

HOUSING AUTHORITY OF HENDERSON

AUDITED FINANCIAL STATEMENTS

Henderson, Kentucky

March 31, 2021

Goldie Roberts

Certified Public Accountant

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Fredericksburg, IN
812-472-3527

HOUSING AUTHORITY
OF HENDERSON

Henderson, Kentucky
MARCH 31, 2021

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Certified Public Accountant

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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, 2021, 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, 2021, 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 Principles 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 November 17, 2021 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 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2021

Management's discussion and analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, and (c) identify changes in the Authority's financial position for the fiscal year ended March 31, 2021. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

As of March 31, 2021, total assets and deferred outflows of resources were \$11,307,044 as compared to \$11,011,647, as of March 31, 2020, an increase of \$295,397. Current assets increased \$484,592 and capital assets decreased \$189,240.

At fiscal year-end 2021, the Authority reported \$1,019,582 in deferred outflow of resources due to the adoption of GASB 68.

Total liabilities increased \$58,791 due to increases in current liabilities of \$60,695 and increases in non-current liabilities of \$643,847.

Deferred inflows of resources were \$327,650 due to the adoption of GASB 68.

In 2021, total revenue increased \$263,179, as compared to 2020, due mainly to increases in Federal Grants & Subsidy revenue.

Total expenses increased \$325,494 due to increases in routine and non-routine maintenance, depreciation, and pension liability due to GASB 68.

Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Authority's accounting records are structured as an enterprise fund with revenues recognized when earned, rather than when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and depreciated over their estimated useful lives. The accounting for enterprise funds is similar to the accounting used by businesses. See the note to the financial statements for a summary of the Authority's significant accounting policies.

Following the MD&A are the basic financial statements of the Authority together with notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The **Statement of Net Position** presents information similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources of the Authority. The statement is presented in the format where assets, minus liabilities, equal net position. Assets and liabilities are presented in order of liquidity and are classified as current and non-current.

Net position is reported in three broad categories:

Net Investment in Capital Assets: This component consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component consists of assets that are constrained by limitations placed on their use by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: This component consists of net position that is not restricted and does not meet the definition of Investment in Capital Assets.

**HOUSING AUTHORITY OF HENDERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

The **Statement of Revenues, Expenses, and Changes in Fund Net Position** presents information showing how the Authority's net position changed during the year. This statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, and maintenance, and non-operating revenue and expenses, such as grant revenue, investment income, interest expense, and gains or losses from the sale or disposition of capital assets. The focus of the statement is the change in net position, which is similar to net income or loss for a business entity.

The **Statement of Cash Flows** reports net cash provided by or used by operating activities, non-capital financing activities, capital and related financing activities and investing activities.

The **Notes to Financial Statements** provide additional information that is essential to a full understanding of the information included in the financial statements.

In addition to the basic financial statements and accompanying notes, this report includes two types of supplementary information: required supplementary information and other supplementary information. Required supplementary information must be included to conform with generally accepted accounting principles. Management's discussion and analysis is the required supplementary information.

Other supplementary information is not required by generally accepted accounting principles but is presented for additional analysis purposes or to meet other requirements. The financial data schedule is required by the U.S. Department of Housing and Urban Development (HUD). The schedule of expenditures of federal awards is required by the U.S. Office of Management and Budget and the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called "Uniform Guidance")*.

**HOUSING AUTHORITY OF HENDERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

Financial Position and Analysis

Table 1 compares the Authority's financial position for the fiscal years ended March 31, 2021 and 2020:

Table 1 - Entity-Wide Balance Sheet Comparison

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Variance</u>
<u>Assets</u>				
Current Assets	\$ 2,498,665	\$ 2,095,679	\$ 402,986	19.23%
Capital Assets, Net	<u>7,788,755</u>	<u>7,977,995</u>	<u>(189,240)</u>	<u>-2.37%</u>
Total Assets	<u>10,287,420</u>	<u>10,073,674</u>	<u>213,746</u>	<u>2.12%</u>
Deferred Outflows of Resources	<u>1,019,582</u>	<u>937,973</u>	<u>81,609</u>	<u>8.70%</u>
Total Assets and Deferred Outflows of Resources	<u><u>11,307,000</u></u>	<u><u>11,011,647</u></u>	<u><u>295,353</u></u>	<u><u>2.68%</u></u>
<u>Liabilities</u>				
Current Liabilities	491,963	431,375	60,588	14.05%
Noncurrent Liabilities	<u>4,505,092</u>	<u>3,861,243</u>	<u>(643,849)</u>	<u>-16.67%</u>
Total Liabilities	<u>4,997,055</u>	<u>4,292,618</u>	<u>(704,437)</u>	<u>-16.41%</u>
Deferred Inflow of Resources	<u>327,650</u>	<u>507,791</u>	<u>(180,141)</u>	<u>-35.48%</u>
Net Position				
Investment in Capital Assets	7,788,752	8,048,849	(260,097)	-3.23%
Unrestricted Net Position	<u>(1,806,457)</u>	<u>(1,837,611)</u>	<u>31,154</u>	<u>-16.95%</u>
Total Net Position	<u>5,982,295</u>	<u>6,211,238</u>	<u>(228,943)</u>	<u>-3.69%</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 11,307,000</u></u>	<u><u>\$ 11,011,647</u></u>	<u><u>\$ (295,353)</u></u>	<u><u>-2.68%</u></u>

Current Assets increased by \$402,986 or 19.23 percent. This increase is due mainly to an increase in operating revenue more than the decrease in operating expenses.

Capital Assets, Net decreased by \$189,240 or 2.37 percent primarily due to an increase of capital assets (Furniture and Equipment and Construction in Progress) and a decrease of depreciation expense.

Current Liabilities increased by \$60,588 or 14.05 percent. This increase is primarily due to an increase of account payables and other current liabilities.

**HOUSING AUTHORITY OF HENDERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

Table 2 focuses on the changes in Net Position

Table 2 - Entity-Wide Income Statement Comparison

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Variance</u>
Revenue & Expenses				
Revenue	\$ 6,651,343	\$ 6,870,865	\$ (219,522)	-3.20%
Expenses	<u>6,880,286</u>	<u>7,037,382</u>	<u>(157,096)</u>	<u>-2.23%</u>
Total Operating Income (Loss)	(228,943)	(166,517)	(395,460)	-237.49%
Income (Loss) in Net Position	(228,943)	(166,517)	(395,460)	-237.49%
Net Position, Beginning of year	<u>6,211,238</u>	<u>6,377,755</u>	<u>(166,517)</u>	<u>-2.61%</u>
Net Position, End of year	<u>\$ 5,982,295</u>	<u>\$ 6,211,238</u>	<u>\$ (228,943)</u>	<u>-3.69%</u>

Table 3 presents a summary of the Authority's revenue by source:

Table 3 - Entity-Wide Income Statement Comparison

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Variance</u>
Operating Revenue				
Tenant Revenue	\$ 1,785,733	\$ 1,844,053	\$ (58,320)	-3.16%
Government				
Operating Grants	4,651,050	4,268,437	382,613	8.96%
Investment Income	11,983	10,769	1,214	11.27%
Other Income	<u>202,577</u>	<u>411,298</u>	<u>(208,721)</u>	<u>-50.75%</u>
Total Operating Income	<u>6,651,343</u>	<u>6,534,557</u>	<u>116,786</u>	<u>1.79%</u>
Total Revenue	<u>\$ 6,651,343</u>	<u>\$ 6,534,557</u>	<u>\$ 116,786</u>	<u>1.79%</u>

Government Operating Grants increased by \$382,616 or 8.96 percent due to additional funds from the CARES Act

Tenant Revenue decreased by \$58,320 or 3.16 percent due to a decrease in tenant income during COVID.

**HOUSING AUTHORITY OF HENDERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

Table 4 presents a summary of the Authority's operating expenses:

Table 4 - Entity -Wide Expense Comparison

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Variance</u>
Administrative Expense	\$ 1,592,098	\$ 1,508,473	\$ 53,625	3.55%
Tenant Services	131,299	247,142	(115,843)	-46.87%
Utilities	479,351	477,092	2,259	0.47%
Routine Maintenance	1,264,243	1,476,136	(211,893)	-14.35%
Protective Services	-	168,771	(168,771)	-100%
General Expenses	307,648	135,051	172,597	152.57%
Interest Expenses	-	2,549,730	(2,549,730)	-100%
Non-Routine Expenses	2,672,191	2,000	2,670,191	133,509.55%
Depreciation	433,456	472,987	(39,531)	-8.36%
Total Operating Expenses	<u>\$ 6,880,286</u>	<u>\$ 7,037,382</u>	<u>\$ (157,096)</u>	<u>-22.32%</u>

Administrative Expenses increased by \$53,325 or 3.55 percent due to the additional COVID related expenses.

General Expenses increased by \$172,597 or 152.57 percent due to the additional COVID related expenses.

Depreciation decreased by \$39,531 or 8.36 percent due to fully depreciated assets in the prior years.

**HOUSING AUTHORITY OF HENDERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

Budgetary Analysis

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public Housing is adopted on the basis of accounting described by HUD, which differs in some respects from generally accepted accounting principles.

Low-Income Public Housing Budgetary Highlights

Table 5 - Low Income Public Housing Program - Actual vs. Budget

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Percent Variance Favorable (Unfavorable)</u>
<u>Operating Revenue</u>				
Tenant Revenue	\$ 1,756,340	\$ 1,785,733	\$ 29,393	1.67%
Government Operating Grants	2,152,029	4,651,053	2,499,024	116.12%
Investment Income	5,730	11,983	6,253	100%
Total Revenue	<u>3,914,099</u>	<u>6,448,769</u>	<u>2,534,670</u>	<u>64.76%</u>
<u>Expenses</u>				
Administrative	1,067,610	1,592,098	(524,488)	-49.12%
Tenant Services	120,500	131,299	(125,816)	-104.41%
Utilities	499,350	479,352	19,998	4%
Routine Maintenance	1,215,870	1,264,243	(48,373)	-3.98%
General Expenses	1,450,110	307,648	1,142,462	78.78%
Non-Routine Expenses	8,450	2,672,191	(2,663,741)	-31,523.56%
Depreciation	-	433,455	(433,455)	100.00%
Total Expenses	<u>4,361,890</u>	<u>6,880,286</u>	<u>(2,518,396)</u>	<u>-57.74%</u>
Income Over (Under) Expenses	<u>\$ (447,791)</u>	<u>\$ (431,517)</u>	<u>\$ (16,274)</u>	<u>3.63%</u>

Administrative Expense was over budget by \$524,488 or 49.12 percent due to the additional COVID related expenses.

Tenant Services Expense was over budget by \$125,816 or 104.41 percent due to additional services needed in the current year.

Depreciation exceeded the budget by \$433,455 or 100 percent due to amounts not being included in the budget.

**HOUSING AUTHORITY OF HENDERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

Capital Assets

Table 6 summarizes the Authority's investment in capital assets.

Table 6 - Summary of Entity-Wide Capital Asset Activity

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Variance</u>
Land	\$ 924,011	\$ 924,011	\$ -	0.00%
Buildings	22,116,174	22,116,174	-	0.00%
Furniture and Equipment - Dwellings	225,840	225,840	-	0.00%
Furniture and Equipment - Administration	980,737	967,063	13,674	1.41%
Construction in progress	<u>2,972,072</u>	<u>2,741,975</u>	<u>230,097</u>	<u>-100.00%</u>
	27,218,834	26,975,063	243,771	0.90%
Less: accumulated depreciation	(19,430,079)	(18,997,068)	(433,011)	2.28%
Capital Assets, Net	<u>\$ 7,788,755</u>	<u>\$ 7,977,995</u>	<u>\$ (189,240)</u>	<u>2.00%</u>

Acquisitions are capitalized at cost and depreciated using the straight-line method of depreciation. Additional information and details can be found in the Notes to the Financial Statements.

Capital funding available for 2021 is as follows:

Table 7 - Summary of Capital Fund Grants

	<u>Grant</u>	<u>Total Budget</u>	<u>Expended through 3/31/2021</u>	<u>Budget Remaining at 3/31/2021</u>
Capital Fund Program 2018	501-18	\$910,237	\$767,982	\$ 142,255
Capital Fund Program 2019	501-19	948,863	319,637	<u>629,226</u>
				<u>\$ 771,481</u>

**HOUSING AUTHORITY OF HENDERSON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021**

Significant Economic Factors Affecting the Authority

- The Department of Housing and Urban Development (HUD) has historically been underfunded to meet the subsidy needs of Public Housing Authorities (PHAs). We do not expect this trend to change.
- Even if HUD were fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. Further, increased funding for the Departments of Defense and Homeland Security may result in reduced appropriations for all other domestic program spending.
- Rising cost of utility rates, supplies, and other costs may impact our budgets in future years.

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for those interested. If you should have additional questions regarding the financial information, you can contact our offices by writing to the following address:

Housing Authority of Henderson
Attn: Bobbie Jarrett
Executive Director

111 S Adams Street
Henderson, KY 42420

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

STATEMENT OF NET POSITION
MARCH 31, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,239,741
Restricted cash and cash equivalents	193,727
Accounts receivable, net	17,395
Prepaid expenses	29,991
Inventory	17,812
Total Current Assets	2,498,666

Capital Assets

Land and other nondepreciable assets	3,896,080
Depreciable capital assets, net	3,892,672
Total Capital Assets	7,788,752

Total Assets **10,287,418**

Deferred outflow of resources

Pension related	1,019,582
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Total Assets and Deferred Outflow of Resources **11,307,000**

LIABILITIES

Current liabilities

Accounts payable	45,869
Accrued liabilities	185,163
Unearned Revenue	159,358
Payable from restricted cash and cash equivalants:	
Tenant security deposits	101,573
Current liabilities	491,963

Noncurrent liabilities

Accrued Compensated Absences	162,467
Net Pension and OPEB Liability	4,342,625
Total Noncurrent Liabilities	4,505,092

Total Liabilities **4,997,055**

Deferred inflow of resources

Pension related	327,650
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NET POSITION

Investment in capital assets	7,788,752
Restricted	49,670
Unrestricted	(1,856,127)
TOTAL NET POSITION	\$ 5,982,295

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, 2021

OPERATING REVENUES

Rental income	\$ 1,785,733
Other income	<u>202,577</u>
Total Operating Revenues	<u>1,988,310</u>

OPERATING EXPENSES

Administrative	1,592,098
Tenant services	131,299
Utilities	479,352
Ordinary maintenance and operation	1,264,243
General expense	307,648
Housing assistance payments	2,672,191
Depreciation expense	<u>433,455</u>
Total Operating Expense	<u>6,880,286</u>

Operating Income (Loss) (4,891,976)

NONOPERATING REVENUES

Federal and State operating grants	4,420,956
Interest income	<u>11,983</u>

Total Nonoperating Revenues 4,432,939

Net income before capital contributions (459,037)

Capital contributions 230,094

Change in Net Position (228,943)

NET POSITION - BEGINNING OF YEAR 6,211,238

NET POSITION - END OF YEAR \$ 5,982,295

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 2,039,578
Payments to vendors	(1,191,426)
Payments to landlords	(2,672,191)
Payments to employees	(2,199,116)
Net Cash Used by Operating Activities	<u>(4,023,155)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received	230,094
Acquisition and construction of capital assets	(244,212)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(14,118)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	11,983
Net Cash Flows Provided (Used) by Investing Activities	<u>11,983</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received	4,420,956
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>4,420,956</u>

Net Increase (Decrease) in Cash and Cash Equivalents	395,666
Cash - Beginning of year	<u>2,037,802</u>
Cash - End of year	<u>\$ 2,433,468</u>
Reconciliation of Cash	
Unrestricted	\$ 2,239,741
Restricted	193,727
	<u>\$ 2,433,468</u>

Continued

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021
(CONTINUED)

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

Operating income (loss)	\$ (4,891,976)
Adjustments to reconcile net operating income to net cash Provided by operating activities:	
Depreciation	433,455
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable, net	(8,072)
Prepaid expenses	50
Inventory	701
Increase (Decrease) in:	
Accounts payable	(3,449)
Accrued liabilities	2,901
Pension related	383,895
Unearned Revenue	59,340
Net Cash Flows Provided (Used) by Operating Activities	\$ <u>(4,023,155)</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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, 2021:

<u>Management:</u>	<u>Units</u>
Low-Income Public Housing	430
 <u>Section 8:</u>	
Vouchers	<u>738</u>
	<u>1,168</u>
 <u>Capital Fund</u>	
501-18	
501-18 Safety and Security	
501-19	
501-20	

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, 2021
(Continued)

	Housing Authority of Henderson	Component Unit	Total
<u>Condensed Statement of Net Position</u>			
Current assets	\$ 2,353,907	\$ 144,759	\$ 2,498,666
Capital assets	7,788,752	0	7,788,752
Deferred outflow	1,019,582	0	1,019,582
Total assets	<u>11,162,241</u>	<u>144,759</u>	<u>11,307,000</u>
Current liabilities	407,450	84,513	491,963
Noncurrent liabilities	4,505,092	0	4,505,092
Total liabilities	<u>4,912,542</u>	<u>84,513</u>	<u>4,997,055</u>
Deferred inflow	<u>327,650</u>	<u>0</u>	<u>327,650</u>
Investment in capital assets	\$ 7,788,752	\$ 0	7,788,752
Restricted	49,670	0	49,670
Unrestricted	<u>(1,916,373)</u>	<u>60,246</u>	<u>(1,856,127)</u>
Total Net Position	<u>\$ 5,922,049</u>	<u>\$ 60,246</u>	<u>\$ 5,982,295</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating revenues	\$ 1,976,177	\$ 12,133	\$ 1,988,310
Operating expenses			
Operating expense - other	(6,443,745)	(3,086)	(6,446,831)
Depreciation expense	(433,455)	0	(433,455)
Nonoperating revenue			
Nonoperating revenue - other	11,983	0	11,983
Federal operating grants	4,420,956	0	4,420,956
Capital contributions	<u>230,094</u>	<u>0</u>	<u>230,094</u>
Change in net position	<u>(237,990)</u>	<u>9,047</u>	<u>(228,943)</u>
Net Position, beginning of year	<u>6,160,039</u>	<u>51,199</u>	<u>6,211,238</u>
Net Position, end of year	<u>\$ 5,922,049</u>	<u>\$ 60,246</u>	<u>\$ 5,982,295</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENT
MARCH 31, 2021
(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	\$ (4,014,108)	\$ 9,047	\$ (4,023,155)
Net Cash From Noncapital			
Financing Activities	4,420,956	0	4,420,956
Net Cash Flows Used by Capital			
and Related Financing Activities	(14,118)	0	(14,118)
Net Cash From Investing Activities	11,983	0	11,983
Net Increase in Cash and Cash Equivalents	<u>386,619</u>	<u>9,047</u>	<u>395,666</u>
Cash - Beginning of year	1,986,603	51,199	2,037,802
Cash - End of year	<u>\$ 2,373,222</u>	<u>\$ 60,246</u>	<u>\$ 2,433,468</u>

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, 2021

(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, 2021

(Continued)

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

Prepaid – Prepaids represent payments made to vendors for services that will benefit beyond March 31, 2021.

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, 2021

(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, 2021, 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, 2021, the carrying amount of the Authority's deposits was \$2,433,468 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	\$ 2,033,468
Certificates of Deposit	<u>400,000</u>
Total	<u>\$ 2,433,468</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

(Continued)

NOTE C - Accounts Receivable:

Accounts receivable at March 31, 2021, consist of the following:

Tenant's accounts receivable - net of allowance for doubtful accounts of \$1,399	\$ 12,592
Fraud Recovery-net of allowance for doubtful accounts of \$63,511	0
Accrued interest receivable	4,759
Due from HUD	<u>44</u>
 Total	 <u>\$ 17,395</u>

NOTE D - Prepaid expenses:

Prepaid expenses at March 31, 2021, consist of the following:

Prepaid insurance	\$ <u>29,991</u>
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NOTE E - Inventory:

Inventory at March 31, 2021, consist of the following:

Materials and supplies	\$ <u>17,812</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 Balance	Increases	Decreases	Transfers	Ending Balance
	3/31/2020				3/31/2021
Capital assets not being depreciated:					
Land	\$ 924,011	\$ 0	\$ 0	\$ 0	\$ 924,011
Construction in Progress	<u>2,741,975</u>	<u>230,094</u>	<u>0</u>	<u>0</u>	<u>2,972,069</u>
Total Capital Assets, not being depreciated	3,665,986	230,094	0	0	3,896,080
 Capital Assets, being depreciated:					
Buildings & Improvements	22,116,173	0	0	0	22,116,173
Furniture, Equipment	<u>1,192,904</u>	<u>14,405</u>	<u>0</u>	<u>0</u>	<u>1,207,309</u>
Total Capital Assets, being depreciated	<u>23,309,077</u>	<u>14,405</u>	<u>0</u>	<u>0</u>	<u>23,323,482</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021
(Continued)

NOTE F - Capital Assets: (Continued)

Less Accumulated Depreciation for:

Buildings & Improvements	(18,397,824)	0	(368,438)	0	(18,766,262)
Furniture, Equipment and Machinery	<u>(599,244)</u>	<u>0</u>	<u>(64,573)</u>	<u>0</u>	<u>(663,817)</u>
Total Accumulated Depreciation	(18,997,068)	0	(433,011)	0	(19,430,079)
Total Capital Assets, being depreciated, net	<u>4,312,009</u>	<u>13,673</u>	<u>(433,010)</u>	<u>0</u>	<u>3,892,672</u>
Capital Assets, Net	<u>\$ 7,977,995</u>	<u>\$ 243,767</u>	<u>\$ (433,010)</u>	<u>\$ 0</u>	<u>\$ 7,788,752</u>

Major construction renovation through the Capital Fund Grant Program costs of \$1,112,669 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, 2021, is \$433,455.

NOTE G - Accounts payable:

Accounts payable at March 31, 2021, consist of the following:

Vendors' Accounts Payable	\$ 28,124
Accrued Utilities	<u>17,743</u>
Total	<u>\$ 45,867</u>

NOTE H - Accrued liabilities:

Accrued liabilities at March 31, 2021, consist of the following:

Payment in lieu of taxes	\$ 123,478
Accrued wages and payroll taxes	43,634
Accrued annual leave	<u>18,051</u>
Total	<u>\$ 185,163</u>

NOTE I - Unearned Revenue

Unearned Revenue at March 31, 2021, consisted of the following:

Prepaid Grant Revenue	\$ 126,997
Prepaid Rent	<u>32,361</u>
Total	<u>\$ 159,358</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

(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, 2020, 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, 2020.

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

At March 2021, the Housing Authority reported a liability of \$3,303,050 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension and used to calculate the liability was determined by an actuarial valuation as of June 30, 2020. 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, 2020, the Housing Authority's proportion was 0.043065%. For the year ended March 31, 2021, the Housing Authority recognized pension expense of \$199,860. At March 31, 2021, 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	\$ 143,176	\$ 60,521
Net difference between projected and actual investment earnings on pension plan investments	82,368	0
Changes of Assumptions	128,979	0
Changes in proportion & differences between employer	33,059	30,171
Employer payments after the measurement date	152,079	0
Total	\$ 539,661	\$ 90,692

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

(Continued)

NOTE J – Pension Plan: (Continued)

The \$587,442 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, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended March 31,	
2021	\$ 120,759
2022	100,783
2023	42,151
2024	<u>33,198</u>
Total	<u>\$ 296,891</u>

Actuarial assumptions: The total pension liability in the June 30, 2020 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, 2021

(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 inflation’s 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%
4,073,379	3,303,050	2,665,188

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, 2021
(Continued)

Note K-OPEB Plan:

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

As of March 31, 2021, the Housing Authority reported a liability of \$1,039,575 for its proportionate share of the Net OPEB liability. The net OPEB liability was measured of June 30, 2020, 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, 2020 the housing authority's proportion was 0.043052.%

For the year ended March 31, 2021, the housing authority recognized OPEB expense of \$63,114

The \$63,114 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, 2021. Other amounts reported as deferred inflows of resources related to Pensions will be recognized in pension expense as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 173,691	\$ 173,827
Net difference between projected and actual investment earnings on pension plan investments	55,766	21,213
Changes of Assumptions	180,825	1,100
Changes in proportion & differences between employer Housing Authority contributions subsequent to the measurement date	6,525	40,818
	<u>63,114</u>	<u>0</u>
Total	\$ <u>479,921</u>	\$ <u>236,958</u>

Year Ended March 31,

2021	\$ 46,693	
2022	56,918	
2023	37,354	
2024	41,892	
2025	<u>(3,009)</u>	
Total	\$ <u>179,848</u>	

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

(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 4.34%	Current 5.34%	1% Increase 6.34%
1,335,549	1,039,575	796,482

The above information is not audited.

NOTE L – Non-current Liabilities:

Non-current liabilities at March 31, 2021, consist of the following:

	3/31/2020		Additions		Deletions	3/31/2021	Current	Non-current
Accrued compensated absences	\$ 164,263	\$ 0	\$ (1,796)	\$ 162,467	\$ 18,051	\$ 180,518		\$ 180,518
Pension Liability	2,983,628	319,422	0	3,303,050	0	3,303,050		3,303,050
OPEB Liability	<u>713,351</u>	<u>326,224</u>	<u>0</u>	<u>1,039,575</u>	<u>0</u>	<u>1,039,575</u>		<u>1,039,575</u>
Total	<u>\$ 3,861,252</u>	<u>\$ 645,646</u>	<u>\$ (1,796)</u>	<u>\$ 4,505,092</u>	<u>\$ 18,051</u>	<u>\$ 4,523,143</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	\$ 1,058,897
Housing Choice Vouchers	3,062,214
Capital Fund Program	<u>299,845</u>
	<u>\$ 4,420,956</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, 2021, were \$230,094 from the Capital Fund Program.

HOUSING AUTHORITY OF HENDERSON

Henderson, Kentucky

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

(Continued)

NOTE O- Commitments and Contingencies:

Litigation: At March 31, 2021, 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, 2021. 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 70% 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, 2021

(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 November 17, 2021 (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

SCHEDULE OF THE HOUSING AUTHORITY OF HENDERSON'S CONTRIBUTIONS

KYRET Pension Plan
Last Ten Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$236,503	\$232,197	\$255,504	\$261,687	\$276,446	\$314,513	\$212,897
Contributions in relation to the contractually required contribution	236,503	232,197	255,504	261,687	276,446	314,513	212,897
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
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	\$1,156,068
Contributions as a percentage of covered	21.22%	21.76%	23.02%	23.32%	26.21%	28.36%	18.42%

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 Authority's Proportionate Share of the Net Pension Liability

KYRET Pension Plan
Last Ten Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020
Housing Authority of Henderson's proportion of the net pension liability	0.04382	0.04374	0.04416	0.046347	0.042903	0.042423	0.043065
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	\$5,303,050
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	\$1,156,068
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%	285.71%

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, 2021

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	0.05%	0.04%	0.04%
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	247	258	266
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 Level percent
Amortization Method	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	RP2000- 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, 2021

	Annual Contributions Contracts		
	A-2584	A-2584	A-2875E
	Low Income Public Housing	CDBG Grant	Section 8 Housing Choice Voucher Program
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,134,886	\$ 230,533	\$ 131,771
Restricted cash and cash equivalents	94,473	6,500	92,154
Accounts receivable, net	16,217	937	0
Prepaid expenses	26,449	0	0
Interfund	44	0	0
Inventory	17,812	0	0
Total Current Assets	1,289,881	237,970	223,925
Capital Assets			
Land and other nondepreciable assets	3,554,397	158,022	0
Depreciable capital assets, net	1,626,718	2,068,565	4,311
Total Capital Assets	5,181,115	2,226,587	4,311
Total Assets	6,470,996	2,464,557	228,236
Deferred outflow of resources			
Pension related	644,028	0	121,779
Total Assets and Deferred Outflow of Resources	7,115,024	2,464,557	350,015
LIABILITIES			
Current liabilities			
Accounts payable	43,568	342	55
Accrued liabilities	147,949	13,240	4,913
Unearned Revenue	32,097	264	42,484
Interfund	44	0	0
Payable from restricted cash and cash equivalents:			
Tenant security deposits	94,473	6,500	0
Total Current Liabilities	318,131	20,346	47,452
Noncurrent liabilities			
Long Term Compensated Absences	73,640	0	7,734
Net Pension and OPEB Liability	2,743,568	0	517,741
Total Noncurrent Liabilities	2,817,208	0	525,475
Total Liabilities	3,135,339	20,346	572,927
Deferred inflow of resources			
Pension related	207,002	0	39,063
NET POSITION			
Investment in capital assets	5,181,115	2,226,587	4,311
Restricted	0	0	49,670
Unrestricted	(1,408,432)	217,624	(315,956)
TOTAL NET POSITION	\$ 3,772,683	\$ 2,444,211	\$ (261,975)

<u>A-2584</u>				
<u>Capital Fund Programs</u>	<u>Central Office Cost Center</u>	<u>State & Local Programs</u>	<u>Elimination</u>	<u>Total</u>
\$ 0	\$ 597,792	\$ 144,759	\$ 0	\$ 2,239,741
0	600	0	0	193,727
0	241	0		17,395
0	3,542	0	0	29,991
0	0	0	(44)	0
0	0	0	0	17,812
<u>0</u>	<u>602,175</u>	<u>144,759</u>	<u>(44)</u>	<u>2,498,666</u>
0	183,661	0	0	3,896,080
0	193,078	0	0	3,892,672
0	376,739	0	0	7,788,752
0	978,914	144,759	(44)	10,287,418
0	253,775	0	0	1,019,582
0	1,232,689	144,759	(44)	11,307,000
0	1,904	0	0	45,869
0	19,061	0	0	185,163
0	0	84,513	0	159,358
0	0	0	(44)	0
0	600	0	0	101,573
0	21,565	84,513	(44)	491,963
				0
0	81,093	0	0	162,467
0	1,081,316	0	0	4,342,625
0	1,162,409	0	0	4,505,092
0	1,183,974	84,513	(44)	4,997,055
0	81,585	0	0	327,650
0	376,739	0	0	7,788,752
0	0	0	0	49,670
0	(409,609)	60,246	0	(1,856,127)
<u>\$ 0</u>	<u>\$ (32,870)</u>	<u>\$ 60,246</u>	<u>\$ 0</u>	<u>\$ 5,982,295</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

COMBINING SCHEDULE OF REVENUES, EXPENSES AND PROGRAM CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED MARCH 31, 2021

	Annual Contributions Contracts		
	A-2584	A-2584	A-2875E
	Low Income Public Housing	CDBG Grant	Section 8 Housing Choice Voucher Program
<u>OPERATING REVENUES</u>			
Rental income	\$ 1,630,864	\$ 138,429	\$ 0
Other income	88,723	665	26,745
Total Operating Revenues	1,719,587	139,094	26,745
<u>OPERATING EXPENSES</u>			
Administrative	1,026,645	17,680	382,228
Tenant services	183,099	2,520	0
Utilities	472,726	6,021	0
Ordinary maintenance and operation	1,136,236	85,317	8,372
General expense	263,314	19,179	9,501
Housing assistance payments	0	0	2,672,191
Depreciation expense	355,810	61,942	74
Total Operating Expense	3,437,830	192,659	3,072,366
Operating Income (Loss)	(1,718,243)	(53,565)	(3,045,621)
<u>NONOPERATING REVENUES</u>			
Federal and State operating grants	997,538	0	3,062,214
Interest income	9,881	0	22
Total Nonoperating Revenues	1,007,419	0	3,062,236
Net income before capital contributions	(710,824)	(53,565)	16,615
Capital contributions	0	0	0
Change in Net Position	(710,824)	(53,565)	16,615
Net Position - Beginning of year, as originally stated	3,892,209	2,497,776	(278,590)
Operating Transfers	591,298	0	0
Net Position - Beginning of year, as restated	4,483,507	2,497,776	(278,590)
Net Position - End of Year	\$ 3,772,683	\$ 2,444,211	\$ (261,975)

A-2584

<u>Capital Fund Programs</u>	<u>Central Office Cost Center</u>	<u>State & Local Programs</u>	<u>Elimination</u>	<u>Total</u>
\$ 0	\$ 16,440	\$ 0	\$ 0	\$ 1,785,733
0	557,010	12,133	(482,699)	202,577
<u>0</u>	<u>573,450</u>	<u>12,133</u>	<u>(482,699)</u>	<u>1,988,310</u>
0	590,838	3,086	(428,379)	1,592,098
0	0	0	(54,320)	131,299
0	605	0	0	479,352
0	34,318	0	0	1,264,243
0	15,654	0	0	307,648
0	0	0	0	2,672,191
0	15,629	0	0	433,455
<u>0</u>	<u>657,044</u>	<u>3,086</u>	<u>(482,699)</u>	<u>6,880,286</u>
<u>0</u>	<u>(83,594)</u>	<u>9,047</u>	<u>0</u>	<u>(4,891,976)</u>
361,204	0	0		4,420,956
0	2,080	0	0	11,983
<u>361,204</u>	<u>2,080</u>	<u>0</u>	<u>0</u>	<u>4,432,939</u>
361,204	(81,514)	9,047	0	(459,037)
230,094	0	0	0	230,094
<u>591,298</u>	<u>(81,514)</u>	<u>9,047</u>	<u>0</u>	<u>(228,943)</u>
0	48,644	51,199	0	6,211,238
(591,298)	0	0	0	0
<u>(591,298)</u>	<u>48,644</u>	<u>51,199</u>	<u>0</u>	<u>6,211,238</u>
<u>\$ 0</u>	<u>\$ (32,870)</u>	<u>\$ 60,246</u>	<u>\$ 0</u>	<u>\$ 5,982,295</u>

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND GRANT COSTS - COMPLETED
FOR THE YEAR ENDED MARCH 31, 2021

Annual Contributions Contract A-2584

The capital fund grant costs are as follows:

	<u>501-18E</u>
Funds approved	\$ 249,461
Funds expended	<u>249,461</u>
Excess / (Deficiency) of funds advanced	\$ <u><u>0</u></u>
Funds advanced	\$ 249,461
Funds expended	<u>249,461</u>
Excess / (Deficiency) of funds advanced	\$ <u><u>0</u></u>
Cost additions during the current audit period were as follows:	\$ <u><u>8,081</u></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 Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2021

	Project Total	14, PHC Public Housing CARES Act Funding	14,228 Community Development Block Grants/State's Program	6.2 Component Unit - Blended	14 HCC HCVCARES Act Funding	14,871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,559,268	\$0	\$138,429	\$0	\$0	\$0	\$16,440	\$1,714,137	\$0	\$1,714,137
70400 Tenant Revenue - Other	\$71,596	\$0	\$0	\$0	\$0	\$0	\$0	\$71,596	\$0	\$71,596
70500 Total Tenant Revenue	\$1,630,864	\$0	\$138,429	\$0	\$0	\$0	\$16,440	\$1,785,733	\$0	\$1,785,733
70600 HUD PHA Operating Grants	\$1,252,680	\$105,062	\$0	\$0	\$99,130	\$2,963,084	\$0	\$4,420,856	\$0	\$4,420,856
70610 Capital Grants	\$230,094	\$0	\$0	\$0	\$0	\$0	\$0	\$230,094	\$0	\$230,094
70710 Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$388,418	\$388,418	-\$388,418	\$0
70720 Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$54,320	\$54,320	-\$54,320	\$0
70730 Book Keeping Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$39,961	\$39,961	-\$39,961	\$0
70740 Front Line Service Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70750 Other Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70700 Total Fee Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$482,699	\$482,699	-\$482,699	\$0
70800 Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
71100 Investment Income - Unrestricted	\$9,881	\$0	\$0	\$0	\$0	\$22	\$2,080	\$11,983	\$0	\$11,983
71200 Mortgage Interest Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
71400 Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$18,768	\$0	\$18,768	\$0	\$18,768
71500 Other Revenue	\$66,723	\$0	\$665	\$12,133	\$0	\$7,977	\$74,311	\$183,869	\$0	\$183,869
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
72000 Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70000 Total Revenue	\$3,212,242	\$106,062	\$139,094	\$12,133	\$99,130	\$2,989,851	\$575,630	\$7,134,042	-\$482,699	\$6,651,343
91100 Administrative Salaries	\$181,071	\$4,772	\$0	\$0	\$46,583	\$87,276	\$287,150	\$608,852	\$0	\$608,852
91200 Auditing Fees	\$3,074	\$0	\$226	\$0	\$0	\$5,596	\$7,090	\$15,986	\$0	\$15,986
91300 Management Fee	\$322,556	\$0	\$15,327	\$0	\$0	\$50,535	\$0	\$388,418	-\$388,418	\$0
91310 Book-keeping Fee	\$36,123	\$0	\$1,838	\$0	\$0	\$0	\$0	\$39,961	-\$39,961	\$0
91400 Advertising and Marketing	\$936	\$0	\$0	\$0	\$0	\$717	\$1,616	\$3,269	\$0	\$3,269
91500 Employee Benefit Contributions - Administrative	\$329,482	\$2,901	\$0	\$0	\$33,920	\$119,628	\$252,791	\$738,722	\$0	\$738,722
91600 Office Expenses	\$73,724	\$0	\$295	\$3,086	\$0	\$15,335	\$33,097	\$125,537	\$0	\$125,537
91700 Legal Expense	\$3,127	\$0	\$0	\$0	\$0	\$0	\$0	\$3,127	\$0	\$3,127
91800 Travel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
91810 Allocated Overhead	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
91900 Other	\$940	\$45,586	-\$6	\$0	\$16,627	\$0	\$0	\$63,147	\$0	\$63,147
91000 Total Operating - Administrative	\$953,033	\$53,289	\$17,660	\$3,086	\$69,130	\$279,089	\$581,744	\$1,987,021	-\$428,379	\$1,558,642
92000 Asset Management Fee	\$51,800	\$0	\$2,520	\$0	\$0	\$0	\$0	\$54,320	-\$54,320	\$0
92100 Tenant Services - Salaries	\$75,534	\$0	\$0	\$0	\$0	\$0	\$0	\$75,534	\$0	\$75,534
92200 Relocation Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
92300 Employee Benefit Contributions - Tenant Services	\$43,180	\$0	\$0	\$0	\$0	\$0	\$0	\$43,180	\$0	\$43,180
92400 Tenant Services - Other	\$12,585	\$0	\$0	\$0	\$0	\$0	\$0	\$12,585	\$0	\$12,585
92500 Total Tenant Services	\$131,299	\$0	\$0	\$0	\$0	\$0	\$0	\$131,299	\$0	\$131,299

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2021

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, 2021

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
<u>U. S. DEPARTMENT OF HUD</u>				
A-2584	Low Income Public Housing	14.850	\$ 998,420	\$ 998,420
A-2575	Housing Voucher Cluster Section 8 Housing Choice Voucher Program	14.871	2,963,084	2,963,084
A-2584	Public Housing Capital Fund Program	14.872	3,125,662	484,354
A-2575	HCC HCV Cares Act Funding	14.HCC	99,130	99,130
A-2584	Public Housing Cares Act Funding	14.PHC	<u>106,062</u>	<u>106,062</u>
TOTAL HUD ASSISTANCE			<u>7,292,358</u>	<u>4,651,050</u>
<u>Other Grants</u>				
	United Way Grant		78,320	23,753
	CACFP Grant **		<u>6,365</u>	<u>6,699</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 7,377,043</u>	<u>\$ 4,681,502</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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Housing Authority of 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 principles 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, 2021, 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 November 17, 2021.

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
November 17, 2021

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, 2021. 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, 2021.

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
November 17, 2021

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

MARCH 31, 2021

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:

CFDA Number

14.871

Name of Federal Program

Housing Voucher Cluster
Section 8 Housing Choice
Voucher Program

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

\$ 750,000

Auditee qualified as low-risk auditee?

X yes _____no

HOUSING AUTHORITY OF HENDERSON
Henderson, Kentucky

MARCH 31, 2021

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.