

HOUSING AUTHORITY OF HENDERSON

AUDITED FINANCIAL STATEMENTS

Henderson, Kentucky

March 31, 2020

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN
812-472-3527

HOUSING AUTHORITY
OF HENDERSON

Henderson, Kentucky
MARCH 31, 2020

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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of Henderson
111 S. Adams Street
Henderson, Kentucky 42420-3611

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of Henderson ("the Authority") which comprise the Statement of Net Position as of March 31, 2020, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of Henderson's 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Henderson as of March 31, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through viii and Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of the Authority's Contributions on pages 22 through 23 and Schedule of the Authority's Proportionate Share of OPEB Liability on page 24 through 25 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals and Audit Requirements for Federal Awards*, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

In regard to, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents, such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Financial Data Schedule, Schedule of Expenditures of Federal Awards, and the other supplemental information as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 11, 2020 on my consideration of the Housing Authority of Henderson's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of Henderson's internal control over financial reporting and compliance.

Goldie Roberts

Certified Public Accountant

**HOUSING AUTHORITY OF HENDERSON
HENDERSON, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2020

Management's Discussion and Analysis

The management of the Housing Authority of Henderson offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended March 31, 2020. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify fund issues and concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management's discussion and analysis is presented in accordance with the requirements of the current Governmental Accounting Standard Board Standards.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$6,211,238(net position), a decrease of \$166,517 from the prior year. GASB 68 requires presenting pension liability that is \$2,983,628 on March 31, 2020 and GASB 75 requires presenting other post employment benefits (OPEB) that is \$713,351.

The Authority's cash balance at March 31, 2020 was \$2,037,802 representing an increase of \$197,134 from March 31, 2019.

The Authority had revenues of \$6,534,557 plus \$336,308 of HUD Capital Grants for the year ended March 31, 2020, compared to \$6,132,337 and \$643,306.

The Authority's capital outlays for the year were \$441,638 for new equipment and construction in progress.

Overview of the Housing Authority of Henderson

The Housing Authority of Henderson was created in 1949 to provide and promote safe and sanitary housing for low-income persons residing in the Henderson County area of Kentucky. The Housing Authority currently offers the programs listed below:

Conventional Public Housing

The Conventional Public Housing Program consists of 430 dwelling units. The program operates under the Annual Contribution Contract (ACC) A-2584 with HUD. Under this program HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide housing at a rent that is based on 30% of household income.

**HOUSING AUTHORITY OF HENDERSON
HENDERSON, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2020

(Continued)

Capital Fund Program

The Capital Fund Program is a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the dwelling units and assist in their operations.

Central Office Cost Center Housing Program

The Central Office Cost Center utilized de-federalized funds to acquire and rehabilitate two houses to provide additional housing choices to low income families. COCC units are rented to households whose incomes are at or below 80% of the area median income.

Housing Choice Voucher Program

The Housing Choice Voucher Program provides rental assistance to aid low-income families afford decent safe and sanitary rental housing. The Housing Authority provides rental assistance in the form of a Housing Assistance Payment to a private landlord on behalf of the tenant. The Housing Authority had a previous baseline unit number of 649 Vouchers until February 2013. The Housing Authority was awarded an additional 89 enhanced Tenant Protection Vouchers due to the pre-payment of a Mortgage on a local Section 236 property in Henderson, increasing the baseline unit number to 738 Vouchers. HUD provides funds for rental assistance payments. The Housing Authority receives a preset administrative fee for the purpose of covering the administrative costs of the program. HUD determines the administrative fee on an annual basis.

Neighborhood Stabilization Program (NSP)

NSP-1 funding (\$1,606,019), obtained through the Kentucky State Department for Local Government enabled the Housing Authority to construct nine handicap accessible/adaptable units and rehabilitated seven homes (6) foreclosed and (1) vacant. An abandoned property adjacent to the new units was purchased, demolished and turned into a green space.

NSP-3 funding (\$925,804), obtained through the Kentucky State Department for Local Government funded the construction of five handicap accessible/adaptable units.

The new units earned the certified silver or gold level for Green Building construction.

All NSP assisted units are rented to households whose incomes are at or below 50% of the area median income.

**HOUSING AUTHORITY OF HENDERSON
HENDERSON, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2020

(Continued)

Overview of the Financial Statement

The following outline describes the integral parts of this financial presentation and is a guideline for understanding its components:

- I. MD&A
Serves as an introduction to the Authority's basic financial statements
- II. Financial Statements
Authority-wide Financial Statement
Notes to the Financial Statement
- III. Other required Supplementary Statements

The financial statements in this report are those of a special purpose government entity engaged in a business type activity. The following statements are included:

- **Statement of Net Position (Balance Sheet)** - presents information of the Authority's assets and liabilities and is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position," formerly known as Net Assets and liabilities are presented in order of liquidity and are classified as "current" (convertible to cash within one year), and "noncurrent". Increases or decreases in net position will serve as a useful indicator of the financial health of the Authority.
- **Statement of Revenue, Expenses and Changes in Fund Net Position** – reports the authority's revenues by source and type and its expenses by category to substantiate the change in net position for the fiscal year.
- **Statement of Cash Flows** – discloses net cash provided by, or used for operating activities, non-capital financing activities, and capital and related financing activities.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of this year's activities?" The Combined Statement of Net Position and the Combined Statement of Revenues, Expenses and Changes in Fund Net Positions report information about the Authority's activities in a way that will help answer the question. These two statements report the net position of the Authority and the changes in it. One can think of the Authority's net position, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of its financial health. However, one will need to consider other factors such as changes in economic conditions (decrease in federal funding), population growth, and new or changed government legislation.

**HOUSING AUTHORITY OF HENDERSON
HENDERSON, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2020

(Continued)

Housing Authority of Henderson Activities and Highlights

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended March 31, 2020 and March 31, 2019.

Statement of Net Position					
Category	FYE 2020		FYE 2019		
			Change \$	Change %	
Current Assets	\$	2,095,679	\$	1,916,862	\$ 178,817 9%
Capital Assets (Net of Depreciation)		7,977,995		8,009,342	(31,347) 0%
Deferred Outflows of Resources		<u>937,973</u>		<u>864,110</u>	<u>73,863</u> 9%
Total Assets and Deferred Outflows		<u>11,011,647</u>		<u>10,790,314</u>	<u>221,333</u> 2%
Current Liabilities		431,375		400,120	31,255 8%
Long Term Liabilities		164,263		132,157	32,106 24%
Accrued Pension/OPEB Liability		<u>3,696,980</u>		<u>3,374,639</u>	<u>322,341</u> 10%
Total Liabilities		<u>4,292,618</u>		<u>3,906,916</u>	<u>385,702</u> 10%
Deferred Inflow of Resources		<u>507,791</u>		<u>505,643</u>	<u>2,148</u> 0%
Unrestricted Net Position		(1,837,611)		(1,710,578)	(127,033) -7%
Restricted Assets		70,854		78,991	(8,137) -10%
Investment in Net Capital Assets		<u>7,977,995</u>		<u>8,009,342</u>	<u>(31,347)</u> 0%
Total Net Positions	\$	<u>6,211,238</u>	\$	<u>6,377,755</u>	<u>\$ (166,517)</u> -3%

Net Position

The Authority's total net position balance decreased by \$166,517 for the year ended March 31, 2020. The Authority's unrestricted net position decreased to \$(1,837,611) from \$(1,710,578), a decrease of \$(127,033) of which 3,696,980 is attributed to unfunded pension and OPEB liability that is shown per GASB 68 and GASB 75.

**HOUSING AUTHORITY OF HENDERSON
HENDERSON, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2020

(Continued)

Debt Administration

The Authority has no long-term debt except for compensated absences, pension and other retirement benefits.

Non-current liabilities at March 31, 2020, consist of the following:

	3/31/2019	Additions	Deletions	3/31/2020
Accrued compensated absences	\$ 153,113	\$ 15,160	\$ 0	\$ 168,273
Pension Liability	2,612,923	370,705	0	2,983,628
OPEB Liability	<u>761,716</u>	<u>0</u>	<u>48,365</u>	<u>713,351</u>
Total	\$ <u>2,766,036</u>	\$ <u>385,865</u>	\$ <u>48,365</u>	\$ <u>3,865,252</u>

The pension liability is per GASB 68 and the OPEB liability is per GASB 75.

The unrestricted net position account balance is the amount available for future appropriations. These balances are subject to program specific guidelines. The individual program balances that comprise the total unrestricted balance are as follows:

• Low Rent Public Housing	\$(1,401,098)
• Central Office Cost Center	(343,130)
• Housing Choice Voucher Program	(353,830)
• CDBG/Neighborhood Stabilization	209,248
• State/Local Grants	<u>51,199</u>
Total	<u>\$ (1,837,611)</u>

**HOUSING AUTHORITY OF HENDERSON
HENDERSON, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2020

(Continued)

Summary Statement of Changes in Net Position
Years Ended
March 31, 2019 and 2020

Category	FYE 2020	FYE 2019	Change \$	Change %
Tenant Revenue	\$ 1,844,053	\$ 1,716,064	\$ 127,989	7%
Operating Grants	4,228,011	4,114,285	113,726	3%
Capital Grants	336,308	643,306	(306,998)	-48%
Other Government Grants	40,426	46,428	(6,002)	-13%
Interest Income	10,769	7,785	2,984	38%
Other Revenue	<u>411,298</u>	<u>247,775</u>	<u>163,523</u>	66%
Total Revenue	<u>6,870,865</u>	<u>6,775,643</u>	<u>95,222</u>	1%
Administration	1,508,473	1,587,791	(79,318)	-5%
Tenant Services	247,142	307,272	(60,130)	-20%
Utilities	477,092	500,863	(23,771)	-5%
Ordinary Maintenance	1,476,136	1,660,547	(184,411)	-11%
General Expense	168,771	163,039	5,732	4%
Payments in Lieu of Taxes	135,051	121,521	13,530	11%
Housing Assistance Payments	2,549,730	2,630,541	(80,811)	-3%
Extraordinary Maintenance	2,000	9,297	(7,297)	100%
Depreciation	<u>472,987</u>	<u>511,942</u>	<u>(38,955)</u>	-8%
Total Expenses	<u>7,037,382</u>	<u>7,492,813</u>	<u>(455,431)</u>	-6%
Excess of Revenue over Expenses	(166,517)	(717,170)	550,653	77%
Net Position, Beginning of Year	<u>6,377,755</u>	<u>7,094,925</u>	<u>(717,170)</u>	-10%
Net Position, End of Year	<u>\$ 6,211,238</u>	<u>\$ 6,377,755</u>	<u>\$ (166,517)</u>	<u>-2.61%</u>

**AUTHORITY OF HENDERSON
HENDERSON, KENTUCKY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2020

(Continued)

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds. Housing Assistance Payments are down because of less money received from the federal government and only 3 people in the department. The decrease in casualty losses-non capitalized is because last year there was storm cleanup, this year a storm cleanup cost less.

Capital Assets

As of March 31, 2020, the Housing Authority of Henderson's investment in capital assets was \$ 7,977,995.

Category	FYE 2020	FYE 2019	Change \$	Change %
Land	\$ 924,011	\$ 901,511	\$ 22,500	2%
Buildings	7,813,367	7,813,367	0	0%
Equipment	1,192,903	1,127,345	65,558	6%
Construction in Progress	2,741,975	2,403,007	338,968	14%
Leasehold Improvements	14,302,807	14,302,807	0	0%
Subtotal	26,975,063	26,548,037	427,026	
Accumulated Depreciation	(18,997,068)	(18,538,694)	(458,374)	2%
Total Net Capital Assets	\$ 7,977,995	\$ 8,009,342	\$ (31,348)	0%

The additions were the purchase of property (actually tear down a house for a parking lot) in the COCC purchase of a printer, remove a copier and the purchase of one, and the same in HCV. Project 1 purchased a 2020 Ford Transit Van and Project 2 purchased a F20 Truck and a floor machine. Construction in Progress consisted of ongoing projects using: 2013, 2014, 2015, 2016, 2017, 2018 and 2019 Capital Funds Program funds.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

STATEMENT OF NET POSITION
MARCH 31, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,858,545
Restricted cash and cash equivalents	179,257
Accounts receivable, net	9,323
Prepaid expenses	30,041
Inventory	18,513
Total Current Assets	2,095,679

Capital Assets

Land and other nondepreciable assets	3,665,986
Depreciable capital assets, net	4,312,009
Total Capital Assets	7,977,995

Total Assets	10,073,674
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Deferred outflow of resources

Pension related	937,973
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Total Assets and Deferred Outflow of Resources	11,011,647
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LIABILITIES

Current liabilities

Accounts payable	49,686
Accrued liabilities	180,468
Unearned Revenue	100,018
Payable from restricted cash and cash equivalents:	
Tenant security deposits	101,203
Current liabilities	431,375

Noncurrent liabilities

Accrued Compensated Absences	164,263
Net Pension and OPEB Liability	3,696,980
Total Noncurrent Liabilities	3,861,243

Total Liabilities	4,292,618
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Deferred inflow of resources

Pension related	507,791
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NET POSITION

Investment in capital assets	7,977,995
Restricted	70,854
Unrestricted	(1,837,611)
TOTAL NET POSITION	\$ 6,211,238

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

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED MARCH 31, 2020

OPERATING REVENUES

Rental income	\$ 1,844,053
Other income	<u>411,298</u>
Total Operating Revenues	<u>2,255,351</u>

OPERATING EXPENSES

Administrative	1,523,636
Tenant services	247,142
Utilities	477,092
Ordinary maintenance and operation	1,478,136
General expense	288,659
Housing assistance payments	2,549,730
Depreciation expense	<u>472,987</u>
Total Operating Expense	<u>7,037,382</u>

Operating Income (Loss)	<u>(4,782,031)</u>
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NONOPERATING REVENUES

Federal and State operating grants	4,268,437
Interest income	<u>10,769</u>
Total Nonoperating Revenues	<u>4,279,206</u>

Net income before capital contributions	(502,825)
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Capital contributions	<u>336,308</u>
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Change in Net Position	(166,517)
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NET POSITION - BEGINNING OF YEAR	<u>6,377,755</u>
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NET POSITION - END OF YEAR	<u>\$ 6,211,238</u>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 2,293,493
Payments to vendors	(1,556,794)
Payments to landlords	(2,549,730)
Payments to employees	(2,163,175)
Net Cash Used by Operating Activities	<u>(3,976,206)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	336,308
Acquisition and construction of capital assets	(441,640)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(105,332)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	10,769
Net Cash Flows Provided (Used) by Investing Activities	<u>10,769</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	4,268,437
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>4,268,437</u>

Net Increase (Decrease) in Cash and Cash Equivalents	197,668
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Cash - Beginning of year	<u>1,840,134</u>
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Cash - End of year	<u>\$ 2,037,802</u>
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Reconciliation of Cash

Unrestricted	\$ 1,858,545
Restricted	<u>179,257</u>
	<u>\$ 2,037,802</u>

Continued

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (4,782,031)
Adjustments to reconcile net operating income to net cash	
Provided by operating activities:	
Depreciation	472,987
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable, net	19,774
Prepaid expenses	(329)
Inventory	(594)
Increase (Decrease) in:	
Accounts payable	6,566
Accrued liabilities	38,427
Pension related	250,626
Unearned Revenue	18,368
Net Cash Flows Provided (Used) by Operating Activities	\$ <u>(3,976,206)</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE A - Summary of Significant Accounting Policies:

The financial statements of the HOUSING AUTHORITY OF HENDERSON ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The HOUSING AUTHORITY OF HENDERSON ("the Authority") is a political subdivision both corporate and politic which was established under the provision of Kentucky Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a public housing program (Contract No.A-2584) and section 8 programs (Contract No. A-2875).

Reporting Entity

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of Henderson, a primary government. Although it is legally separate from the Housing Authority of Henderson, the Barrett Center is reported as if it were part of the primary government because its sole purpose is to work in conjunction with the Authority to assist with providing housing for low and moderate income individuals. The criteria for inclusion as a component unit include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Accordingly the Barrett Center financial information (component unit) has been blended with the Housing Authority of Henderson. There are no other component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

The financial statements of the HOUSING AUTHORITY OF HENDERSON include the following:

The Authority had 1,168 units in management at March 31, 2020:

<u>Management:</u>	<u>Units</u>
Low-Income Public Housing	430

<u>Section 8:</u>	
Vouchers	<u>738</u>
	<u>1,168</u>

Capital Fund

501-16
501-17
501-18
501-18 Safety and Security
501-19

The financial statements also includes: other miscellaneous grants, and a State and Local Fund.

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

(Continued)

	Housing Authority of Henderson	Component Unit	Total
<u>Condensed Statement of Net Position</u>			
Current assets	\$ 2,044,480	\$ 51,199	\$ 2,095,679
Capital assets	7,977,995	0	7,977,995
Deferred outflow	937,973	0	937,973
Total assets	<u>\$ 10,960,448</u>	<u>51,199</u>	<u>11,011,647</u>
Current liabilities	\$ 431,375	\$ 0	\$ 431,375
Non current liabilities	3,861,243	0	3,861,243
Total liabilities	<u>\$ 4,292,618</u>	<u>0</u>	<u>\$ 4,292,618</u>
Deferred inflow	507,791	0	507,791
Investment in capital assets	\$ 7,977,995	\$ 0	\$ 7,977,995
Restricted	70,854	0	70,854
Unrestricted	(1,888,810)	51,199	(1,837,611)
Total Net Position	<u>\$ 6,160,039</u>	<u>\$ 51,199</u>	<u>\$ 6,211,238</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues	\$ 2,245,351	\$ 10,000	\$ 2,255,351
Operating expenses			
Operating expense - other	(6,516,109)	(48,286)	(6,564,395)
Depreciation expense	(472,987)	0	(472,987)
Nonoperating revenue			
Nonoperating revenue - other	10,769	0	10,769
Federal operating grants	4,225,351	40,426	4,265,777
Capital contributions	338,968	0	338,968
Change in net position	(168,657)	2,140	(166,517)
Net Position, beginning of year	6,328,696	49,059	6,377,755
Net Position, end of year	<u>\$ 6,160,039</u>	<u>\$ 51,199</u>	<u>\$ 6,211,238</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENT
MARCH 31, 2020
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

	Housing Authority of Henderson	Barret Center Inc	Total
	<u>Condensed Statement of Cash Flows</u>		
Net Cash Provided (Used) by			
Operating Activities	\$ (3,927,920)	\$ (48,286)	\$ (3,976,206)
Net Cash From Noncapital			
Financing Activities	4,215,351	50,426	4,265,777
Net Cash Flows Used by Capital			
and Related Financing Activities	(102,672)	0	(102,672)
Net Cash From Investing Activities	10,769	0	10,769
Net Increase in Cash and Cash Equivalents	195,528	2,140	197,668
Cash - Beginning of year	1,791,075	49,059	1,840,134
Cash - End of year	\$ 1,986,603	\$ 51,199	\$ 2,037,802

Basis of Presentation and Accounting: In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net position categories:

Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority has no debt.

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Accounting Policies - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting, expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund and other grant budgets are adopted on a "project length" basis.

Budget compared to actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board and approved by HUD. This budget does not represent an appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Deposits in Bank - Deposits consist of Checking accounts and Certificates of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid deposits (including restricted assets) with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no non-cash investing, capital or financing activities during the year.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Housing Authority Board takes quarterly action as necessary to write off specific uncollectible accounts receivable balances.

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Prepaid – Prepays represent payments made to vendors for services that will benefit beyond March 31, 2020.

Inventories - Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

Capital Assets - Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs. It is the policy of the Authority to capitalize assets costing \$500 or more. Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Building & Improvement	15-40 years
Furniture, Equipment	3-7 years

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Restricted Assets - When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, then restricted resources as they are allowed.

Leasing Activities (as Lessor) - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause. Income associated with these leases are recorded in the financial statements and schedules as "Rental income". Rental income per resident generally remains consistent from year to year, but is affected by general economic conditions which impact personal income, such as local job availability.

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

(Continued)

NOTE B - Deposits, Cash and Cash Equivalents:

1. HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

2. Risk Disclosures

A. Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At March 31, 2020, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

B. Credit Risk: This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

At March 31, 2020, the carrying amount of the Authority's deposits was \$2,037,802 deposits are covered either by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits, family self-sufficiency escrow and section 8 funds.

Deposits consist of the following:

Checking and Money Market accounts	\$ 1,637,802
Certificates of Deposit	<u>400,000</u>
Total	<u>\$ 2,037,802</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

(Continued)

NOTE C - Accounts Receivable:

Accounts receivable at March 31, 2020, consist of the following:

Tenant's accounts receivable - net of allowance for doubtful accounts of \$1,173	\$ 6,428
Fraud Recovery-net of allowance for doubtful accounts of \$60,312	0
Receivable from Morganfield Housing Authority	48
Accrued interest receivable	3,797
Due from HUD	<u>223</u>
Total	<u>\$ 9,323</u>

NOTE D - Prepaid expenses:

Prepaid expenses at March 31, 2020, consist of the following:

Prepaid insurance	<u>\$ 30,041</u>
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NOTE E - Inventory:

Inventory at March 31, 2020, consist of the following:

Materials and supplies	<u>\$ 18,513</u>
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Materials inventories are recorded at cost. The first-in first-out (FIFO) inventory flow assumption is used to determine expenditures. Expenditures are recorded when inventory is consumed.

NOTE F - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning				Ending	
	Balance	Increases	Decreases	Transfers	Balance	
	3/31/2019				3/31/2020	
Capital assets not being depreciated:						
Land	\$ 901,511	\$ 22,500	\$ 0	\$ 0	\$ 924,011	
Construction in Progress	<u>2,403,007</u>	<u>338,968</u>	<u>0</u>	<u>0</u>	<u>2,741,975</u>	
Total Capital Assets, not being depreciated	3,304,518	361,468	0	0	3,665,986	
Capital Assets, being depreciated:						
Buildings & Improvements	22,116,173	0	0	0	22,116,173	
Furniture, Equipment	<u>1,127,867</u>	<u>80,170</u>	<u>(15,133)</u>	<u>0</u>	<u>1,192,904</u>	
Total Capital Assets, being depreciated	<u>23,244,040</u>	<u>80,170</u>	<u>(15,133)</u>	<u>0</u>	<u>23,309,077</u>	

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(Continued)

NOTE F - Capital Assets: (Continued)

Less Accumulated Depreciation for:

Buildings & Improvements	(18,010,845)	0	(386,979)	0	(18,397,824)
Furniture, Equipment and Machinery	<u>(528,369)</u>	<u>0</u>	<u>(70,875)</u>	<u>0</u>	<u>(599,244)</u>
Total Accumulated Depreciation	(18,539,214)	0	(457,854)	0	(18,997,068)
Total Capital Assets, being depreciated, net	<u>4,704,826</u>	<u>80,170</u>	<u>(472,987)</u>	<u>0</u>	<u>4,312,009</u>
Capital Assets, Net	\$ <u>8,009,344</u>	\$ <u>441,638</u>	\$ <u>(472,987)</u>	\$ <u>0</u>	\$ <u>7,977,995</u>

Major construction renovation through the Capital Fund Grant Program costs of \$1,269,414 are yet to be expended under the current programs. HUD has approved funding for the above amount.

Depreciation expense for the year ended March 31, 2020, is \$472,987.

NOTE G - Accounts payable:

Accounts payable at March 31, 2020, consist of the following:

Vendors' Accounts Payable	\$ 10,034
Accounts Payable HUD	226
Accrued Utilities	<u>39,426</u>
Total	<u>\$ 49,686</u>

NOTE H - Accrued liabilities:

Accrued liabilities at March 31, 2020, consist of the following:

Payment in lieu of taxes	\$ 136,924
Accrued wages and payroll taxes	39,534
Accrued annual leave	<u>4,010</u>
Total	<u>\$ 180,468</u>

NOTE I - Unearned Revenue

Unearned Revenue at March 31, 2020 consisted of the following:

Prepaid Grant Revenue	\$ 85,293
Prepaid Rent	<u>14,725</u>
Total	<u>\$ 100,018</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

(Continued)

NOTE J – Pension Plan:

General information about the Pension Plan

Plan description: All employees participate in the County Employees' Retirement System (CERS), a multi-employer, cost sharing, defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at www.kyret.ky.gov.

Benefits provided: CERS provides retirement, disability and death benefits to members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

Contributions: Plan members participating in CERS on or before August 31, 2008, are required to contribute 5% of the annual creditable compensation. For plan members who began participating in CERS on or after September 1, 2008, the contribution rate is 6%. The housing authority is required to contribute at an actuarially determined rate. As of June 30, 2019, the housing authority rate was 21.48% of annual covered payroll. The contribution requirements of plan members and the housing authority are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to CERS from the housing authority were \$724,961 for year ended March 31, 2019.

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

At March 2020, the Housing Authority reported a liability of \$2,983,628 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension and used to calculate the liability was determined by an actuarial valuation as of June 30, 2019. The housing authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019 the housing authority's proportion was 0.042423%.

For the year ended March 31, 2020, the housing authority recognized pension expense of \$259,060.68. At March 31, 2020, the housing authority reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Difference between expected and actual experience	\$ 57,274	\$ 12,607
Net difference between projected and actual investment earnings on pension plan investments	76,181	105,371
Changes of Assumptions	301,977	0
Changes in proportion & differences between employer	13,457	84,009
Employer payments after the measurement date	<u>207,720</u>	<u>0</u>
Total	\$ <u>656,609</u>	\$ <u>201,987</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(Continued)

NOTE J – Pension Plan: (Continued)

The \$656,609 reported as deferred outflows of resources are related to pensions resulting from Housing Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended March 31,	
2020	\$ 168,377
2021	47,204
2022	27,908
2023	<u>3,412</u>
Total	\$ <u>246,901</u>

Actuarial assumptions: The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	2.00%, average, including inflation
Investment rate of return	6.25%, net pension plan expense, including inflation

The rates of mortality used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 combined mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale b to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 –June 30, 2013.

The discount rate used to measure the total pension liability was 6.25%.

The projection of cash flows used to determine the discount rate was assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contributions rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for Kentucky Retirement Systems. The most recent analysis, performed for the period

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(Continued)

NOTE J – Pension Plan: (Continued)

covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term rate expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market 10 year horizon ad may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflations assumption, or a fundamental change in the market hat alters expected returns in future years.

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Housing Authority's proportionate share of the net pension liability to changes in the discount rate: The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the Housing Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

Authority's proportionate
Share of the net pension liability

Discount Rate Sensitivity-Liability (Asset)		
1% Decrease 5.25%	Current 6.25%	1% Increase 7.25%
3,731,673	2,983,628	2,360,141

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report

The above information is not audited.

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(Continued)

Note K-OPEB Plan:

OPEB Liabilities OPEB Expense, and Deferred Inflow of Resources Related to OPEB

As of March 31, 2020 the Housing Authority reported a liability of \$713,351 for its proportionate share of the Net OPEB liability. The net OPEB liability was measured of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The housing authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019 the housing authority's proportion was 0.042412.%

For the year ended March 31, 2020, the housing authority recognized OPEB expense of \$78,240

The \$65,777 reported as deferred outflow of resources are related to OPEB resulting from Housing Authority Contributions subsequent to the measurement date will be recognized as a reduction of the net pension Liability in the year ended March 31, 2020. Other amounts reported as deferred inflows of resources related to Pensions will be recognized in pension expense as follows:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 0	\$ 215,234
Net difference between projected and actual investment earnings on pension plan investments	4,699	36,383
Changes of Assumptions	211,087	1,412
Changes in proportion & differences between employer	0	52,773
Housing Authority contributions subsequent to the measurement date	65,577	0
Total	\$ <u>281,363</u>	\$ <u>305,802</u>

Year Ended March 31,

2020	\$ (17,263)
2021	(17,263)
2022	(71,289)
2023	(26,459)
2024	<u>(18,872)</u>
Total	\$ <u>(151,146)</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020
(Continued)

Note K-OPEB Plan (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB Liability, as well as the total OPEB liability would be if it were calculated 1 percentage point lower or 1 percentage point higher than the current discount rate:

Housing Authority's proportionate
Share of net OPEB liability:

Discount Rate Sensitivity-Liability (Asset)		
1% Decrease 4.68%	Current 5.68%	1% Increase 6.68%
955,597	713,351	513,756

The above information is not audited.

NOTE L – Non-current Liabilities:

Non-current liabilities at March 31, 2020, consist of the following:

	3/31/2019	Additions	Deletions	3/31/2020	Current	Non-current
Accrued compensated absences	\$ 132,157	\$ 32,016	\$ 0	\$ 164,263	\$ 4,010	\$ 168,273
Pension Liability	2,612,923	370,707	0	2,983,628	0	2,983,628
OPEB Liability	<u>761,716</u>	<u>0</u>	<u>(48,365)</u>	<u>713,351</u>	<u>0</u>	<u>713,351</u>
Total	\$ <u>3,506,796</u>	\$ <u>402,723</u>	\$ <u>(48,365)</u>	\$ <u>3,861,242</u>	\$ <u>4,010</u>	\$ <u>3,865,252</u>

NOTE M - Federal and State Operating Grants:

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Low Rent Public Housing	\$ 1,055,763
Housing Choice Vouchers	2,850,830
Capital Fund Program	321,418
Other Government Grants	<u>40,426</u>
	\$ <u>4,268,437</u>

NOTE N- Federal Capital Grants:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended March 31, 2020 were \$336,308 from the Capital Fund Program.

HOUSING AUTHORITY OF HENDERSON

Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

(Continued)

NOTE NO- Commitments and Contingencies:

Litigation: At March 31, 2020, the Authority was not involved in any threatened litigation. The Authority has not used an attorney.

Examinations: The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years.

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Construction Projects: There are certain major construction projects in progress at March 31, 2020. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

NOTE P – Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent Authority management. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

The Authority participates in public entity risk pools (Kentucky League of Cities and the Kentucky Housing Authorities Self-Insured Fund) for general liability, worker's compensation, and Directors' and Officers' liability. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

NOTE Q - Economic Dependency:

The Authority receives approximately 67% of its revenues from HUD and the State of Kentucky. If the amount of revenues received from HUD and the State of Kentucky falls below critical levels, the Authority's operations could be adversely affected.

NOTE R- Conduit Type Debt:

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Housing Authority of Henderson. HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

(Continued)

NOTE S – Subsequent Events:

Events that occur after the balance sheet date but before the financial statements were available must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the authority through September 11, 2020 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements for disclosure in notes to the financial statements.

NOTE T- Morganfield Housing Authority:

On February 25, 2019, the Henderson Housing Authority signed an agreement to provide management services to the Morganfield Housing Authority for costs plus 10%. That agreement changed to \$9,000 per month. The Authority receives annual asset management fees. The Authority allocates the appropriate expenses to these entities and recovers regular reimbursement for services rendered.

REQUIRED SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Authority's Proportionate Share of the Net Pension Liability

KYRET Pension Plan
Last Ten Fiscal Years*

	2014	2015	2016	2017	2018	2019
Housing Authority of Henderson's proportion of the net pension liability	0.04382	0.04374	0.04416	0.046347	0.042903	0.042423
Housing Authority of Henderson's proportionate share of the net pension liability	\$1,422,000	\$1,880,621	\$2,184,277	\$2,712,832	\$3,374,639	\$2,983,628
Housing Authority of Henderson's covered employee payroll	\$1,114,723	\$1,067,128	\$1,110,184	\$1,076,043	\$1,054,846	\$1,109,056
Housing Authority of Henderson's proportionate share of the new pension liability as a percentage of its covered employee payroll	127.56%	186.23%	195.85%	252.11%	319.92%	269.02%

Note: Additional years information will be presented when available.

*The amounts for each fiscal year were determined as of 6/30

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE HOUSING AUTHORITY OF HENDERSON'S CONTRIBUTIONS

**KYRET Pension Plan
Last Ten Fiscal Years***

	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$236,503	\$232,197	\$255,504	\$261,687	\$276,446	\$314,513
Contributions in relation to the contractually required contribution	<u>236,503</u>	<u>232,197</u>	<u>255,504</u>	<u>261,687</u>	<u>276,446</u>	<u>314,513</u>
Contribution deficiency (excess)	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
Housing Authority of Henderson's covered employee payroll	\$1,113,723	\$1,067,128	\$1,110,184	\$1,076,043	\$1,054,846	\$1,109,059
Contributions as a percentage of covered	21.22%	21.76%	23.02%	23.32%	26.21%	28.36%

Note: Additional years information will be presented when available.

* The amounts for each fiscal year were determined as of 6/30

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

REQUIRED SUPPLEMENTARY INFORMATION

Net OPEB Liability and Related Ratios Based on Participation
In County Employees Retirement System of KRS
Fiscal Year Ended March 31, 2020

	KYRET OPEB PLAN Last three Fiscal Years*		
	2018	2019	2020
Total net OPEB for county employees retirement system	2,010,342,000	1,775,480,000	1,681,955,000
Housing Authority of Henderson's proportion of the net pension liability	0.04635%	0.042902 %	0.042412%
Housing Authority of Henderson's proportionate share of the OPEB liability	931,733	761,716	708,439
Housing Authority of Henderson's covered employee payroll	247,490	258,147	266,179
Employers proportionate share of the net OPEB liability as a percentage of employers covered employer payroll	376%	295%	266%
Total pension plan's fiduciary net position	2,212,536	2,414,126	2,569,511
Total pension plan's OPEB liability	4,222,878	4,189,606	4,251,466
Total Pension plan's fiduciary net position as a percentage of total OPEB liability	52%	57%	60%

Note: Additional years information will be presented when available.

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the Henderson Housing Authority's OPEB Contributions
Based on participation in County Employees Retirement System of KRS
Fiscal Year Ending March 31, 2020

KYRET OPEB Plan Last three Fiscal Years*			
	2018	2019	2020
Actuarially determined contribution	\$ 247	\$ 258	\$ 266
Contributions in relation to Contractually required contribution	<u>247</u>	<u>258</u>	<u>266</u>
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0
Housing Authority of Henderson's covered Employee payroll	247,490	258,147	266,179
Contributions as a percentage of covered employee payroll	1%	1%	1%

*Note: Additional years information will be presented when available.

Notes to Required Supplementary Information

The following Actuarial methods and assumption were used to determine the actuarially determined contributions effective for fiscal year ended June 30, 2019:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008-June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	26 Years, closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized.
Inflation	2.30%
Salary Increase	3.30%-11.55% varies by service
Investment rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 510% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scaled BB (set back 1 year for females.)

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

COMBINING SCHEDULE OF PROGRAM NET POSITION
MARCH 31, 2020

	Annual Contributions Contracts		
	A-2584	A-2584	A-2875E
			Section 8
			Housing Choice
	Low Income	CDBG	Voucher
	Public Housing	Grant	Program
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 995,198	\$ 222,971	\$ 29,585
Restricted cash and cash equivalents	93,803	6,800	78,054
Accounts receivable, net	7,216	954	0
Prepaid expenses	25,789	0	0
Inventory	18,513	0	0
Total Current Assets	1,140,519	230,725	107,639
<u>Capital Assets</u>			
Land and other nondepreciable assets	3,324,303	158,022	0
Depreciable capital assets, net	1,969,004	2,130,506	4,386
Total Capital Assets	5,293,307	2,288,528	4,386
Total Assets	6,433,826	2,519,253	112,025
<u>Deferred outflow of resources</u>			
Pension related	587,784	0	107,053
Total Assets and Deferred Outflow of Resources	7,021,610	2,519,253	219,078
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	43,839	799	789
Accrued liabilities	152,220	13,531	3,717
Unearned Revenue	99,671	347	0
Payable from restricted cash and cash equivalents:			
Tenant security deposits	93,803	6,800	0
Total Current Liabilities	389,533	21,477	4,506
<u>Noncurrent liabilities</u>			
Long Term Compensated Absences	68,696	0	6,977
Net Pension and OPEB Liability	2,347,410	0	427,256
Total Noncurrent Liabilities	2,416,106	0	434,233
Total Liabilities	2,805,639	21,477	438,739
<u>Deferred inflow of resources</u>			
Pension related	323,762	0	58,929
<u>NET POSITION</u>			
Investment in capital assets	5,293,307	2,288,528	4,386
Restricted	0	0	70,854
Unrestricted	(1,401,098)	209,248	(353,830)
TOTAL NET POSITION	\$ 3,892,209	\$ 2,497,776	\$ (278,590)

3

A-2584

Capital Fund Programs	Central Office Cost Center	State & Local Programs	Elimination	Total
\$ 0	\$ 559,592	\$ 51,199	\$ 0	\$ 1,858,545
0	600	0	0	179,257
0	1,153	0	0	9,323
0	4,252	0	0	30,041
0	0	0	0	18,513
0	565,597	51,199	0	2,095,679
0	183,661	0	0	3,665,986
0	208,113	0	0	4,312,009
0	391,774	0	0	7,977,995
0	957,371	51,199	0	10,073,674
0	243,136	0	0	937,973
0	1,200,507	51,199	0	11,011,647
0	4,259	0	0	49,686
0	11,000	0	0	180,468
0	0	0	0	100,018
0	600	0	0	101,203
0	15,859	0	0	431,375
0	88,590	0	0	164,263
0	922,314	0	0	3,696,980
0	1,010,904	0	0	3,861,243
0	1,026,763	0	0	4,292,618
0	125,100	0	0	507,791
0	391,774	0	0	7,977,995
0	0	0	0	70,854
0	(343,130)	51,199	0	(1,837,611)
\$ 0	\$ 48,644	\$ 51,199	\$ 0	\$ 6,211,238

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

COMBINING SCHEDULE OF REVENUES, EXPENSES AND PROGRAM CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED MARCH 31, 2020

	Annual Contributions Contracts		
	A-2584	A-2584	A-2875E
			Section 8
			Housing Choice
	Low Income	CDBG	Voucher
	Public Housing	Grant	Program
<u>OPERATING REVENUES</u>			
Rental income	\$ 1,690,162	\$ 137,541	\$ 0
Other income	320,005	2,246	24,298
Total Operating Revenues	2,010,167	139,787	24,298
<u>OPERATING EXPENSES</u>			
Administrative	1,109,017	17,895	331,761
Tenant services	250,456	2,520	0
Utilities	471,949	4,511	0
Ordinary maintenance and operation	1,349,673	65,858	10,791
General expense	240,496	20,158	10,421
Housing assistance payments	0	0	2,549,730
Depreciation expense	395,394	61,942	74
Total Operating Expense	3,816,985	172,884	2,902,777
Operating Income (Loss)	(1,806,818)	(33,097)	(2,878,479)
<u>NONOPERATING REVENUES</u>			
Federal and State operating grants	1,055,763	0	2,850,830
Interest income	8,399	0	15
Total Nonoperating Revenues	1,064,162	0	2,850,845
Net income before capital contributions	(742,656)	(33,097)	(27,634)
Capital contributions	0	0	0
Change in Net Position	(742,656)	(33,097)	(27,634)
Net Position - Beginning of year, as originally stated	3,977,139	2,530,873	(250,956)
Operating Transfers	657,726	0	0
Net Position - Beginning of year, as restated	4,634,865	2,530,873	(250,956)
Net Position - End of Year	\$ 3,892,209	\$ 2,497,776	\$ (278,590)

A-2584

Capital Fund Programs	Central Office Cost Center	State & Local Programs	Elimination	Total
\$ 0	\$ 16,350	\$ 0	\$ 0	\$ 1,844,053
0	583,529	10,000	(528,780)	411,298
0	599,879	10,000	(528,780)	2,255,351
0	539,623	0	(474,660)	1,523,636
0	0	48,286	(54,120)	247,142
0	632	0	0	477,092
0	51,814	0	0	1,478,136
0	17,584	0	0	288,659
0	0	0	0	2,549,730
0	15,577	0	0	472,987
0	625,230	48,286	(528,780)	7,037,382
0	(25,351)	(38,286)	0	(4,782,031)
321,418	0	40,426		4,268,437
0	2,355	0	0	10,769
321,418	2,355	40,426	0	4,279,206
321,418	(22,996)	2,140	0	(502,825)
336,308	0	0	0	336,308
657,726	(22,996)	2,140	0	(166,517)
0	71,640	49,059	0	6,377,755
(657,726)	0	0	0	0
(657,726)	71,640	49,059	0	6,377,755
\$ 0	\$ 48,644	\$ 51,199	\$ 0	\$ 6,211,238

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED
FOR THE YEAR ENDED MARCH 31, 2020

Annual Contributions Contract A-2584

The capital fund grant costs are as follows:

	<u>501-16</u>	<u>501-17</u>
Funds approved	\$ 570,155	\$ 586,725
Funds expended	<u>570,155</u>	<u>586,725</u>
Excess / (Deficiency) of funds advanced	\$ <u>0</u>	\$ <u>0</u>
 Funds advanced	 \$ 570,155	 \$ 586,725
Funds expended	<u>570,155</u>	<u>586,725</u>
Excess / (Deficiency) of funds advanced	\$ <u>0</u>	\$ <u>0</u>
 Cost additions during the current audit period were as follows:	 \$ <u>257</u>	 \$ <u>61,132</u>

The above cost additions were audited by Goldie Roberts, CPA.

The distribution of costs by project as shown on the Final Statement of Capital Fund Grant Costs on the above Phase, accompanying the Actual Capital Fund Grant Costs Certificate submitted to HUD are in agreement with the Authority records.

All capital fund work in connection with the Project has been completed.

All liabilities have been paid and there are no undischarged mechanics', laborers', contractors', or material-mens' liens against the Project on file in any public office where the same should be filed in order to be valid and the time in which such liens could be filed has expired.

There were no budget overruns.

Housing Authority of Henderson (KY012)
Henderson, KY

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	14 228 Community Development Block Grants/State's Program	14 871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$995,198	\$222,971	\$29,585	\$51,199	\$559,592	\$1,859,545		\$1,859,545
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted			\$78,054			\$78,054		\$78,054
114 Cash - Tenant Security Deposits	\$93,803	\$6,800			\$600	\$101,203		\$101,203
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$1,089,001	\$229,771	\$107,639	\$51,199	\$560,192	\$2,037,802		\$2,037,802
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects	\$223					\$223		\$223
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous					\$48	\$48		\$48
126 Accounts Receivable - Tenants	\$5,278	\$1,150			\$0	\$6,428		\$6,428
126.1 Allowance for Doubtful Accounts - Tenants	-\$377	-\$196				-\$1,173		-\$1,173
126.2 Allowance for Doubtful Accounts - Other	\$0				\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery			\$60,312			\$60,312		\$60,312
128.1 Allowance for Doubtful Accounts - Fraud			-\$60,312			-\$60,312		-\$60,312
129 Accrued Interest Receivable	\$2,692				\$1,105	\$3,797		\$3,797
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$7,216	\$954	\$0	\$0	\$1,153	\$9,323		\$9,323
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$25,789				\$4,252	\$30,041		\$30,041
143 Inventories	\$18,513					\$18,513		\$18,513
143.1 Allowance for Obsolete Inventories	\$0					\$0		\$0
144 Inter Program Due From								
145 Assets Held for Sale								
150 Total Current Assets	\$1,140,519	\$230,725	\$107,639	\$51,199	\$565,597	\$2,095,679		\$2,095,679
161 Land								
162 Buildings	\$582,328	\$156,022			\$183,661	\$924,011		\$924,011
163 Furniture, Equipment & Machinery - Dwellings	\$5,123,671	\$2,457,479			\$232,217	\$7,813,367		\$7,813,367
164 Furniture, Equipment & Machinery - Administration	\$225,840				\$0	\$225,840		\$225,840
165 Leasehold Improvements	\$889,747		\$25,747		\$51,569	\$967,063		\$967,063
	\$14,282,606	\$20,201				\$14,302,807		\$14,302,807

166	Accumulated Depreciation	-\$18,552,860	-\$347,174	-\$21,361	-\$75,673	-\$18,997,068	-\$18,997,068
167	Construction in Progress	\$2,741,975				\$2,741,975	\$2,741,975
168	Infrastructure						
160	Total Capital Assets, Net of Accumulated Depreciation	\$5,293,307	\$2,288,528	\$4,386	\$0	\$7,977,995	\$7,977,995
171	Notes, Loans and Mortgages Receivable - Non-Current						
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173	Grants Receivable - Non Current						
174	Other Assets						
176	Investments in Joint Ventures						
180	Total Non-Current Assets	\$5,293,307	\$2,288,528	\$4,386	\$0	\$7,977,995	\$7,977,995
200	Deferred Outflow of Resources	\$587,764		\$107,053	\$243,136	\$937,973	\$937,973
290	Total Assets and Deferred Outflow of Resources	\$7,021,610	\$2,519,253	\$219,078	\$51,199	\$11,011,647	\$11,011,647
311	Bank Overdraft						
312	Accounts Payable <= 90 Days	\$4,584	\$455	\$789	\$4,206	\$10,034	\$10,034
321	Accrued Wage/Payroll Taxes Payable	\$28,722		\$3,548	\$7,264	\$39,534	\$39,534
322	Accrued Compensated Absences - Current Portion	\$1,677		\$169	\$2,164	\$4,010	\$4,010
324	Accrued Contingency Liability						
325	Accrued Interest Payable						
331	Accounts Payable - HUD PHA Programs	\$226				\$226	\$226
332	Account Payable - PHA Projects						
333	Accounts Payable - Other Government	\$121,821	\$13,531		\$1,572	\$136,924	\$136,924
341	Tenant Security Deposits	\$93,603	\$6,800		\$600	\$101,203	\$101,203
342	Unearned Revenue	\$99,671	\$347		\$0	\$100,018	\$100,018
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344	Current Portion of Long-term Debt - Operating Borrowings						
345	Other Current Liabilities						
346	Accrued Liabilities - Other	\$39,029	\$344		\$53	\$39,426	\$39,426
347	Inter Program - Due To						
348	Loan Liability - Current						
310	Total Current Liabilities	\$369,533	\$21,477	\$4,506	\$15,859	\$431,375	\$431,375
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352	Long-term Debt, Net of Current - Operating Borrowings						
353	Non-current Liabilities - Other						
354	Accrued Compensated Absences - Non Current	\$68,696		\$6,977	\$88,590	\$164,263	\$164,263
355	Loan Liability - Non Current						
356	FASB 5 Liabilities						
357	Accrued Pension and OPEB Liabilities	\$2,347,410		\$427,256	\$922,314	\$3,696,980	\$3,696,980
350	Total Non-Current Liabilities	\$2,416,106	\$0	\$434,233	\$1,010,904	\$3,861,243	\$3,861,243

300 Total Liabilities	\$2,805,639	\$21,477	\$438,739	\$0	\$1,026,763	\$4,292,618	\$4,292,618
400 Deferred Inflow of Resources	\$323,762		\$88,929		\$125,100	\$507,791	\$507,791
508.4 Net Investment in Capital Assets	\$5,293,307	\$2,288,528	\$4,386		\$391,774	\$7,977,995	\$7,977,995
511.4 Restricted Net Position	\$0	\$0	\$70,854	\$0	\$0	\$70,854	\$70,854
512.4 Unrestricted Net Position	\$1,401,098	\$209,248	-\$353,830	\$51,199	-\$343,130	-\$1,837,611	-\$1,837,611
513 Total Equity - Net Assets / Position	\$3,892,209	\$2,497,776	-\$278,590	\$51,199	\$48,644	\$6,211,238	\$6,211,238
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$7,021,610	\$2,519,253	\$219,078	\$51,199	\$1,200,507	\$11,011,647	\$11,011,647

Housing Authority of Henderson (KY012)
Henderson, KY

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	14 228 Community Development Block Grants/State's Program	14 871 Housing Choice Vouchers	2 State/Local	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,622,848	\$137,541			\$16,350	\$1,776,739		\$1,776,739
70400 Tenant Revenue - Other	\$67,314					\$67,314		\$67,314
70500 Total Tenant Revenue	\$1,690,162	\$137,541	\$0	\$0	\$16,350	\$1,844,053	\$0	\$1,844,053
70600 HUD PHA Operating Grants	\$1,377,161		\$2,860,830			\$4,228,011		\$4,228,011
70610 Capital Grants	\$336,308					\$336,308		\$336,308
70710 Management Fee					\$382,935	\$382,935	\$382,935	\$0
70720 Asset Management Fee					\$54,120	\$54,120	-\$54,120	\$0
70730 Book Keeping Fee					\$91,725	\$91,725	-\$91,725	\$0
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue					\$528,780	\$528,780	-\$528,780	\$0
70800 Other Government Grants				\$40,426		\$40,426		\$40,426
71100 Investment Income - Unrestricted	\$8,399		\$15		\$2,355	\$10,769		\$10,769
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery			\$16,814			\$16,814		\$16,814
71500 Other Revenue	\$320,005	\$2,246	\$7,484	\$10,000	\$54,749	\$394,484		\$394,484
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	\$3,732,055	\$139,787	\$2,875,143	\$50,426	\$602,234	\$7,399,645	-\$528,780	\$6,870,865
91100 Administrative Salaries	\$195,892		\$135,214			\$614,355		\$614,355
91200 Auditing Fees	\$4,191	\$149	\$4,557		\$835	\$9,732		\$9,732
91300 Management Fee	\$367,818	\$15,117				\$382,935	-\$382,935	\$0
91310 Book-keeping Fee	\$37,935	\$1,845	\$51,945			\$91,725	-\$91,725	\$0
91400 Advertising and Marketing	\$0				\$525	\$525		\$525
91500 Employee Benefit Contributions - Administrative	\$159,841		\$112,416		\$217,671	\$489,928		\$489,928
91600 Office Expenses	\$43,560	\$437	\$17,394		\$13,762	\$75,153		\$75,153
91700 Legal Expense	\$0				\$813	\$813		\$813
91800 Travel	\$5,501		\$365		\$9,861	\$15,727		\$15,727
91810 Allocated Overhead	\$0					\$0		\$0
91900 Other	\$286,293	\$347	\$9,689		\$5,911	\$302,240		\$302,240

91000 Total Operating - Administrative	\$1,102,031	\$17,895	\$331,580	\$0	\$531,627	\$1,983,133	-\$474,660	\$1,508,473
92000 Asset Management Fee								
92100 Tenant Services - Salaries	\$51,600	\$2,520				\$54,120	-\$54,120	\$0
92200 Relocation Costs	\$92,578			\$4,371		\$96,949		\$96,949
92300 Employee Benefit Contributions - Tenant Services	\$89,605					\$89,605		\$89,605
92400 Tenant Services - Other	\$16,673			\$43,915	\$0	\$60,588		\$60,588
92500 Total Tenant Services	\$198,856	\$0	\$0	\$48,286	\$0	\$247,142	\$0	\$247,142
93100 Water	\$45,697	\$1,177				\$46,874		\$46,874
93200 Electricity	\$296,598	\$1,353			\$632	\$298,583		\$298,583
93300 Gas	\$45,541	\$349				\$45,890		\$45,890
93400 Fuel								
93500 Labor	\$2,850					\$2,850		\$2,850
93600 Sewer	\$79,813	\$1,632				\$81,445		\$81,445
93700 Employee Benefit Contributions - Utilities	\$0					\$0		\$0
93800 Other Utilities Expense	\$1,450					\$1,450		\$1,450
93900 Total Utilities	\$471,949	\$4,511	\$0	\$0	\$632	\$477,082	\$0	\$477,082
94100 Ordinary Maintenance and Operations - Labor	\$503,979	\$4,014			\$200	\$508,193		\$508,193
94200 Ordinary Maintenance and Operations - Materials and Other	\$255,553	\$43,398	\$438		\$0,166	\$305,545		\$305,545
94300 Ordinary Maintenance and Operations Contracts	\$226,983	\$15,469	\$10,353		\$45,448	\$298,253		\$298,253
94500 Employee Benefit Contributions - Ordinary Maintenance	\$361,158	\$2,987				\$364,145		\$364,145
94000 Total Maintenance	\$1,347,673	\$65,858	\$10,791	\$0	\$51,814	\$1,476,136	\$0	\$1,476,136
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$73,200	\$6,523	\$889		\$1,739	\$82,351		\$82,351
96120 Liability Insurance	\$4,590	\$226	\$6,409		\$7,652	\$18,877		\$18,877
96130 Workmen's Compensation	\$18,505	\$0	\$3,123		\$6,621	\$28,249		\$28,249
96140 All Other Insurance	\$0					\$0		\$0
96100 Total Insurance Premiums	\$96,295	\$6,749	\$10,421	\$0	\$16,012	\$129,477	\$0	\$129,477
96200 Other General Expenses								
96210 Compensated Absences	\$5,986		\$181		\$7,996	\$15,163		\$15,163
96300 Payments in Lieu of Taxes	\$121,821	\$13,531			\$1,572	\$136,924		\$136,924
96400 Bad debt - Tenant Rents	\$22,380	-\$122				\$22,258		\$22,258
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96900 Severance Expense								

96000	Total Other General Expenses	\$151,187	\$13,409	\$181	\$0	\$9,568	\$174,345	\$0	\$174,345
96710	Interest of Mortgage (or Bonds) Payable								
96720	Interest on Notes Payable (Short and Long Term)								
96730	Amortization of Bond Issue Costs								
96700	Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900	Total Operating Expenses	\$3,419,591	\$110,942	\$352,973	\$48,286	\$609,653	\$4,541,445	-\$528,780	\$4,012,665
97000	Excess of Operating Revenue over Operating Expenses	\$312,464	\$28,845	\$2,522,170	\$2,140	-\$7,419	\$2,859,200	\$0	\$2,859,200
97100	Extraordinary Maintenance								
97200	Casualty Losses - Non-capitalized	\$2,000					\$2,000		\$2,000
97300	Housing Assistance Payments			\$2,549,730			\$2,549,730		\$2,549,730
97350	HAP Portability-In								
97400	Depreciation Expense	\$395,394	\$61,942	\$74		\$15,577	\$472,987		\$472,987
97500	Fraud Losses								
97600	Capital Outlays - Governmental Funds								
97700	Debt Principal Payment - Governmental Funds								
97800	Dwelling Units Rent Expense								
90000	Total Expenses	\$3,816,985	\$172,884	\$2,902,777	\$48,286	\$625,230	\$7,566,162	-\$528,780	\$7,037,382
10010	Operating Transfer In	\$321,418					\$321,418		\$321,418
10020	Operating Transfer Out	-\$321,418					-\$321,418		-\$321,418
10030	Operating Transfers from/to Primary Government								
10040	Operating Transfers from/to Component Unit								
10050	Proceeds from Notes, Loans and Bonds								
10060	Proceeds from Property Sales								
10070	Extraordinary Items, Net Gain/Loss								
10080	Special Items (Net Gain/Loss)								
10091	Inter-Project Excess Cash Transfer In								
10092	Inter-Project Excess Cash Transfer Out								
10093	Transfers between Program and Project - In								
10094	Transfers between Project and Program - Out								
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$84,930	-\$33,097	-\$27,634	\$2,140	-\$22,966	-\$166,517	\$0	-\$166,517
11020	Required Annual Debt Principal Payments								
11030	Beginning Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$3,977,139	\$2,530,873	-\$250,956	\$49,059	\$71,640	\$6,377,755		\$6,377,755
11050	Changes in Compensated Absence Balance								
11060	Changes in Contingent Liability Balance								
11070	Changes in Unrecognized Pension Transition Liability								

[illegible]

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2020

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense, housing assistance payments and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue, gains and losses on the disposal of capital assets and interest expense in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2020

ANNUAL CONTRIBUTION CONTRACT	PROGRAM AND ASSISTANCE TYPE	CFDA NUMBER	AWARD	EXPENDITURES
	<u>U. S. DEPARTMENT OF HUD</u>			
A-2584	Low Income Public Housing	14.850	\$ 1,055,763	\$ 1,055,763
A-2575	Housing Voucher Cluster Section 8 Housing Choice Voucher Program	14.871	2,850,830	2,850,830
A-2584	Public Housing Capital Fund Program	14.872	<u>3,005,626</u>	<u>657,726</u>
TOTAL HUD ASSISTANCE			<u>6,912,219</u>	<u>4,564,319</u>
	<u>Other Grants</u>			
	United Way Grant		52,512	34,061
	CACFP Grant **		<u>6,365</u>	<u>6,365</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 6,971,096</u>	<u>\$ 4,604,745</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 ' Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Housing Authority of Henderson under programs of the federal government for the year ended March 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Housing Authority of Henderson, it is not intended to and does not present the financial position, changes in net position or cash flow of Housing Authority of Henderson.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note A. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Housing Authority of Henderson has not elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

** State of Kentucky Grants - Pass through

OTHER REPORTS

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.
Fredericksburg, IN 47120

Report On Internal Control Over Financial Reporting and on Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
Housing Authority of Henderson
111 S. Adams Street
Henderson, Kentucky 42420-3611

I 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 Housing Authority of Henderson, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority of Henderson's basic financial statements and have issued my report thereon dated September 11, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 the Housing Authority of Henderson's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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 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.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
September 11, 2020

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

Report on Compliance For Each Major Federal Program; Report on Internal Control Over
Compliance Required by Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of Henderson
111 S. Adams Street
Henderson, Kentucky 42420-3611

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of Henderson's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of Henderson's major federal programs for the year ended March 31, 2020. The Housing Authority of Henderson'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 the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance with each of the Housing Authority of Henderson's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I 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 the Housing Authority of Henderson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Housing Authority of Henderson's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of Henderson, 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 March 31, 2020.

Report on Internal Control Over Compliance

Management of the Housing Authority of Henderson is responsible for establishing and maintaining effective internal control over the type of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of Henderson'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 audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of Henderson'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
September 11, 2020

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

MARCH 31, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the
financial statements audited were prepared in
accordance with GAAP: Unmodified

Internal control over financial reporting:

~ Material weakness(es) identified? yes X no
~ Significant deficiency(s) identified? yes X none reported
Noncompliance material to financial statements
noted? yes X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified? yes X no
~ Significant deficiency(s) identified that are
not considered to be material weakness(es)? yes X none reported
Type of auditors' report issued on compliance
for major federal programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Public and Indian Housing
14.872	Public Housing Capital Fund

Dollar threshold used to distinguish
between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

MARCH 31, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

PRIOR AUDIT FINDINGS

There were no Prior Year matters reported.

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.