Out	(284,201)								(284,201)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(547,990)	-	(529,963)	-	(370,746)	19,419	-	1,747,385	318,105
11020 Required Annual Debt Principal Payments	-	-	167,963	-	-	2,280	-	1,375,000	1,545,243
11030 Beginning Equity	\$ 7,532,893	\$ -	\$ 6,781,184	\$ -	\$ 1,330,088	\$ 1,929,080	\$ -	\$ 10,453,071	\$ 28,026,316
11170 Administrative Fee Equity					959,342				959,342
11190 Unit Months Available	4140	96	1380		26472	240		1920	34248
11210 Number of Unit Months Leased	4072	64	1186		22412	240		1903	29877
11270 Excess Cash	845,486								845,486
11620 Building Purchases	165,441								165,441
11630 Furniture & Equipment - Dwelling Purchases	22,591								22,591

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u><i>U.S. Department of Housing and Urban Development</i></u>		
Direct Programs:		
Public and Indian Housing Program	14.850	\$ 1,200,280
Section 8 Housing Choice Voucher Program	14.871	13,379,057
Resident Opportunity and Supportive Services	14.870	64,109
Continuum of Care	14.267	39,979
Public Housing Capital Fund Program	14.872	<u>519,103</u>
Total U.S. Department of Housing and Urban Development		<u>15,202,528</u>
<u><i>U.S. Department of Agriculture</i></u>		
Direct Programs:		
Rural Rental Assistance Program	10.427	353,865
Farm Labor Housing USDA Loans and Grants	10.405	<u>3,679,271</u>
Total U.S. Department of Agriculture		<u>4,033,136</u>
Total Expenditures of Federal Awards		<u>\$19,235,664</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Housing Authority of the County of Butte under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements, cost principles. Because the schedule presents only a selected portion of the operations of Housing Authority of the County of Butte, it is not intended to and does not present the financial position, changes in net position or cash flows of Housing Authority of the County of Butte.

Note 2 - Summary of Significant Accounting

Summary of significant accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of federal awards reported on the schedule are recognized when incurred.

Note 3 - Direct and Indirect (Pass-Through) Federal Awards

Federal awards may be granted directly to the Authority by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The schedule includes only direct federal award programs. There are no indirect federal award programs for fiscal year ended September 30, 2019.

Note 4 - De minimis indirect cost rate

The Authority has not elected to use the 10% de minimis indirect cost rate.

COMPILATION SECTION

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

To the Board of Commissioners
Housing Authority of The County of Butte
Chico, California

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *in Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate discretely presented component units of Housing Authority of The County of Butte as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise Housing Authority of the County of Butte's basic financial statements, and have issued our report thereon dated November 04, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Harshwal & Company LLP

Oakland, California
November 04, 2020

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

To the Board of Commissioners
Housing Authority of The County of Butte
Chico, California

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of The County of Butte's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of The County of Butte's major federal programs for the year ended September 30, 2019. Housing Authority of The County of Butte's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Housing Authority of The County of Butte, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Harshwal & Company LLP

Oakland, California
November 04, 2020

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weakness?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	No

Identification of Major Programs:

CFDA Number	Name of Federal Program of Cluster
10.427	Rural Rental Assistance Program
14.871	Section 8 Housing Choice Voucher program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**HOUSING AUTHORITY OF THE COUNTY OF BUTTE
STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

There were no findings reported in the prior year.