

**Housing Authority of Mayfield
Mayfield, Kentucky**

**Financial Statements
and
Supplemental Financial Information
Year Ended December 31, 2018**

TABLE OF CONTENTS

	PAGE
<u>Introductory Section</u>	3
Roster of Management Officials and Board of Commissioners	4
<u>Financial Section</u>	5
Independent Auditors' Report	6
Management Discussion and Analysis	8
<u>Basic Financial Statements</u>	15
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
<u>Schedules of Required Supplementary Information</u>	35
Schedules of the Authority's Proportionate Share of the Net Pension Liability	36
Schedules of the Authority's Employer Contributions – Net Pension Liability	37
Schedules of the Authority's Proportionate Share of the Net OPEB Liability	38
Schedules of the Authority's Employer Contributions – OPEB Liability	39
<u>Supplemental Financial Information</u>	40
Financial Data Schedule	41
Schedule of Modernization Grant Activity	48
Schedule of Expenditures of Federal Awards	49
Notes to the Schedule of Expenditures of Federal Awards	50
<u>Non-Financial Section</u>	51
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required the Uniform Guidance	54
Schedule of Findings and Questioned Costs	56
Summary Schedule of Prior Audit Findings	58

Introductory Section

**Housing Authority of Mayfield
Roster of Management Officials and Board of Commissioners
December 31, 2018**

Management Officials

Donald E. Costello, Jr.

Title

Executive Director

Board of Commissioners

Jaime Masso

Sheri Powell

John Poole

Alex Goodman

Kathy O'Nan

Title

Chairman

Vice Chairman

Commissioner

Commissioner

Mayor

Financial Section



STEAVEN E. MILLER, JR., CPA
L. SCOTT ROSE, CPA

1309 E. RACE AVENUE
SEARCY, AR 72143

T. 501.268.8356
F. 501.268.9362

Independent Auditors' Report

Board of Commissioners
Housing Authority of Mayfield
312 Brookside Drive
Mayfield, KY 42066

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Authority of Mayfield as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of Mayfield as of December 31, 2018, and the changes in financial position, and its cash flows thereof for the year then ended in conformity 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

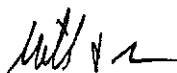
Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Housing Authority of Mayfield. The accompanying financial information listed as the introductory section and the supplemental financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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* (Uniform Guidance) and is also not a required part of the financial statements.

The introductory section, supplemental financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory section, supplemental financial information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2018, on our consideration of Housing Authority of Mayfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

September 30, 2018



Miller & Rose, P.A.
Certified Public Accountants

Housing Authority of Mayfield

Mayfield, KY

Management's Discussion and Analysis

December 31, 2018

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Financial Highlights

The most significant changes on the 2018 financial statements were in assets and changes in net position.

Overview of the Financial Statements

The annual report includes a Management Discussion and Analysis report, the Basic Financial Statements, the Notes to the Financial Statements, and the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

The financial statements report information using accounting methods like those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Position includes assets and liabilities plus provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating capital structure to include assessing liquidity and financial flexibility.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities like those found in the private business sector where the determination of net position is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which assets and liabilities, associated with the operation of these funds, are included on the balance sheet. Their focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. Our discussion and analysis provides an overview of the financial activities and performance for year-end December 31, 2018.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the ability of management to meet budgets, maintain property (meets HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered costs through its rental fees and other charges. It can also be used to measure profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides answers to such questions as the source, spending, and change in cash during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format.

Financial Analysis

One of the most important questions concerning finances is the following; "Is the Housing Authority as a whole better, or worse, because of the achievements of the reported fiscal year?" The purpose of the information presented in this Management's Discussion and Analysis is to assist the reader in answering this question.

The basic financial statements are the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on December 31, 2018. The Statement of Revenues, Expenses, and Changes in Fund Net Position summarize the revenues, and sources of those revenues generated, and the expenses incurred in operating the Housing Authority for the year-ended December 31, 2018.

Mayfield Housing Authority's primary programs are a low-rent program that provides housing for qualified tenants, a capital fund program for improvements to its low-rent property, a Section 8 Housing Choice Voucher program that provides rental assistance to qualified individuals living in private housing, a Supportive Housing for the Elderly program, and a blended component unit. The following analysis focuses on the net position and the change in net position not the individual programs.

Net Position

June 30,

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% of Change</u>
Current Assets	\$ 1,731,113	\$ 1,639,477	\$ 91,636	5.59%
Capital Assets, Net	3,061,232	3,485,013	(423,781)	-12.16%
Noncurrent Assets	<u>14,152</u>	<u>14,152</u>	<u>0</u>	<u>0.00%</u>
Total Assets	\$ 4,806,497	\$ 5,138,642	\$ (332,145)	-6.46%
Deferred Outflows of Resources	<u>\$ 493,231</u>	<u>\$ 259,348</u>	<u>\$ 233,883</u>	<u>90.18%</u>
Current Liabilities	213,237	303,205	(89,968)	-29.67%
Noncurrent Liabilities	<u>2,423,597</u>	<u>1,836,884</u>	<u>586,713</u>	<u>31.94%</u>
Total Liabilities	\$ 2,636,834	\$ 2,140,089	\$ 496,745	23.21%
Deferred Inflows of Resources	<u>\$ 175,502</u>	<u>\$ 0</u>	<u>\$ 175,502</u>	<u>100.00%</u>
Net Position:				
Investment in Capital Assets	2,349,147	2,758,408	(409,261)	-14.84%
Restricted Net Position	458,132	364,972	93,160	25.53%
Unrestricted Net Position	<u>(322,899)</u>	<u>134,521</u>	<u>(457,420)</u>	<u>-340.04%</u>
Total Net Position	\$ 2,484,380	\$ 3,257,901	\$ (773,521)	-23.74%

Capital Assets

(Net of Accumulated Depreciation)

June 30,

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% of Change</u>
Land	\$ 548,040	\$ 548,040	\$ 0	0.00%
Buildings	11,984,777	11,967,514	17,263	0.14%
Furniture & Equipment - Dwell	105,235	84,028	21,207	25.24%
Furniture & Equipment - Admin	673,866	673,866	0	0.00%
Leasehold Improvements	1,291,624	1,291,624	0	0.00%
Construction in Progress	<u>239,057</u>	<u>247,320</u>	<u>(8,263)</u>	<u>-3.34%</u>
Subtotal	14,842,599	14,812,392	30,207	0.20%
Accumulated Depreciation	<u>(11,781,367)</u>	<u>(11,327,379)</u>	<u>(453,988)</u>	<u>4.01%</u>
Net Capital Assets	\$ 3,061,232	\$ 3,485,013	\$ (423,781)	-12.16%

Net Position

Total assets consist of current and capital assets. Current assets are resources that are reasonably expected, based on plans and intentions, to be converted into cash or its equivalent during the current operating cycle. Capital assets are long-term tangible assets obtained because of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land.

Total liabilities consist of current and noncurrent payables. Current liabilities are current debts that are owed and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt. Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume current financial resources to satisfy the debt.

Annual depreciation exceeded capital additions which decreased total assets. Total liabilities decreased due to vendor, payment in lieu of taxes, and long-term debt payables.

Total Net Position

As of December 31, 2018, the Housing Authority had \$2,484,380 invested in total net position. Unrestricted net position is a negative \$322,899 mainly due to the recording of the net pension and OPEB liabilities. Restricted net position of \$38,772 was available for Section 8 Housing Assistance Payments (HAP) and \$419,360 was available for maintenance and insurance. The remainder of \$2,349,147 represents the investment in capital assets of land, buildings, furnishings, leasehold improvements, equipment, and construction in progress less the related debt.

Debt

Mayfield Housing Authority's long-term debt consisted of \$696,633 in notes payables. The current portion of notes payables was \$6,425 for the blended component unit and \$9,027 for the Supportive Housing for the Elderly program. The noncurrent portion of notes payables was \$510,492 for the blended component unit and \$186,141 for the Supportive Housing for the Elderly program.

Expendable Fund Balance

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% of Change</u>
Expendable Fund Balance	\$ <u>1,021,203</u>	\$ <u>952,279</u>	\$ <u>68,924</u>	<u>7.24%</u>
Number of Months Expendable Fund	<u>5.53</u>	<u>5.86</u>	<u>(0.33)</u>	<u>-5.65%</u>

Expendable Fund Balance

If current assets, less materials inventory, were converted to cash and all current liabilities were paid, the Authority's cash balance (expendable fund balance) would be \$1,021,203 which increased \$68,924.

Number of Months Expendable Fund Balance

The expendable fund balance is divided by average monthly expense (total expenses for the year, less depreciation, divided by twelve (12) to determine the number of months expendable fund balance. This factor indicates the number of months the entity could operate without relying on additional funding. As of the fiscal year-end, the Authority could continue operations for 5.53 months.

Changes in Net Position

For the Year Ended June 30

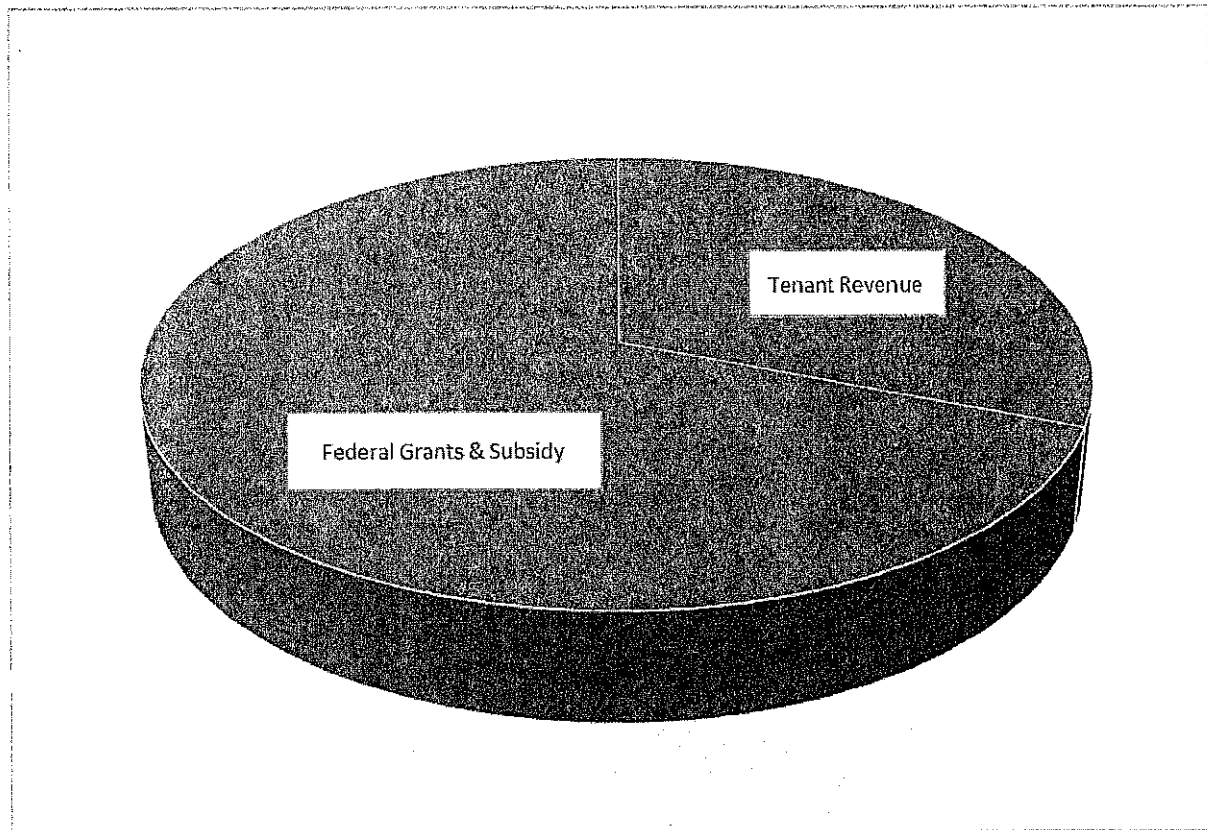
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% of Change</u>
Revenue:				
Tenant Revenue	\$ 944,598	\$ 918,983	\$ 25,615	2.79%
Federal Grants & Subsidy	2,098,852	2,040,210	58,642	2.87%
Investment	6,452	1,849	4,603	248.95%
Other Income	27,020	26,203	817	3.12%
Gains/loss on Sale of Capital Assets	0	2,000	(2,000)	-100.00%
Total Revenue	<u>3,076,922</u>	<u>2,989,245</u>	<u>87,677</u>	<u>2.93%</u>
Expenses:				
Administrative	722,046	616,100	105,946	17.20%
Utilities	446,693	394,820	51,873	13.14%
Routine Maintenance	865,923	760,213	105,710	13.91%
Protective Services	8,003	3,295	4,708	142.88%
General	114,754	139,240	(24,486)	-17.59%
Interest	35,250	30,592	4,658	15.23%
Non-Routine	22,046	4,295	17,751	413.29%
Housing Assistance Payments	845,790	890,061	(44,271)	-4.97%
Depreciation	453,988	455,711	(1,723)	-0.38%
Total Operating Expenses	<u>3,514,493</u>	<u>3,294,327</u>	<u>220,166</u>	<u>6.68%</u>
Increase (Decrease) in Net Position	<u>\$ (437,571)</u>	<u>\$ (305,082)</u>	<u>\$ (132,489)</u>	<u>43.43%</u>

Changes in Net Position

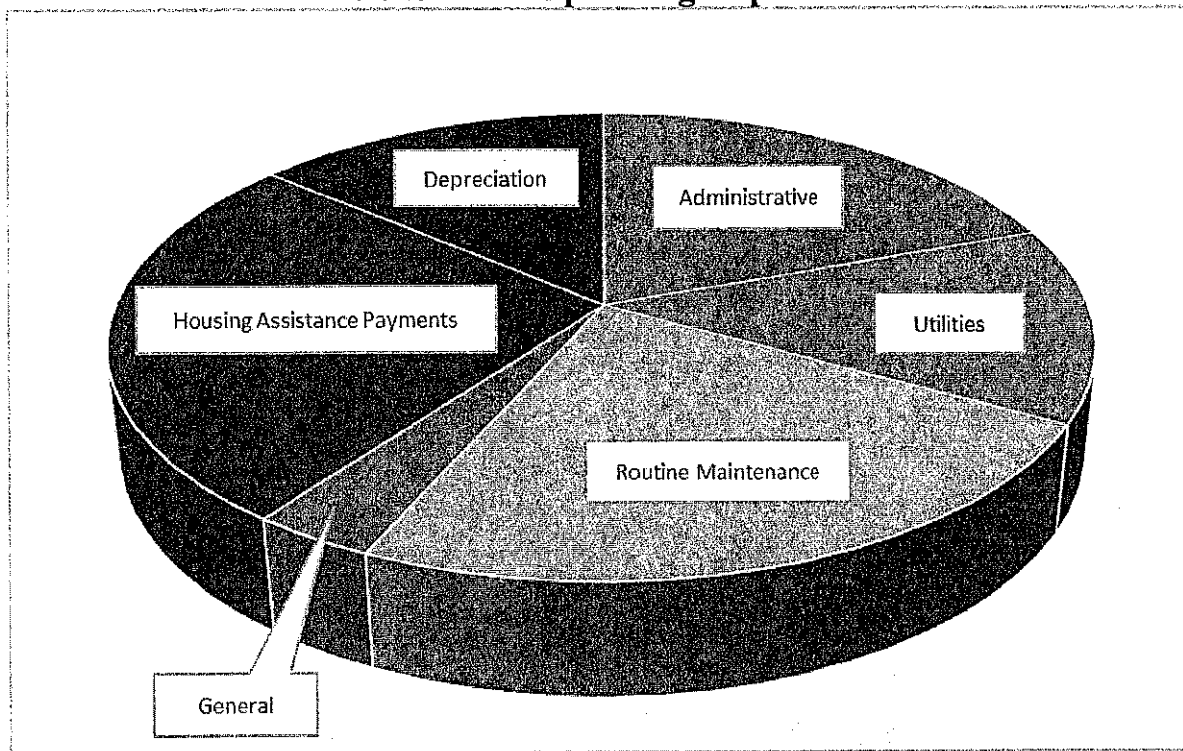
Total revenue increased due to tenant charges and operating revenues received in 2018 as compared to 2017. Total operating expenses increased due to administrative salaries and utilities (water, electricity, and sewage). GASB 75 was implemented during the current fiscal year which resulted in the recording of liabilities related to other post-employment benefits (OPEB). The net effect was a decrease in changes in net position.

Investment revenue, other income, protective services expense, interest expense, and non-routine maintenance expense had minimal effects on the 2018 financial statements which were not included in the following graphs.

2018 Total Revenue



2018 Total Operating Expenses



Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations. The entity is affected by both federal budgetary decisions and by local economic conditions.

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact Don Costello, Executive Director, Housing Authority of Mayfield, 312 Brookside Dr., Mayfield, KY 42066, telephone number (270) 247-6391.

Basic Financial Statements

**Housing Authority of Mayfield
Statement of Net Position
Proprietary Funds
December 31, 2018**

ASSETS

Current Assets

Cash	\$ 953,339
Restricted cash	519,691
Total cash	1,473,030
Investments	171,177
Receivables	
Tenants, net of allowance for doubtful accounts	10,000
Miscellaneous	1,611
Prepaid expenses	36,754
Inventories, net	38,541
Total current assets	1,731,113

Noncurrent Assets

Capital Assets	
Nondepreciable	787,097
Depreciable, net of accumulated depreciation	2,274,135
Total noncurrent assets	3,061,232

Intangible Assets

Loan/refinancing fees, net of accumulated amortization	11,140
--	--------

Total Assets

4,803,485

Deferred Outflows of Resources

Deferred outflows related to pensions	390,048
Deferred outflows related to OPEB	103,183

Total Deferred Outflows of Resources

493,231

LIABILITIES

Current Liabilities

Accounts payable	23,671
Security deposits	61,559
Accrued liabilities	31,652
Accrued interest payable	2,264
Current portion of accrued compensated absences	46,056
Unearned revenue	14,737
Due to other governments	17,846
Current portion of long-term debt	15,452
Total current liabilities	213,237

Noncurrent Liabilities

Compensated absences, net of current portion	1,919
Long-term debt, net of current portion	696,633
Accrued pension liabilities	1,335,665
Accrued OPEB liabilities	389,380
Total noncurrent liabilities	2,423,597

Total Liabilities

2,636,834

Deferred Inflow of resources

Deferred inflows related to pensions	101,647
Deferred inflows related to OPEB	73,855

Total Deferred Inflows of Resources

175,502

NET POSITION

Net investment in capital assets	2,349,147
Restricted for maintenance and insurance	419,360
Restricted for housing assistance payments	38,772
Unrestricted	(322,899)

Total net position

See accompanying notes.

\$ 2,484,380

Housing Authority of Mayfield
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2018

Operating Revenues	
Tenant revenue, gross	\$ 944,598
Less: bad debts	(20,772)
Tenant revenue, net	<u>923,826</u>
Governmental operating grants	\$ 2,068,645
Miscellaneous	<u>27,020</u>
Total operating revenues	<u>3,019,491</u>
Operating Expenses	
Administrative	722,046
Utilities	446,693
Maintenance	865,923
Protective services	8,003
Insurance	70,499
General	23,483
Housing assistance payments	845,790
Other operating expenses	22,046
Amortization	3,012
Depreciation	<u>453,988</u>
Total operating expense	<u>3,461,483</u>
Operating Income (Loss)	(441,992)
Non-Operating Revenues (Expenses)	
Interest income	6,452
Interest expense	<u>(32,238)</u>
Total non-operating revenue (expenses)	<u>(25,786)</u>
Income (loss) before contributions	(467,778)
Capital Contributions	30,207
Increase (decrease) in net position	(437,571)
Net Position - Beginning of Period as previously reported	<u>3,257,901</u>
Prior Period Adjustment Related to OPEB Liabilities	<u>(335,950)</u>
Net Position - Beginning of Period as Restated	<u>2,921,951</u>
Net Position - End of Period	<u>\$ 2,484,380</u>

See accompanying notes.

**Housing Authority of Mayfield
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2018**

Cash Flow from Operating Activities

Receipts from tenants	\$ 936,557
Operating subsidies	2,068,645
Payments to suppliers	(1,511,587)
Payments for housing assistance	(845,790)
Payments to employees	(564,505)
Other receipts (payments)	27,020
Net cash provided (used) by operating activities	<u>110,340</u>

Cash Flows from Capital and Related Financing Activities

Purchases of capital assets	(21,207)
Capital contributions	30,207
Principal retirements	(14,518)
Interest payments	(32,238)
Equipment	(9,000)
Net cash provided (used) by capital and related financing activities	<u>(46,756)</u>

Cash Flows from Investing Activities

Interest earned on invested cash	<u>6,452</u>
Net cash provided (used) by investing activities	<u>6,452</u>

Net Increase (Decrease) in Cash and Cash Equivalents

70,036

Cash and Cash Equivalents - Beginning of Year

1,402,994

Cash and Cash Equivalents - End of Year

\$ 1,473,030

Reconciliation of Operating Income (Loss) to Net Cash

Provided by (Used In) Operating Activities

\$ (441,992)

Operating income (loss)

Adjustments Not Affecting Cash

457,000

Depreciation and amortization

Change in Assets and Liabilities

(Increase) Decrease in accounts receivable - tenants	3,356
(Increase) Decrease in other receivables	(74)
(Increase) Decrease in inventories	(19,520)
(Increase) Decrease in prepaid expenses	(5,362)
(Increase) Decrease in deferred outflows of resources	(82,527)
Increase (Decrease) in accounts payable	(25,362)
Increase (Decrease) in accrued expenses	1,510
Increase (Decrease) in accrued compensated absences	7,519
Increase (Decrease) in other current liabilities	(1,055)
Increase (Decrease) in security deposits	(964)
Increase (Decrease) in unearned revenue	10,339
Increase (Decrease) in accrued pension liabilities	163,891
Increase (Decrease) in accrued OPEB liabilities	(13,069)
Increase (Decrease) in deferred inflow of resources	91,624
Increase (Decrease) in due to other governments	(34,974)
Total adjustments	<u>552,332</u>

Net Cash Provided by (Used In) Operating Activities

\$ 110,340

See accompanying notes.

Housing Authority of Mayfield
Notes to the Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction.

The financial statements of the Housing Authority of Mayfield are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Housing Authority of Mayfield are discussed below.

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

A. Reporting Entity.

These financial statements present the net position and results of operations of Housing Authority of Mayfield, a primary government and its component unit, Brookside Development.

Brookside Development shares a common board as well as management. As a result, Brookside Development's financial position and results of operation are presented herein as a blended component unit of Housing Authority of Mayfield.

B. Basic Financial Statements.

The authority is a public corporation, legally separate, fiscally independent and governed by a Board of Commissioners. As such, Housing Authority of Mayfield is considered a special-purpose government. All activities of authority are considered business type activities.

All activities of the authority are reported as a proprietary fund type. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The entity's proprietary fund authority is classified as an enterprise fund.

An enterprise funds is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Housing Authority of Mayfield is considered to be a special-purpose government since its existence is to satisfy a very specific and narrow purpose. As such, the authority presents a single set of enterprise fund financial statements. The Statement of Net Position is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The authority's net position is reported in three components:

1. Investment in capital assets – Consists of the historical cost of capital assets and related deferred outflows of resources, net of accumulated depreciation and related deferred inflows of resources and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as creditors, grantors, contributors, or laws and regulations of other governments. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
3. Unrestricted net position – Consists of all other net position that does not meet the definition of the above two components and is available for general use.

C. Authority Activities.

The authority is administering the following activities and programs:

Public Housing (commonly referred to as Low-income housing or Low Rent) - The Public Housing Program provides and operates cost-effective, decent, safe and affordable housing to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD who provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Public Housing Program also includes the Capital Fund Program (CFP), which is the primary funding source for physical and management improvements to the Authority's properties. The Capital Fund Program provides annual grant funds to the Authority for capital and management activities including modernization and correcting physical deficiencies. The CFP is awarded non-competitively and is based upon a formula that considers existing and accrual (future) modernization needs of the Authority.

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

Business Activities - represents non-HUD resources developed from a variety of activities.

Supportive Housing for the Elderly (Section 202) – The objective of Supportive Housing for the Elderly is to provide Federal capital advances and project rental assistance under Section 202 of the National Housing Act of 1959 for development of housing projects serving elderly households. The PHA owns and operates Davis Apartments under this program.

Brookside Development – The component unit of the Housing Authority is a non-profit corporation that was formed for the additional development and management of housing for low income individuals.

D. Accrual Basis of Accounting.

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budget.

Enterprise Fund service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Budgets are prepared for regulatory purposes in accordance with the Authority's contract with HUD. The entity prepares annual budgets for each program. Prior to the beginning of each budget year, the entity's annual budget is approved by the entity's governing body. Budgetary amendments require approval by the governing body. All budgetary appropriations lapse at the end of each year. Budgets for Capital Fund Programs are approved in the Authority's 5-year and annual plans.

F. Financial Statement Amounts.

1. Cash and Cash Equivalents. The Housing Authority of Mayfield defines cash to include certificates of deposit, money market accounts, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.
2. Investments. The authority defines investments to include certificates of deposit with maturities of greater than three months; consequently, the cost, carrying value, and market value are equivalent.
3. Accounts Receivable. Accounts receivable consists of amounts due from tenants for rental, excess utilities and repair charges. The accounts receivable are stated net of an allowance for doubtful accounts of \$16,744.
4. Due from Other Governments. Due from other governments consists of amounts due from HUD for operational subsidies. No provision for an allowance for doubtful accounts has been made since these amounts are considered fully collectible.
5. Inventories. Inventories consist of materials used in the maintenance and repair of the rental dwellings. Inventories are stated at cost determined by the first-in, first-out (FIFO) method. Inventories are stated net of an allowance for obsolete inventories of \$2,028.
6. Restricted Assets. Restricted assets consist of cash and investments that are held in trust or to satisfy specific program or purpose restrictions.
7. Capital Assets. Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	10-20 Years
Buildings	10-40 Years
Buildings - refurbishing and improvements	10-20 Years
Furniture and equipment - dwelling	5 Years
Furniture and equipment - administrative	5-7 Years

Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Construction in Progress. Construction in progress consists of expenditures under HUD's Capital Fund Program (CFP). Certain expenditures under these programs are not capitalizable expenditures, and therefore are expensed as incurred.
9. Security Deposit. Security deposits consist of amounts held in trust with the Housing Authority of Mayfield in order for tenants to secure apartment leases.
10. Compensated Absences. The authority's policy allows employees to accumulate unused sick leave hours and vacation leave hours. Sick leave is not paid upon termination, but will be paid only upon illness while employed.
11. Due to Other Governments. Due to other governments consists of amounts due local governments for payments in lieu of taxes (PILOT).
12. Long-term Liabilities. Long-term liabilities expected to be financed from proprietary funds are accounted for in the proprietary fund. Expenditures related to such debt are also included in the proprietary fund.
13. Deferred Inflow of Resources. Deferred inflow of resources represents resources received from government-mandated and voluntary nonexchange transactions when all eligibility requirements except time requirements have been met.
14. Restricted Net Position. Restricted net position represents cumulative funding provided by HUD in excess of cumulative housing assistance payments. These funds are restricted by HUD program rules.
15. Use of Restricted Resources. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Housing Authority of Mayfield's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.
16. Defining Operating Revenues and Expenses. The authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services and the costs of provided those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.
17. Revenues. All authority revenues are accrued. These revenues consist of user charges for rents, utilities, repairs and other miscellaneous charges. Monies received from customers for security deposits are recorded as a liability upon receipt. Tenant revenue is reported net of bad debts in the amount of \$20,772.

Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, are reported as non-operating revenues. Revenues for government-mandated and voluntary exchange transaction are recorded when all applicable eligibility requirements, including time requirements are met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources.
18. Expenditures. Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the years purchased.
19. Depreciation and amortization. Depreciation expense of \$453,988 and amortization expense of \$3,012 has been recognized during the year ended December 31, 2018.
20. Income taxes. The authority is not subject to federal or state income taxes.

Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
22. Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Housing Authority of Mayfield's participation in the Public Employee Retirement Plan of the County Employees Retirement System (CERS), and additions to/deductions from Housing Authority of Mayfield's fiduciary net position have been determined on the same basis as they are reported by the CERS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of CERS. Investments are reported at fair value.
23. Postemployment Benefits Other Than OPEBs (OPEB). - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Regulations require that deposits with financial institutions be collateralized with collateral whose market value is equal to the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Authority.

Investments

Investing is performed in accordance with HUD regulations and State Statues. Funds may be invested in the following type of investments:

1. Direct obligations of the United States pledged by its full faith and credit.
2. Obligations of Federal government agencies and government sponsored agencies.
3. Demand, savings, money-market, certificates of deposit, and Super NOW deposits at federally chartered banks, and savings and loan association.
4. Certain municipal depository funds and local government investment pools provided that all investments made by these funds or pools are on approved list of investment securities. The entity must limit its investments in this category to no more than 30 percent of the entity's available investment funds.
5. Certain repurchase agreements in accordance with state law.

Investments at December 31, 2018 consist of the following:

Type of Investments	Fair Value/ Carrying Value	Cost
Certificates of deposits at federally insured depositories	\$ 171,177	\$ 171,177

Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018

NOTE 3 - RESTRICTED CASH

Restricted cash consist of the following:

Security deposits	\$ 61,559
Taxes and Insurance Escrow – Davis Apartments	5,096
Maintenance Reserve – Davis Apartments	386,487
Maintenance Reserve – Brookside Development	27,777
HCV housing assistance payments	38,772
Total	<u>\$ 519,691</u>

Analysis of the reserve account is as follows:

	Brookside	Davis
Beginning balance	\$ 25,186	\$ 326,712
Interest income	0	629
Deposits to reserve	2,591	59,146
Withdrawals	0	(0)
Ending balance	<u>\$ 27,777</u>	<u>\$ 386,487</u>

NOTE 4 - CAPITAL ASSETS

Changes in capital assets are as follows:

	Beginning Balance	Additions	Reclassifications and Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 548,040	\$ 0	\$ 0	\$ 548,040
Construction in progress	247,320	9,000	(17,263)	239,057
Total capital assets not being depreciated	<u>795,360</u>	<u>9,000</u>	<u>(17,263)</u>	<u>787,097</u>
Capital assets being depreciated:				
Land improvements	1,291,624	0	0	1,291,624
Building	11,967,514	0	17,263	11,984,777
Equipment	757,894	21,207	0	779,101
Total capital assets being depreciated	<u>14,017,032</u>	<u>21,207</u>	<u>17,263</u>	<u>14,055,502</u>
Less accumulated depreciation for:				
Land improvements	(1,188,046)	(77,320)	0	(1,265,366)
Building	(9,484,567)	(354,525)	0	(9,839,092)
Equipment	(654,766)	(22,143)	0	(676,909)
Total accumulated depreciation	<u>(11,327,379)</u>	<u>(453,988)</u>	<u>0</u>	<u>(11,781,367)</u>
Total capital assets being depreciated, net	<u>2,689,653</u>	<u>(432,781)</u>	<u>17,263</u>	<u>2,274,135</u>
Total business-type activities capital assets, net	<u>\$ 3,485,013</u>	<u>\$ (423,781)</u>	<u>\$ 0</u>	<u>\$ 3,061,232</u>

Construction in progress is composed of expenditures related to major renovation of certain buildings owned by the entity, said renovation to be fully financed by grants from HUD.

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018

NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities consist of the following:

	Interest Rate	Principal Balance
Compensated absences	None	\$ 47,975
Accrued net pension liability (see Note 7)	None	1,335,665
Accrued OPEB liability (see Note 8)	None	389,380
Kentucky Housing Corp. (KHC) – Brookside	3.5%	112,452
Kentucky Housing Corp. (KHC) HOME forgivable loan - Brookside	0%	404,465
Kentucky Housing Corp. (KHC) - Davis	8.25%	195,168
Total		2,485,105
Less current portion		(61,508)
Total long-term		<u>\$ 2,423,597</u>

Accrued compensated absences consist of estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination.

KHC mortgage is secured by the real property of Davis Apartments and is payable in monthly installments of \$2,066, including principal and interest. Final payment is scheduled for September 1, 2031.

KHC mortgage is secured by the real property of Brookside Development and is payable in monthly installments of \$854.87, including principal and interest. Final payment is scheduled for March 5, 2025.

KHC HOME forgivable loan is secured by the real property of Brookside Development and is forgivable so long as no event of default occurs. The note has a final maturity date of March 5, 2025.

Changes in fixed liabilities are as follows:

	Accrued OPEB Liability	KHC Mortgage Restructuring Note	Compensated Absences
Balance, beginning of period	\$ 335,950	\$ 203,483	\$ 40,456
New debt incurred	53,430	0	7,519
Principal retirement	0	(8,315)	0
Balance, end of period	<u>\$ 389,380</u>	<u>\$ 195,168</u>	<u>\$ 47,975</u>

	Accrued Pension Liability	KHC Brookside Development Note	KHC HOME Forgivable Note
Balance, beginning of period	\$ 1,171,774	\$ 118,657	\$ 404,465
New debt incurred	163,891	0	0
Principal retirement	0	(6,205)	0
Balance, end of period	<u>\$ 1,335,665</u>	<u>\$ 112,452</u>	<u>\$ 404,465</u>

Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018

NOTE 5 - NONCURRENT LIABILITIES (CONTINUED)

Scheduled retirements of fixed liabilities are as follows:

	Principal	Interest	Total
Within first year	15,452	19,598	35,050
Within second year	16,454	18,596	35,050
Within third year	17,530	17,520	35,050
Within fourth year	18,687	16,363	35,050
Within fifth year	19,931	15,119	35,050
Next five years	563,217	48,106	611,323
Next five years	60,814	7,368	68,182

NOTE 6 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority insures itself against loss by purchase of commercial insurance and participation in a public entity risk pool. The Authority also insures itself against workers' compensation claims through participation in a public entity risk pool. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The Authority participates in the public entity risk pool managed by the Kentucky League of Cities Workers Compensation Trust (KLC) for its workers compensation risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by KLC. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

NOTE 7 - RETIREMENT PLAN

Kentucky County Employees Retirement System

General Information about the Pension Plan: All full-time and eligible part-time employees of the Authority participate in CERS, a cost-sharing, multiple employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth.

Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of KRS administers CERS, Kentucky Employee Retirement System, and State Police Retirement System. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to members of that plan, and a pro rata share of administrative costs, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may also be extended to beneficiaries of plan members under certain circumstances. Under the provisions of Kentucky Revised Statute Section 61.701, the Board of KRS also administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS. The assets of the insurance fund are invested as a whole. KRS and the Commonwealth have statutory authority to determine Plan benefits and employer contributions.

CERS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 12160 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

**Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018**

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Basis of Accounting: For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of CERS and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employed contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided: The information below summarizes the major retirement benefit provisions of CERS-Nonhazardous. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions:

Nonhazardous Normal Retirement:

Members whose participation began before 8/1/2004:

Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with 27 or more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.20% times final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used. If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after before 8/1/2004, but before 9/1/2008:

Age and Service Requirement: Age 65 with at least one month of Nonhazardous duty service credit, or at any age with more years of service credit.

Benefit: If a member has at least 48 months of service, the monthly benefit is 2.00% multiplied by final average compensation, multiplied by years of service. Final compensation is calculated by taking the average of the highest five (5) fiscal years of salary. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used.

If a member has less than 48 months of service, the monthly benefit is the actuarial equivalent of two times the member's contributions with interest.

Members whose participation began on or after 9/1/2008 but before 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

**Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018**

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Benefit: The monthly benefit is the following benefit factor on service credit at retirement plus 2.00% for each year of service greater than 30 years, multiplied by final average compensation, multiplied by years of service.

<u>Service Credit</u>	<u>Benefit Factor</u>
10 years or less	1.10%
10+ - 20 years	1.30%
20+ - 26 years	1.50%
20+ - 30 Years	1.75%

Final compensation is calculated by taking the average of the last (not highest) five (5) complete fiscal years of salary. Each fiscal year used to determine final compensation must contain twelve (12) months of service credit.

Members whose participation began on or after 1/1/2014:

Age and Service Requirement: Age 65 with 60 months of Nonhazardous duty service credit, or age 57 if age plus service equals at least 87.

Benefit: Each year that a member is an active contributing member to the System, the member contributes 5% of creditable compensation, and the member's employer contributes 4.00% of creditable compensation, which is a portion of the total employer contribution, into a hypothetical account. The hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4%. If the System's geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year.

Upon retirement, the hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Contributions: The Authority was required to contribute at an actuarially determined rate determined by Statute. Per Kentucky Revised Statute Section 78.545(33) normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of an annual valuation last preceding July 1 of a new biennium. The KRS Board may amend contribution rates of the first day of July of the second year of biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board.

For the fiscal year ended June 30, 2018, participating employers contributed 19.18% as set by KRS, of each Nonhazardous employee's creditable compensation. These percentages are inclusive of both pension (14.48%) and insurance payments (4.70%) for employers. Administrative costs of KRS are financed through employer contributions and investment earnings.

The Authority has met 100% of its contribution funding requirement for the fiscal years ended June 30, 2018.

**Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018**

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Members whose participation began before 9/1/2008:

Nonhazardous contributions equal 5% of all creditable compensation.

Interest paid on the member's accounts is currently 2.5%; and per statute shall not be less than 2.0%. Member entitled to a full refund of contributions with interest.

Members whose participation began on or after 9/1/2008:

Nonhazardous contributions equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account.

Interest paid on the member's accounts will be set at 2.5%. Member entitled to a full refund of contributions and interest in their individual account, however, the 1% contributed to the insurance fund is non-refundable.

Members whose participation began on or after 1/1/2014:

Nonhazardous contribution equal to 6% of all creditable compensation, with 5% being credited to the member's account and 1% deposited to the KRS 401(h) Account.

Members entitled to a full refund of contributions and interest on the member's portion of the hypothetical account, however, the 1% contributed to the insurance fund is non-refundable.

Total Pension Liability: The total pension liability ("TPL") was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

The mortality table 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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table Projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Discount rate:

The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR of the plan.

Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Sensitivity Analysis:

This paragraph requires disclosures of the sensitivity of the net pension liability to changes in the discount rate. The following presents the Authority's allocated portion of the net pension liability ("NPL") of the System, calculated using the discount rate of 6.25 percent, as well as what the Authority's allocated portion of the net pension liability would be if it were calculate using a discount rate that is one percentage point lower (5.25 percent) or one percentage-point higher (7.25 percent than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25)
Authority's net position liability - Nonhazardous	\$1,681,464	\$1,335,665	\$1,045,946

Employer's portion of the collective Net Pension Liability: The Authority's proportionate share of the Plan's net pension liability, as indicated in the prior table, is \$1,335,665. The Authority's proportionated share of the CERS plan was approximately .021931%. The liability was distributed based on 2018 actual employer contributions to the plan.

Measurement date: June 30, 2018 is the actuarial valuation date upon which the total pension liability is based. No update procedures were used to determine the total pension liability.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, there were no changes to the demographic and economic assumptions that affect the measurement of the total pension liability.

Changes since measurement date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension expense: The Authority's proportionated share of Plan pension expense was \$238,734 for Nonhazardous service employees.

Deferred Outflows and Deferred Inflows: Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in the actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year.

**Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018**

NOTE 7 - RETIREMENT PLAN (CONTINUED)

The table below provides a summary of the deferred inflows and outflows as of the Measurement Date of June 30, 2018.

	Deferred Outflows of Resources
Differences between projected and actual	
investment earnings on Plan investments	\$ 326,263
Employer contributions subsequent to the measurement date	<u>63,784</u>
Total	<u>\$ 390,047</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2018.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Kentucky County Employees Retirement System

General Information about the OPEB Plan: All full-time and eligible part-time employees of the Authority participate in CERS, a cost-sharing, multiple employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions: Plan members contribute to CERS for non-hazardous job classifications. For the year ending June 30, 2018 (plan year), the employer's contribution was 4.7% to the insurance trust. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545 (33), normal contributions and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1st of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2018 Housing Authority of Mayfield contributed \$30,195, or 100% of the required contribution for non-hazardous job classifications.

CERS issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 12160 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

**Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Benefits Provided: CERS provides health insurance benefits to Plan employees and beneficiaries based on tiers of the employees. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Members whose participation began before July 1, 2003:

Insurance eligibility after 10 years of service credit.

The benefit is a set percentage of single coverage health insurance based on service credit accrued at retirement.

Members whose participation began on or after before 7/1/2003, but before 9/1/2008:

Insurance eligibility after 10 years of service credit.

The benefit is a set dollar amount based on service credit accrued, increased annually.

Members whose participation began on or after 9/1/2008 but before 12/31/2013:

Insurance eligibility after 15 years of service credit.

The benefit is a set dollar amount based on service credit accrued, increased annually.

Members whose participation began on or after 12/31/2013:

Insurance eligibility after 15 years of service credit.

The benefit is a set dollar amount based on service credit accrued, increased annually.

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2018 (plan year), Housing Authority of Mayfield reported a liability for its proportionate share of the net OPEB liability of \$389,381.

The net OPEB liability was determined by an actuarial valuation. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The Authority's proportionate share was .021931%.

Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Total OPEB Liability: The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.3 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table Projected with Scale BB to Discount rate:

The projection of cash flows used to determine the discount rate of 5.84% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR of the plan.

Sensitivity Analysis:

This paragraph requires disclosures of the sensitivity of the OPEB liability to changes in the discount rate. The following presents the Authority's allocated portion of the OPEB of the System, calculated using the discount rate of 5.85% percent, as well as what the Authority's allocated portion of the OPEB liability would be if it were calculate using a discount rate that is one percentage point lower (5.25 percent) or one percentage-point higher (7.25 percent than the current rate:

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
Authority's net position liability - Nonhazardous	\$505,743	\$389,381	\$290,261

This paragraph requires disclosures of the sensitivity of the OPEB liability to changes in the healthcare cost trend rate. The following presents the Authority's allocated portion of the OPEB of the System, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
Authority's net position liability - Nonhazardous	\$289,898	\$389,381	\$506,642

**Housing Authority of Mayfield
Notes to the Financial Statements (Continued)
December 31, 2018**

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The table below provides a summary of the deferred inflows and outflows as of the Measurement Date of June 30, 2018.

	Deferred Outflows of Resources
Differences between projected and actual investment earnings on Plan investments	\$ 77,765
Change in proportion and differences between employer contributions and plan contributions	<u>25,418</u>
Total	<u>\$ 103,183</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2018.

NOTE 9 - COMMITMENTS

Commitments arise primarily from construction in progress. All project funds are provided by grant from HUD; therefore no additional funding is required to satisfy outstanding commitments at December 31, 2018.

NOTE 10 - CONTINGENCIES

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or programs.

Schedules of Required Supplementary Information

Housing Authority of Mayfield
Schedules of the Authority's Proportionate Share of the Net Pension Liability
Last Fiscal Year Ending December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.02193%	0.02002%	0.01870%	0.01957%
Authority's proportionate share of the net pension liability	\$ 1,335,665	\$ 1,171,774	\$ 920,852	\$ 827,125
Covered-employee payroll	\$ 543,570	\$ 518,150	\$ 484,932	\$ 493,258
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	245.72088%	226.14571%	189.89302%	167.68608%

The amounts presented were determined as of June 30, 2018, 2017, 2016 and 2015, respectively, which is the fiscal year end of the plan

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

Housing Authority of Mayfield
Schedules of the Authority's Employer Contributions - Net Pension Liability
Last Fiscal Year Ending December 31

	2018	2017	2016	2015
Statutorily required contribution for pension	\$ 78,709	\$ 67,994	\$ 51,637	\$ 58,441
Authority's contributions in relation to the statutorily required contributions	78,709	67,994	51,637	58,441
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%	100.00%	100.00%
Covered-employee payroll	\$ 543,570	\$ 518,150	\$ 484,932	\$ 493,258
Contributions as a percentage of covered-employee payroll	14.48%	13.12%	10.65%	11.85%

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

Housing Authority of Mayfield
Schedules of the Authority's Proportionate Share of the Net OPEB Liability
Last Fiscal Year Ending December 31

	2018
Authority's proportion of the net OPEB Liability	0.02193%
Authority's proportionate share of the net OPEB Liability	\$ 389,381
Covered-employee payroll	\$ 543,570
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.63401%

The amounts presented were determined as of June 30, 2018 which is the fiscal year end of the plan.

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

Housing Authority of Mayfield
Schedules of the Authority's Employer Contributions - OPEB Liability
Last Fiscal Year Ending December 31

Statutorily required contribution for pension	2018
	\$ 25,548
Authority's contributions in relation to the statutorily required contributions	<u>25,548</u>
Annual contribution deficiency (excess)	\$ -
Authority's contributions as a percentage of statutorily required contribution for pension	100.00%
Covered-employee payroll	\$ 543,570
Contributions as a percentage of covered-employee payroll	4.70%

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

Supplemental Financial Information

Housing Authority of Mayfield (KY040)

Mayfield, KY

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.182 NIC S/R Section 8 Programs	14.157 Supportive Housing for the Elderly	14.239 HOME Investment Partnerships Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$359,846	\$213,346	\$116,720		\$263,427		\$953,339		\$953,339
112 Cash - Restricted - Modernization and Development	\$0						\$0		\$0
113 Cash - Other Restricted	\$0	\$38,772	\$27,777		\$391,563		\$458,132		\$458,132
114 Cash - Tenant Security Deposits	\$40,086		\$1,735		\$19,738		\$61,559		\$61,559
115 Cash - Restricted for Payment of Current Liabilities	\$0						\$0		\$0
100 Total Cash	\$399,932	\$252,118	\$146,232	\$0	\$674,748	\$0	\$1,473,030		\$1,473,030
121 Accounts Receivable - PHA Projects	\$0						\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$0						\$0		\$0
124 Accounts Receivable - Other Government	\$0						\$0		\$0
125 Accounts Receivable - Miscellaneous	\$1,611						\$1,611		\$1,611
126 Accounts Receivable - Tenants	\$11,478		\$1,350		\$11,280		\$24,108		\$24,108
128.1 Allowance for Doubtful Accounts - Tenants	-\$5,179		-\$999		-\$10,566		-\$16,744		-\$16,744
128.2 Allowance for Doubtful Accounts - Other	\$0				\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0						\$0		\$0
128 Fraud Recovery	\$2,006		\$520		\$110		\$2,636		\$2,636
128.1 Allowance for Doubtful Accounts - Fraud	\$0		\$0		\$0		\$0		\$0
129 Accrued Interest Receivable	\$0						\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$9,916	\$0	\$871	\$0	\$824	\$0	\$11,611		\$11,611
131 Investments - Unrestricted	\$108,520	\$62,657					\$171,177		\$171,177
132 Investments - Restricted	\$0						\$0		\$0
135 Investments - Restricted for Payment of Current Liability	\$0						\$0		\$0
142 Prepaid Expenses and Other Assets	\$29,844	\$1,803			\$5,107		\$36,754		\$36,754
143 Inventories	\$40,569						\$40,569		\$40,569
143.1 Allowance for Obsolete Inventories	-\$2,028						-\$2,028		-\$2,028
144 Inter Program Due From	\$0						\$0		\$0
145 Assets Held for Sale	\$0						\$0		\$0
150 Total Current Assets	\$596,753	\$316,578	\$147,103	\$0	\$680,679	\$0	\$1,731,113		\$1,731,113
161 Land	\$173,950						\$546,040		\$546,040
162 Buildings	\$9,075,291		\$501,560		\$3,407,926		\$11,984,777		\$11,984,777
163 Furniture, Equipment & Machinery - Dwellings	\$105,235						\$105,235		\$105,235
164 Furniture, Equipment & Machinery - Administration	\$611,233				\$62,633		\$673,866		\$673,866
165 Leasehold Improvements	\$1,291,624						\$1,291,624		\$1,291,624
166 Accumulated Depreciation	-\$8,686,061		-\$17,241		-\$3,078,065		-\$11,781,367		-\$11,781,367
167 Construction in Progress	\$239,057						\$239,057		\$239,057
168 Infrastructure	\$0						\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,810,329	\$0	\$484,319	\$0	\$766,584	\$0	\$3,061,232		\$3,061,232

513 Total Equity - Net Assets / Position	\$1,315,982	\$195,936	\$103,610	\$0	\$964,852	\$0	\$2,484,380	\$2,484,380
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,724,761	\$356,037	\$631,422	\$0	\$1,584,496	\$0	\$5,296,716	\$5,296,716

Housing Authority of Mayfield (KY040)
Mayfield, KY
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.182 NIC SUR Section 8 Programs	14.157 Supportive Housing for the Elderly	14.239 HOME Investment Partnerships Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$579,368		\$27,573		\$186,722		\$793,663		\$793,663
70400 Tenant Revenue - Other	\$146,785		\$3,930		\$720		\$150,935		\$150,935
70500 Total Tenant Revenue	\$726,153	\$0	\$31,503	\$0	\$186,942	\$0	\$944,598	\$0	\$944,598
70600 HUD PHA Operating Grants	\$716,133	\$972,420		\$390,092			\$2,068,645		\$2,068,645
70610 Capital Grants	\$30,207						\$30,207		\$30,207
70710 Management Fee									
70720 Asset Management Fee									
70730 Book Keeping Fee									
70740 Front Line Service Fee									
70750 Other Fees									
70700 Total Fee Revenue							\$0	\$0	\$0
70800 Other Government Grants	\$0						\$0		\$0
71100 Investment Income - Unrestricted	\$2,450	\$851	\$118		\$2,404		\$5,823		\$5,823
71200 Mortgage Interest Income	\$0						\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0						\$0		\$0
71310 Cost of Sale of Assets	\$0						\$0		\$0
71400 Fraud Recovery	\$0	\$876					\$876		\$876
71500 Other Revenue	\$21,244		\$3,076		\$1,824		\$26,144		\$26,144
71600 Gain or Loss on Sale of Capital Assets	\$0						\$0		\$0
72000 Investment Income - Restricted	\$0				\$828		\$828		\$828
72000 Total Revenue	\$1,496,187	\$974,147	\$34,697	\$380,092	\$191,799	\$0	\$3,076,922	\$0	\$3,076,922
91100 Administrative Salaries	\$147,230	\$41,773			\$80,008		\$269,011		\$269,011
91200 Auditing Fees	\$8,910	\$1,080			\$3,510		\$13,500		\$13,500
91300 Management Fee	\$0						\$0		\$0
91310 Book-keeping Fee	\$0						\$0		\$0
91400 Advertising and Marketing	\$275						\$275		\$275
91500 Employee Benefit Contributions - Administrative	\$115,805	\$34,379			\$53,513		\$203,697		\$203,697
91600 Office Expenses	\$15,662	\$347	\$97		\$4,313		\$20,419		\$20,419
91700 Legal Expense	\$9,305	\$113	\$546		\$88		\$10,052		\$10,052
91800 Travel	\$10,153		\$805				\$10,958		\$10,958
91810 Allocated Overhead	\$0						\$0		\$0
91900 Other	\$164,504	\$8,038	\$3,610		\$17,952		\$194,104		\$194,104
91000 Total Operating - Administrative	\$471,874	\$85,730	\$5,059	\$0	\$159,384	\$0	\$722,046	\$0	\$722,046
92000 Asset Management Fee	\$0						\$0		\$0
92100 Tenant Services - Salaries	\$0						\$0		\$0

97000	Excess of Operating Revenue over Operating Expenses	\$-131,068	\$879,587	-\$16,434	\$380,092	-\$227,954	\$0	\$884,253	\$0	\$884,253
97100	Extraordinary Maintenance									
97200	Casualty Losses - Non-capitalized	\$512		\$4,559		\$18,975		\$22,046		\$22,046
97300	Housing Assistance Payments	\$0	\$845,790					\$845,790		\$845,790
97350	HAP Portability-In	\$0						\$0		\$0
97400	Depreciation Expense	\$325,826		\$15,061		\$115,101		\$453,988		\$453,988
97500	Fraud Losses	\$0						\$0		\$0
97600	Capital Outlays - Governmental Funds									
97700	Debt Principal Payment - Governmental Funds									
97800	Dwelling Units Rent Expense	\$0						\$0		\$0
90000	Total Expenses	\$1,953,593	\$940,350	\$68,751	\$0	\$551,809	\$0	\$3,514,493	\$0	\$3,514,493
10010	Operating Transfer In	\$201,044				\$380,092		\$581,136	-\$581,136	\$0
10020	Operating Transfer Out	-\$201,044			-\$380,092			-\$581,136	\$581,136	\$0
10030	Operating Transfers from/to Primary Government	\$0						\$0		\$0
10040	Operating Transfers from/to Component Unit	\$0						\$0		\$0
10050	Proceeds from Notes, Loans and Bonds									
10060	Proceeds from Property Sales									
10070	Extraordinary Items, Net Gain/Loss	\$0						\$0		\$0
10080	Special Items (Net Gain/Loss)	\$0						\$0		\$0
10091	Inter Project Excess Cash Transfer In	\$0						\$0		\$0
10092	Inter Project Excess Cash Transfer Out	\$0						\$0		\$0
10093	Transfers between Program and Project - In	\$0						\$0		\$0
10094	Transfers between Project and Program - Out	\$0						\$0		\$0
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	-\$380,092	\$380,092	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$457,396	\$33,797	-\$34,054	\$0	\$20,082	\$0	-\$437,571	\$0	-\$437,571
11020	Required Annual Debt Principal Payments	\$0	\$0	\$855	\$0	\$8,314	\$0	\$9,169		\$9,169
11030	Beginning Equity	\$1,896,785	\$193,015	\$137,864	\$0	\$920,437	\$0	\$3,257,901		\$3,257,901
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$223,407	-\$28,876			-\$85,667		-\$335,950		-\$335,950
11050	Changes in Compensated Absence Balance									
11060	Changes in Contingent Liability Balance									
11070	Changes in Unrecognized Pension Transition Liability									
11080	Changes in Special Term/Severance Benefits Liability									
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100	Changes in Allowance for Doubtful Accounts - Other									
11170	Administrative Fee Equity		\$161,164					\$161,164		\$161,164
11180	Housing Assistance Payments Equity		\$38,772					\$38,772		\$38,772
11190	Unit Months Available	2664	2288	64	0	1056		6092		6092
11210	Number of Unit Months Leased	2619	2188	73	0	1045		5925		5925
11270	Excess Cash	\$239,056						\$239,056		\$239,056
11610	Land Purchases	\$0						\$0		\$0
11620	Building Purchases	\$9,000						\$9,000		\$9,000
11630	Furniture & Equipment - Dwelling Purchases	\$21,207						\$21,207		\$21,207

11640 Furniture & Equipment - Administrative Purchases	\$0								\$0	\$0
11650 Leasehold Improvements Purchases	\$0								\$0	\$0
11660 Infrastructure Purchases	\$0								\$0	\$0
13510 CFFP Debt Service Payments	\$0								\$0	\$0
13901 Replacement Housing Factor Funds	\$0								\$0	\$0

Housing Authority of Mayfield
Schedule of Modernization Grant Activity
December 31, 2018

	<u>KY36P040501-15</u>	<u>KY36P040501-16</u>	<u>KY36P040501-17</u>	<u>KY36P040501-18</u>
1. Funds approved				
Funds expended	\$ 266,717.00	\$ 277,044.00	\$ 265,537.00	\$ 412,129.00
	<u>266,717.00</u>	<u>231,251.00</u>	<u>-</u>	<u>-</u>
Excess of funds approved	\$ -	\$ 45,793.00	\$ 265,537.00	\$ 412,129.00
2. Funds advanced				
Funds expended	\$ 266,717.00	\$ 231,251.00	\$ -	\$ -
	<u>266,717.00</u>	<u>231,251.00</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of funds advanced	\$ -	\$ -	\$ -	\$ -

Housing Authority of Mayfield
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/Program Title	Grant ID Number	Federal CFDA Number	Grant Disbursements/Expenditures
U.S. Department of Housing and Urban Development			
Direct Programs:			
Low Income Housing - Operating subsidy	KY040	14.850	\$ 515,089
Section 8 Rental Assistance	08335574	14.195	380,092
Supportive Housing for the Elderly - Guaranteed Loan*	08335574	14.157	203,483
Housing Choice Voucher	KY040	14.871	972,420
Capital Fund Program	KY040	14.872	231,251
Total Direct Programs			<u>2,302,335</u>
Pass-Through Programs			
Passed through Kentucky Housing Corporation			
HOME Program - Forgivable Loan*		14.239	<u>404,465</u>
Total HUD and Grand Total			<u>\$ 2,706,800</u>

*Guaranteed loan balances at the beginning of the fiscal year in the amount of \$203,483 for the Supportive Housing for the Elderly Program and \$404,465 for the HOME program have been considered federal awards in accordance with Uniform Guidance.

The accompanying notes are an integral part of this schedule.

Housing Authority of Mayfield
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Housing Authority of Mayfield under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the pared 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 Mayfield, it is not intended to and does not present the financial position, changes in net position, or cash flows of Housing Authority of Mayfield.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

Housing Authority of Mayfield has not made an election to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Non-Financial Section

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Housing Authority of Mayfield
312 Brookside Drive
Mayfield, KY 42066

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of Mayfield as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting

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

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

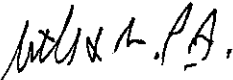
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Miller & Rose, P.A.
Searcy, Arkansas

September 30, 2019

Independent Auditor's Report on Compliance For Each Major Program
and on Internal Control Over Compliance Required the Uniform Guidance

Board of Commissioners
Housing Authority of Mayfield
312 Brookside Drive
Mayfield, KY 42066

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of Mayfield's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of Mayfield's major federal programs for the year ended December 31, 2018. Housing Authority of Mayfield'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 requirements of federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Housing Authority of Mayfield, 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 December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

Housing Authority of Mayfield's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Housing Authority of Mayfield's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

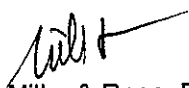
Management of Housing Authority of Mayfield is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of Mayfield's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of Mayfield'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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Housing Authority of Mayfield's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Housing Authority of Mayfield's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Miller & Rose, P.A.
Searcy, Arkansas

September 30, 2018

**Housing Authority of Mayfield
Mayfield, Kentucky**

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2018**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Housing Authority of Mayfield.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the basic financial statements of Housing Authority of Mayfield were disclosed during this audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of Mayfield expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for Housing Authority of Mayfield are reported in Part C. of this Schedule.
7. The programs identified as major programs included: Housing Choice Vouchers, CFDA #14.871.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Housing Authority of Mayfield was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

**Housing Authority of Mayfield
Mayfield, Kentucky**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2018**

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Housing and Urban Development

2018-001 Voucher Management System (VMS) Reporting

Federal Program: Housing Choice Vouchers, CFDA #14.871

Criteria: The PHA is required to submit information to HUD via the Voucher Management System (VMS), specifically, housing assistance payments and the number of units leased.

Condition: Our review of the VMS submissions revealed a difference between the amounts reported as housing assistance payments on the VMS and what was reported on the financial data schedule (FDS). In addition, HUD is currently conducting a review of the VMS submissions and has noted similar deficiencies.

Questioned costs: None

Effect: The amounts reported on the VMS did not agree with the amounts actually paid and reported on the VMS.

Cause: The PHA was attempting to correct an error from a prior period to reconcile the net position on the VMS. This resulted in the amounts being overstated on the VMS.

Recommendation: The PHA should reconcile their VMS amounts to their financial records on a monthly basis to make sure they agree. Any corrections should be made by amending the VMS submission in the month of the error.

Views of responsible officials and planned corrective actions: This was caused by the way that we were entering data into our software system. We are working with our software provider and fee accountant to correct the issue in future periods.

**Housing Authority of Mayfield
Mayfield, Kentucky**

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2018**

Department of Housing and Urban Development

2017-001 Financial Transactions

Condition: The entity is required to prepare its financial statements in accordance with generally accepted accounting principles. During the fiscal year ending December 31, 2017, the blended component unit of the Housing Authority purchased additional apartment units. These apartments and some of the corresponding loans were not recorded in the financial statements. In addition, the Authority did not update their materials inventory at December 31, 2017.

Criteria: Management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. This includes preparation of the financial statements in accordance with generally accepted accounting principles. In order for the financial statements to be complete, all purchases should be recorded and inventories prepared at year-end should be reconciled to the accounting records.

Effect: Assets that were purchased during the year were not reported on the client prepared financial statements. The information was provided, however, and the adjustments were made to correct these audited financial statements.

Recommendation: All year-end balance sheet accounts should be reconciled to supporting documentation. In addition, all asset purchase information should be provided to their accountant so they can be reported in their financial statements.

Response: We will provide the information to our accountant at the end of the fiscal year so adjustments can be made.

Current Status: Corrective Action was taken.

2017-002 Voucher Management System (VMS) Reporting

Federal Program: Housing Choice Vouchers, CFDA #14.871

Criteria: The PHA is required to submit information to HUD via the Voucher Management System (VMS), specifically, housing assistance payments and the number of units leased.

Condition: Our review of the VMS submissions revealed a difference between the amounts reported as housing assistance payments on the VMS and what was reported on the financial data schedule (FDS). Amounts reported on the VMS for housing assistance payments for 2017 was \$954,095 but the FDS showed payments of \$890,091.

Questioned costs: None

Effect: The amounts reported on the VMS did not agree with the amounts actually paid and reported on the VMS.

Cause: The PHA was attempting to correct an error from a prior period to reconcile the net position on the VMS. This resulted in the amounts being overstated on the VMS.

Recommendation: The PHA should reconcile their VMS amounts to their financial records on a monthly basis to make sure they agree. Any corrections should be made by amending the VMS submission in the month of the error.

Current Status: A similar finding has been reported in the Current Schedule of Findings.