

Housing Authority of the City of Harlem
Harlem, Georgia

AUDIT REPORT

For the Year Ended December 31, 2021

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report..... | 1 |
| Management's Discussion and Analysis (MD&A)..... | 4 |
| BASIC FINANCIAL STATEMENTS | |
| Statement of Net Position - Proprietary Fund Type..... | 12 |
| Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund Type..... | 13 |
| Statement of Cash Flows - Proprietary Fund Type..... | 14 |
| Notes to Financial Statements..... | 15 |
| SUPPLEMENTARY INFORMATION | |
| Statement and Certification of Actual Capital Fund Program Costs | 29 |
| Schedule of Expenditures of Federal Awards..... | 30 |
| Financial Data Schedule..... | 31 |
| COMPLIANCE SECTION | |
| 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 | 40 |
| Schedule of Findings and Responses | 42 |
| Summary Schedule of Prior Year Findings | 43 |
| Corrective Action Plan..... | 44 |

Kendall L. Davis, P.C.

CERTIFIED PUBLIC ACCOUNTANT

*34 S Williams St * Hazlehurst, Georgia 31539 * (912)375-6077 *email: kendall_davis_pc@yahoo.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Harlem
Harlem, Georgia

Report on the Audit of the Financial Statements Opinions

I have audited the financial statements of the business-type activities of the Housing Authority of the City of Harlem, as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise the Housing Authority of the City of Harlem's basic financial statements as listed in the table of contents. In my opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and unit of the Housing Authority of the City of Harlem as of December 31, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Housing Authority of the City of Harlem and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Harlem's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Harlem's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Authority of the City of Harlem's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I have applied certain limited procedures to the required supplementary information

in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Harlem's basic financial statements. The financial data schedule and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 my opinion, the financial data schedule and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 27, 2022 on my consideration of the Housing Authority of the City of Harlem's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Harlem's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Harlem's internal control over financial reporting and compliance.



Kendall L. Davis, P.C.

Certified Public Accountant

Hazlehurst, Georgia
September 27, 2022

Housing Authority of the City of Harlem
Harlem, Georgia
Management's Discussion and Analysis
December 31, 2021

The Harlem Housing Authority's (the Authority's) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent years' challenges), and (d) identify individual program issues or concerns. The 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.

The Management's Discussion and Analysis (MD&A) provides a narrative that should be read in conjunction with the Authority's financial statements to obtain a full understanding of its financial position. Questions concerning the information provided in the discussion or requests for additional information should be addressed to the Authority's Executive Director.

FINANCIAL HIGHLIGHTS

As of December 31, 2021, total assets and deferred outflow of resources were \$555,667 as compared to \$420,310, as of December 31, 2020, an increase of \$135,357, or 32.2%. Current assets increased \$138,684 and capital assets decreased \$3,327.

Total liabilities increased \$4,809, or 4.28%, primarily due to increases in Accrued Compensated Absences –Current of \$1,393, Accounts Payable – Other Government of \$8,697 and Unearned Revenue of \$1,002 offset by decreases in and Accrued Liabilities – Other of \$2,744.

In 2021, total revenue increased \$90,328, as compared to 2020, due to increases in Total Tenant Revenue of \$16,751 and HUD PHA Operating Grants of \$75,210.

Total expenses decreased \$45,851, or -14.12%, due to a decrease in Administrative Expenses of \$9,331, Maintenance Expenses of \$41,953, and Depreciation Expense of \$10,755 offset by increases in Utilities Expense of \$12,970 and Other General Expenses of \$7,811.

OVERVIEW OF THE FINANCIAL REPORTS

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

- I. The MD&A serves as an introduction to the Authority's financial statements.
- II. Financial Statements
 - a. Financial statements
 - b. Notes to the financial statements
- III. Other Required Supplementary Information

Overview of the Financial Reports (continued)

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 similar to 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 the Housing Authority's 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 similar to 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 Statement of Net Position.

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 of the Harlem Housing Authority for year-ending December 31, 2021.

All of 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 the property (meet HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered all its costs through its rental fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and related financing activities plus provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance 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. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year-ended December 31, 2021.

Housing Authority of the City of Harlem
Management's Discussion and Analysis
December 31, 2021

Financial Analysis

One of the most important questions asked about the Authority's finances; "Has the Housing Authority's financial position improved as a result of the achievements of the reported fiscal year?" 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, the Statement of Revenues, Expenses, and Changes in Fund Net Position and Statement of Cash Flows. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on December 31, 2021. 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, 2021.

Harlem Housing Authority has a public housing program that provides housing for qualified tenants and a capital fund program that the Housing Authority uses for improvements to its public housing property. The following analysis focuses on the net position and the change in net position of the Housing Authority as a *whole* and not the individual programs.

Statement of Net Position
December 31, 2021

| | <u>FY 2021</u> | <u>FY 2020</u> | <u>Variance</u> | <u>% Change</u> |
|--|-------------------|-------------------|-------------------|-----------------|
| Cash and Investments | \$ 405,414 | \$ 297,027 | \$ 108,387 | 36.49% |
| Other Current Assets | 69,857 | 39,560 | 30,297 | 76.58% |
| Total Current Assets | <u>475,271</u> | <u>336,587</u> | <u>138,684</u> | <u>41.20%</u> |
| Capital Assets | 80,396 | 83,723 | (3,327) | -3.97% |
| Total Assets | <u>555,667</u> | <u>420,310</u> | <u>135,357</u> | <u>32.20%</u> |
| Deferred Outflow of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>0.00%</u> |
| Total Assets and Deferred Outflow of Resources | <u>555,667</u> | <u>420,310</u> | <u>135,357</u> | <u>32.20%</u> |
| Current Liabilities | 117,265 | 108,793 | 8,472 | 7.79% |
| Non-Current Liabilities | <u>-</u> | <u>3,663</u> | <u>(3,663)</u> | <u>-100.00%</u> |
| Total Liabilities | <u>117,265</u> | <u>112,456</u> | <u>4,809</u> | <u>4.28%</u> |
| Deferred Inflow of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>0.00%</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 80,396 | 83,723 | (3,327) | -3.97% |
| Unrestricted Net Position | <u>358,006</u> | <u>224,131</u> | <u>133,875</u> | <u>59.73%</u> |
| Total Net Position | <u>438,402</u> | <u>307,854</u> | <u>130,548</u> | <u>42.41%</u> |
| Total Liabilities, Deferred Inflow of Resources, and Net Position | <u>\$ 555,667</u> | <u>\$ 420,310</u> | <u>\$ 135,357</u> | <u>32.20%</u> |

Housing Authority of the City of Harlem
Management's Discussion and Analysis
December 31, 2021

Assets:

Current assets are resources that are reasonably expected, based on the plans and intentions of the Authority, to be converted into cash or its equivalent during the next twelve months.

As of December 31, 2021, current assets were \$475,271 as compared to \$336,587, as of December 31, 2020, an increase of \$138,684. Current assets increased primarily due to increases in Cash – Unrestricted of \$108,154, Accounts Receivable-HUD of \$32,518, Accounts Receivable-Miscellaneous of \$3,196 and Prepaid Expenses of \$3,091 offset by decreases in Accounts Receivables – Tenant Rents of \$5,897 and Fraud Recovery of \$2,744.

Capital assets are long-term tangible assets obtained as a result of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land. Capital assets decreased \$3,327 due to an increase in Accumulated Depreciation of \$3,327.

CAPITAL ASSETS AT YEAR-END (Net of Depreciation)

| | <u>FY 2021</u> | <u>FY 2020</u> | <u>Variance</u> |
|----------------------------------|--------------------|--------------------|-------------------|
| Non-depreciable assets: | | | |
| Land | \$ 58,477 | \$ 58,477 | \$ - |
| Construction in progress | - | - | - |
| Total non-depreciable | <u>58,477</u> | <u>58,477</u> | <u>-</u> |
| Depreciable assets: | | | |
| Buildings | 2,163,299 | 2,163,299 | - |
| Furniture, Equipment & Machinery | | | |
| – Dwellings | - | - | - |
| – Administration | 38,936 | 38,936 | - |
| Leasehold Improvements | - | - | - |
| Total depreciable assets | <u>2,202,235</u> | <u>2,202,235</u> | <u>-</u> |
| Less accumulated depreciation | <u>(2,180,316)</u> | <u>(2,176,989)</u> | <u>(3,327)</u> |
| Book value – depreciable assets | <u>\$ 21,919</u> | <u>\$ 25,246</u> | <u>\$ (3,327)</u> |
| Percentage depreciated | 99.00% | 98.85% | |
| Book value – all assets | <u>\$ 80,396</u> | <u>\$ 83,723</u> | <u>\$ (3,327)</u> |

The Housing Authority had no capital asset additions. Capital assets decreased due to current year depreciation of \$3,327.

Housing Authority of the City of Harlem
Management's Discussion and Analysis
December 31, 2021

Liabilities:

Current liabilities are current debts that are owed by the Authority and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt.

As of December 31, 2021, current liabilities were \$117,265 as compared to \$108,793, as of December 31, 2020, an increase of \$8,472. The change consisted primarily of increases in Accrued Compensated Absences – Current of \$1,393, Accounts Payable – Other Government of \$8,697, and Unearned Revenue of \$1,002 offset by decreases in Accrued Liabilities – Other of \$2,744.

Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume the Authority's current financial resources to satisfy the debt. The Authority had \$0 in Accrued Compensated Absences- Noncurrent, as of December 31, 2021, as compared to \$3,663 as of December 31, 2020, a decrease of \$3,663.

Debt:

The Authority had no long term obligations such as notes or bonds payable.

Net Position:

As of December 31, 2021, the Housing Authority had \$438,402 in total net position. Of this amount, \$358,006 of unrestricted net position may be used to meet the Authority's future ongoing expenses and obligations. The remainder of \$80,396 represents the investment in capital assets of land, buildings, furnishings, leasehold improvements, and equipment.

Expendable Fund Balance:

The expendable fund balance is a measure of the entity's liquidity. If current assets, less materials inventory, are converted to cash and the Authority pays all current liabilities, the amount of cash remaining is the expendable fund balance. Harlem Housing Authority's expendable fund balance increased \$130,941 due to an increase in current assets offset by an increase in current liabilities (figures based on the 2020 and 2021 FDS information).

| | <u>2021</u> | <u>2020</u> | <u>Change</u> | <u>% of Change</u> |
|------------------------------------|-------------------|-------------------|-------------------|------------------------|
| Expendable Fund Balance | <u>\$ 334,082</u> | <u>\$ 203,141</u> | <u>\$ 130,941</u> | <u>64.46%</u> |
| Number of Months Expendable | <u>14.55</u> | <u>7.85</u> | <u>6.70</u> | <u>85.41%</u> |

Housing Authority of the City of Harlem
Management's Discussion and Analysis
December 31, 2021

Number of Months Expendable Fund Balance:

The number of months in expendable funds is a measure of how many months the Authority could operate under current conditions without any additional income. It is derived by dividing the expendable fund balance by average monthly expenses. Average monthly expenses are calculated by dividing the total expenses for the year, less depreciation, by twelve (12). The Authority's number of months expendable fund balance increased 6.70 months due to an increase in the expendable fund balance and by a decrease in average monthly expense (figures based on the 2020 and 2021 FDS information).

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2021

| | <u>2021</u> | <u>2020</u> | <u>Change</u> | <u>% of Change</u> |
|--|--------------------------|--------------------------|--------------------------|-------------------------|
| Revenue: | | | | |
| Tenant Revenue | \$ 179,981 | \$ 163,230 | \$ 16,751 | 10.26% |
| Federal Grants & Subsidy | 229,398 | 154,188 | 75,210 | 48.78% |
| Investment Income | 20 | 141 | (121) | -85.82% |
| Other Income | - | 1,512 | (1,512) | -100.00% |
| Gain/Loss on Sale of Cap Assets | - | - | - | 0.00% |
| Total Revenue | <u>409,399</u> | <u>319,071</u> | <u>90,328</u> | <u>28.31%</u> |
| Expenses: | | | | |
| Administrative | 102,666 | 111,997 | (9,331) | -8.33% |
| Tenant Services | - | - | - | 0.00% |
| Utilities | 63,649 | 50,679 | 12,970 | 25.59% |
| Routine Maintenance | 79,192 | 121,145 | (41,953) | -34.63% |
| Protective Services | 276 | 339 | (63) | -18.58% |
| General Expenses | 29,741 | 26,123 | 3,618 | 13.85% |
| Non-Routine Expenses | - | 337 | (337) | -100.00% |
| Depreciation | 3,327 | 14,082 | (10,755) | -76.37% |
| Total Operating Expenses | <u>278,851</u> | <u>324,702</u> | <u>(45,851)</u> | <u>-14.12%</u> |
| Increase (Decrease) in Net Position | <u>\$ 130,548</u> | <u>\$ (5,631)</u> | <u>\$ 136,179</u> | <u>-2418.38%</u> |

Revenues:

The main revenue sources are rents and other tenant charges and/or income received from the Department of Housing and Urban Development (HUD) in the form of operating subsidies and capital improvement grants.

Total Tenant revenue increased \$16,751 due to increases Net Tenant Rental Revenue of \$15,244 and Tenant Revenue- Other of \$1,507.

HUD revenue will often vary from year to year since it is dependent on the federal budget (operating subsidy) and availability and/or use of grant revenues. In 2021, Harlem Housing Authority's operating subsidy increased by \$11,451 and the Authority recognized \$84,325 of

Housing Authority of the City of Harlem
Management's Discussion and Analysis
December 31, 2021

Operating Grants from CFP 2018. The Authority also had a decrease in CARES Act Grant revenue of \$20,566.

Investment income decreased \$121 and Other Revenue decreased by \$1,512. Changes in investment income are generally governed by the amount of monies invested and the rates of returns on those investments.

Expenses:

Administration – Administrative costs include all non-maintenance and non-resident service personnel cost (including benefits and accrued leave), legal cost, auditing cost, travel and training cost, and other administrative cost such as supplies, telephone costs, etc. Administrative Expenses decreased \$9,331, from \$111,997 to \$102,666, primarily due to decreases in Administrative Salaries of \$10,748, Employee Benefits of \$6,811, and Office Expense of \$2,735 offset by increases in Audit Fees of \$9,600 and Other Administrative Expense of \$2,734.

Utilities increased \$12,970 from \$50,679 to \$63,649, primarily due to increases in Water Expenses of \$5,918 and Gas Expense of \$10,264 offset by decreases in Sewer Expense of \$3,662.

Routine maintenance costs are all the costs incurred by the Authority to maintain its public housing units in a decent, safe and sanitary manner. Costs include personnel costs, materials, and contracts for waste management, maintenance on vehicles and equipment, grounds cutting, etc. Maintenance Expense decreased \$41,953, from \$121,145 to \$79,192, primarily due to decreases in Labor Expense of \$8,997, Materials Expense of \$2,570, Contracts Expense of \$25,805, and Employee Benefits of \$4,581.

Other General Expenses – General expenses include insurance expense, compensated absences, collection losses, and payment in lieu of taxes. Total Other General Expenses increased \$7,811, from \$10,260 to \$18,071, primarily due to increases in Compensated Absence Expense of \$4,763 and Bad Debt – Tenant Rents of \$2,795.

Depreciation – The costs of all capitalized additions are spread over the estimated useful life of an asset as depreciation. Depreciation Expense decreased \$10,755.

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.

Significant economic factors affecting the Authority are as follows:

- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income. The local (Columbia County) unemployment rate in 2021 was 2.0% compared to 3.6% in FY 2020, which is 1.6 percentage points lower than prior year.
- Congressional funding of the Department of Housing and Urban Development. The Authority's eligibility for calendar year 2021 was \$149,801. HUD provided funding at

Housing Authority of the City of Harlem
Management's Discussion and Analysis
December 31, 2021

97.04% of the eligible amount in 2020 and 96.74% in 2021. Due to the proration of funding, the Authority received \$144,924 for calendar year 2021.

- In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

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 Housing Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact Laura Williamson, Interim Executive Director, Harlem Housing Authority, PO Box 627, Thomson, GA 30824, telephone number (706) 595-4878.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF HARLEM

Harlem, Georgia

STATEMENT OF NET POSITION – PROPRIETARY FUND TYPE

As of December 31, 2021

ASSETS

Current Assets:

| | |
|---|----------------|
| Cash and cash equivalents | \$ 364,986 |
| Restricted cash | 7,860 |
| Due from HUD | 32,518 |
| Investments - unrestricted | 32,568 |
| Accounts receivable (net of \$82 allowance) | 3,935 |
| Accrued interest receivable | 1 |
| Prepaid expenses | 9,479 |
| Supplies inventory (net of \$2,658 allowance) | 23,924 |
| Total current assets | <u>475,271</u> |

Noncurrent Assets:

Capital Assets:

| | |
|---------------------------------|----------------|
| Nondepreciable capital assets | 58,477 |
| Depreciable capital assets, net | 21,919 |
| Total noncurrent assets | <u>80,396</u> |
| Total assets | <u>555,667</u> |

Deferred outflow of resources

| | |
|--|-------------------|
| Total assets and deferred outflow of resources | <u>\$ 555,667</u> |
|--|-------------------|

LIABILITIES

Current Liabilities:

| | |
|--|----------------|
| Accounts payable and accrued liabilities | \$ 11,811 |
| Accrued wages/payroll taxes payable | 1,101 |
| Accounts payable - other government | 88,950 |
| Tenant security deposits | 7,860 |
| Unearned revenue | 1,626 |
| Accrued compensated absences | 5,917 |
| Total current liabilities | <u>117,265</u> |

Noncurrent Liabilities:

| | |
|------------------------------|----------------|
| Accrued compensated absences | - |
| Total noncurrent liabilities | <u>-</u> |
| Total Liabilities | <u>117,265</u> |

Deferred inflows of resources

| | |
|--|----------------|
| Total liabilities and deferred inflow of resources | <u>117,265</u> |
|--|----------------|

NET POSITION

| | |
|--|-------------------|
| Net investment in capital assets | 80,396 |
| Unrestricted net position | 358,006 |
| Total net position | <u>438,402</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 555,667</u> |

See auditor's report.

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF HARLEM

Harlem, Georgia

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUND TYPE

For the year ended December 31, 2021

| | |
|---|-------------------|
| Operating revenues: | |
| Tenant rental revenue (net of collection losses of \$2,888) | \$ 177,093 |
| HUD operating grants | 229,398 |
| Total operating revenues | <u>406,491</u> |
| Operating expenses: | |
| Administration | 102,666 |
| Utilities | 63,649 |
| Protective services | 276 |
| Ordinary maintenance | 79,192 |
| Insurance | 11,670 |
| General expenses | 15,183 |
| Depreciation | 3,327 |
| Total operating expenses | <u>275,963</u> |
| Operating income (loss) | <u>130,528</u> |
| Nonoperating revenue (expenses): | |
| Interest income | 20 |
| Total nonoperating revenue (expenses) | <u>20</u> |
| Net Income (Loss) before contributions | 130,548 |
| Contributions – capital grants | <u>-</u> |
| Increase (decrease) in net position | 130,548 |
| Net position, beginning of year, as restated | <u>307,854</u> |
| Net position, end of year | <u>\$ 438,402</u> |

See auditor's report.

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE
For the year ended December 31, 2021

| | |
|---|------------|
| Cash flows provided from/ (used by) operating activities: | |
| Cash received from tenants/others | \$ 181,674 |
| Cash paid for goods and services | (213,798) |
| Cash paid to employees for services | (56,391) |
| HUD operating grants | 196,880 |
| Net cash provided from/ (used by) operating activities | 108,365 |
| Cash flows from noncapital financing activities | |
| | - |
| Cash flows provided from/ (used by) capital and related financing activities: | |
| Proceeds from capital grants | - |
| Acquisition of capital assets | - |
| Net cash provided from/ (used by) capital and related financing activities | - |
| Cash flows provided/ (used by) from investing activities: | |
| Interest on investments | 22 |
| Proceeds from maturities of investments | 32,555 |
| Purchase of investments | (32,568) |
| Net cash provided from/ (used by) investing activities | 9 |
| Net increase (decrease) in cash and cash equivalents | 108,374 |
| Cash and cash equivalents at beginning of year | 264,472 |
| Cash and cash equivalents at end of year | \$ 372,846 |
| Reconciliation of cash/cash equivalents: | |
| Cash - unrestricted | \$ 364,986 |
| Cash - restricted | 7,860 |
| Total cash | \$ 372,846 |
| Reconciliation of operating income (loss) to net cash provided from/ (used by) operating activities: | |
| Operating income (loss) | \$ 130,528 |
| Adjustments to reconcile operating income (loss) to net cash provided from/ (used by) operating activities: | |
| Depreciation | 3,327 |
| (Increase) decrease in accounts receivable | (27,937) |
| (Increase) decrease in inventory and prepaid insurance | (2,362) |
| Increase (decrease) in accounts payable and accrued liabilities | (2,682) |
| Increase (decrease) in accrued payroll/payroll taxes payable | (158) |
| Increase (decrease) in accounts payable other government | 8,697 |
| Increase (decrease) in security deposits | 220 |
| Increase (decrease) in unearned revenues | 1,002 |
| Increase (decrease) in accrued compensated absences | (2,270) |
| Total adjustments | (22,163) |
| Net cash provided from/ (used by) operating activities | \$ 108,365 |

See auditor's report.

The notes to the financial statements are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: Summary of Significant Accounting Policies:

The accounting policies of the Housing Authority of the City of Harlem conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Housing Authority of the City of Harlem is a public body created under the General Statutes of Georgia. The Authority was created for the purpose of providing safe and sanitary housing for the low-income citizens of Harlem, Georgia.

In determining how to define the reporting entity, management has considered all potential component units. Management considered criteria established by the Governmental Accounting Standards Board for inclusion of the Authority in the City of Harlem's financial statements. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary government is not financially accountable. The Board of Commissioners of the Housing Authority is appointed by the Mayor of the City of Harlem but the Authority designates its own management. The City of Harlem provides no financial support to the Authority and is not responsible for the debts or entitled to the surpluses of the Authority. The Authority has the power to approve its own budget and maintains its own accounting system. Although the Board is appointed by the City of Harlem no other criteria established by Section 2100 and 2600 of the Codification of Governmental Accounting Standards Board, the Financial Accounting Standards Board, and Governmental Accounting Standards Board Statement No. 14, 39, and 61 for inclusion of the Authority in the City of Harlem's financial statements are met. Therefore, a separate financial report is prepared for the Authority. All of the operations of the Authority are included in the audited financial statements and there are no operations or activities which have been excluded.

B. Description of a Public Housing Authority

Funding for public housing authorities is received from the United States Department of Housing and Urban Development (HUD) and from participants in public housing programs. Under the Low Rent Housing Assistance Program, low income tenants pay monthly rents which are determined by their need for assistance. HUD pays the annual debt service contributions directly to a fiscal or paying agent under the terms of the annual contributions contract. HUD also pays operating subsidies to the housing authority to enable the authority to maintain the low-income character of the neighborhood while providing adequate services and maintaining adequate reserves.

The Authority programs also include the Capital Fund Program provided by HUD as the primary funding source for physical and management improvements to the Authority's properties. These grants are received from HUD through a formula driven computation. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

The Authority had 44 units in management and was administrating a capital fund program.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: Summary of Significant Accounting Policies: (Continued)

C. Basis of Presentation

The accounts of the Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, net position, revenues, and expenses.

The Authority accounts for its operation in one fund type, the enterprise fund that reflects all the activities of the Authority. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Housing Authority of the City of Harlem maintains one enterprise fund which includes the following programs: Public Housing Program and a Capital Fund Program.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. Enterprise fund type equity (i.e., net total position) is segregated into investment in capital assets (net of related debt) and unrestricted net position components. Operating activities for this fund present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The fund of the Authority is maintained on the modified accrual basis during the year. The financial statements for the Authority have been presented on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. The converting from the modified accrual basis to the full accrual basis, the changes required are adjustments for accrued interest, prepaid insurance, depreciation, prepaid tenant rents, payments of principal on outstanding debt, and capital outlay. Payments of outstanding debts and accrued interest by HUD which have earned by the Authority, but not yet realized, are recorded as revenue. Operating income reported includes rental income, other tenant charges, operating grants, and other revenue for the continuing operations of the fund. Operating expenses are the costs of providing goods and services. Other revenues and expenses are classified as non-operating in the financial statements.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: Summary of Significant Accounting Policies: (Continued)

E. Revenue Recognition

The significant revenue recognition policies and practices related to these revenues are as follows:

Charges to tenants, participants, or applicants – These revenues consist primarily of dwelling rental charges and related fees and charges. Such revenues are recognized when due. Rental charges are typically recorded and recognized at the beginning of the rental term while tenant charges and fees are recognized when the underlying transaction occurred. The revenues associated with installment repayment agreements are recorded when collected.

Operating grants and contributions – The Authority receives various grants from other governments and entities. In general, for cost reimbursement-type grants, the revenues are recognized when the underlying expenses are incurred and as soon as all eligibility requirements imposed by the provider have been met. For formula-based operating subsidies, the revenues are recognized during the period for which the subsidy was approved and authorized by the grantor agency. For fee-based grants, the revenues are recognized when the services are performed and delivered. The principle operating grant revenues earned by the Authority include operating subsidies for its low-rent public housing program and the non-capital portions of modernization and capital improvement grants.

F. Budgetary Data

The Authority maintains budgetary controls over its fund, as required by the terms of the Authority's annual contributions contract with HUD. An annual budget is adopted for the enterprise fund. It was determined that all revenues and expenses were in accordance with the program budgets. Expenses may not legally exceed appropriations at the departmental level for the enterprise fund. All increases in appropriation to administration and capital expenditures must be approved by the Board. The budget was prepared on the modified accrual basis of accounting. The capital fund budgets are prepared on a "project length" basis.

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in Georgia. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: Summary of Significant Accounting Policies: (Continued)

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. Money market investments that have a maturity at the time of purchase of one year or less are carried at amortized cost. As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. During the fiscal year and at year-end, all cash was held in the form of interest bearing accounts. The deposits and the above described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.

Disclosure About Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sale an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority also follows a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard's three level of inputs that may be used to measure fair value:

Level 1: Observable prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Authority currently recognizes all assets and liabilities at Level 1 of the valuation hierarchy unless stated otherwise.

Accounts Receivable – Tenants

Charges to tenants are recorded as revenue at the first of each month. Balances in this account represent amounts that have been charged to tenants for which the Authority has not received payment. The Authority estimates that some of the carrying balance of this account will not be collected. The Authority uses the Balance Sheet approach to estimate the allowance for uncollectible accounts.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: Summary of Significant Accounting Policies: (Continued)

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid.

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenses when consumed rather than when purchased. If inventory falls below cost due to damage, deterioration, or obsolescence, the Authority establishes an allowance for obsolete inventory.

Capital Assets

Donated capital assets received prior to December 31, 2015 are stated at their estimated fair value on the date donated. This included site acquisition and improvement, structures, and equipment. Donated capital assets received after January 1, 2016 are recorded at amortized cost, the price is adjusted for transportation costs, but would not otherwise be adjusted for transaction costs. Other capital assets are recorded at historical cost at the date of acquisition. This includes site acquisition and improvement, structures, and equipment. Assets are depreciated on a straight-line basis over the following years:

| | |
|---------------------------------|-------------|
| Dwelling structures | 20 years |
| Non-dwelling structures | 20 years |
| Dwelling structure improvements | 10-15 years |
| Dwelling equipment | 3-5 years |
| Office furniture and equipment | 3-5 years |
| Maintenance equipment | 3-5 years |
| Automobiles and vehicles | 3-5 years |

The Authority capitalizes purchases of items with an initial cost that exceeds \$5,000 and a useful life greater than one year. Maintenance and repairs expenditures are charged to operations when incurred.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: Summary of Significant Accounting Policies: (Continued)

Accrued Compensated Absences

The Housing Authority of the City of Harlem allows each of the Consortium full time employees to accumulate vacation leave, and such leave is fully vested when earned. Full-time employees earn annual leave as follows: 6.67 hours per month employed – 80 hours each year through the fifth year of employment, 10 hours per month for each month employed from the sixth to fifteenth year of employment – 12 hours per year, 13.33 hours per month for each month employed after the tenth year of employment, or 160 hours per year. No more than 320 hours may be carried over into the following year. Sick leave is accrued by employees and is not paid at separation but can be used to determine retirement age at a rate of two days of sick leave to one day of service. The amount of accrued compensated absences is allocated by the “lead” Authority in the Consortium as all employees are employees of Thomson Housing Authority, the “lead” Authority. Based on this allocation, the Authority records compensated absences in the period they are earned and uses a systematic allocation process to allocate between short-term and long-term liability classifications.

Deferred Inflows/Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority does not have any items that meet the criterion for this category.

Net Position

Net Investment in Capital Assets

Net investment in capital assets represents funds received for development and modernization of the Authority’s dwelling units. In addition, this amount represents capital assets purchased through operations and grant programs less accumulated depreciation and related debt.

Unrestricted Net Position

Net position includes assets remaining after deducting liabilities and deferred inflows of resources and provides a basis of assessing the liquidity and financial flexibility of the Authority.

Operating Revenues

Subsidies received from the Department of Housing and Urban Development or other grantor agencies for operating purposes, are recorded as operating revenues. Those that are received for capital purposes are recorded as a capital contribution.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2: Stewardship, Compliance, and Accountability

The Authority appeared to have met its responsibilities regarding stewardship, compliance, and accountability for its fund.

NOTE 3: Detail Notes on All Programs

A. Assets

Deposits and Investments

The Authority's funds are maintained in bank deposits or in investments in debt securities. The Authority is permitted to invest funds in deposit accounts at federally insured financial institutions; in obligations of the U.S. Treasury or U.S. Government agencies; Local or State Government Investment Pools; and Repurchase Agreements with financial institutions (as long as the entire balance is collateralized by specifically identified securities of the U.S. Government or its agencies). Investments in debt securities that have a remaining maturity at the time of purchase of more than one year and that have a determinable market value are valued at market value as of year-end. The market values are based on quoted market prices at year-end. Certificates of deposit are stated at cost as they are not traded in any market and are held for longer terms. Securities with a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

Bank Deposits

Deposits include amounts held in accounts that qualify for federal depository insurance and include demand deposits such as checking accounts, saving accounts and NOW accounts, as well as time deposits such as nonnegotiable certificates of deposit. In the financial statements, amounts held in demand deposits accounts and in time deposits with initial maturities of 90 days or less are classified as cash and cash equivalents.

As of December 31, 2021, The Authority's deposits consisted of the following:

| | <u>Total</u> |
|--|-------------------|
| Demand deposit accounts (checking, savings, money market account) | \$ 372,846 |
| Time deposits - certificates of deposit | <u>32,568</u> |
| | <u>\$ 405,414</u> |

Deposits are required to be either covered by federal depository insurance or be collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority's name. It is the Authority's policy that all funds on deposit are collateralized in accordance with HUD requirements. At December 31, 2021, the Authority's deposits with financial institutions for all fund types had a carrying amount of \$405,414 and bank balances of \$424,045. Of these bank balances, \$424,045 was covered by federal depository insurance.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3: Detail Notes on All Programs (Continued)

A. Assets (Continued)

Bank Deposits (Continued)

As on December 31, 2021, the Authority's deposits are classified in the financial statements as follows:

| | Total |
|---------------------------|------------|
| Cash and cash equivalents | \$ 364,936 |
| Restricted cash | 7,860 |
| Investments | 32,568 |
| Change fund | 50 |
| | \$ 405,414 |

The Authority invests in accordance with HUD regulations. As of December 31, 2021, the Authority had the following investments and maturities:

| | Valuation Measurement Method | Book Value 12/31/2021 | Maturity |
|-------------------------|---------------------------------|--------------------------|-----------|
| Certificates of Deposit | Fair Value - Level 1 | \$ 32,568 | 12 months |
| Total Investments: | | \$ 32,568 | |

Interest rate risk—The Housing Authority of the City of Harlem has no specific policy regarding interest rate risk.

Credit risk – The Authority has no policy regarding credit risk. The Authority investments were limited to Certificates of Deposits that were 100% collateralized.

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments in repurchase agreements are collateralized by the securities held by the counterparty, or by its trust department. The Authority has no policy on custodial credit risk.

Concentration of credit risk—The Authority places no limit on the amount that the Authority may invest in any one issuer.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3: Detail Notes on All Programs(Continued)

A. Assets (Continued)

Prepaid Expenses

As of December 31, 2021, prepaid expenses consisted of the following:

Prepaid Insurance \$9,479

Capital Assets

The capital assets (at cost) of the Housing Authority of the City of Harlem at December 31, 2021 consisted of the following:

| | Balance at December 31, 2020 | Additions | Deletions/ Adjustments | Transfers | Balance at December 31, 2021 |
|------------------------------------|---------------------------------|-------------------|---------------------------|-------------|---------------------------------|
| Nondepreciable Capital Assets: | | | | | |
| Land (nondepreciable) | \$ 58,477 | \$ - | \$ - | \$ - | \$ 58,477 |
| Construction in progress | - | - | - | - | - |
| Total Nondepreciable Assets | <u>58,477</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>58,477</u> |
| Depreciable capital assets: | | | | | |
| Buildings and improvements | 2,163,299 | - | - | - | 2,163,299 |
| Furniture, equip., vehicles | 38,936 | - | - | - | 38,936 |
| Total Depreciable Assets | <u>2,202,235</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,202,235</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (2,144,607) | (2,447) | - | - | (2,147,054) |
| Furniture, equip., vehicles | (32,382) | (880) | - | - | (33,262) |
| Total Accumulated Depreciation | <u>(2,176,989)</u> | <u>(3,327)</u> | <u>-</u> | <u>-</u> | <u>(2,180,316)</u> |
| Total Depreciable Assets, net | 25,246 | (3,327) | - | - | 21,919 |
| Total Capital Assets, Net | <u>\$ 83,723</u> | <u>\$ (3,327)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 80,396</u> |

Depreciation expense was \$3,327 for the year ended December 31, 2021.

A summary of capital assets at December 31, 2021 is as follows:

| | Low-Rent | Total |
|--------------------------------|------------------|------------------|
| Land | \$ 58,477 | \$ 58,477 |
| Building and improvements | 2,163,299 | 2,163,299 |
| Equipment | 38,936 | 38,936 |
| Construction in progress | - | - |
| | <u>2,260,712</u> | <u>2,260,712</u> |
| Less: accumulated depreciation | (2,180,316) | (2,180,316) |
| Capital assets, net | <u>\$ 80,396</u> | <u>\$ 80,396</u> |

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3: Detail Notes on All Programs (Continued)

B. Liabilities

Accounts Payable/Accrued Liabilities

The Authority had the following accounts payable/accrued liabilities at December 31, 2021:

| | |
|-----------|------------------|
| Vendors | \$ 5,923 |
| Utilities | <u>5,888</u> |
| | <u>\$ 11,811</u> |

These amounts were paid after year-end.

Accounts Payable – Other Government

The Authority had the following accounts payable – other government at December 31, 2021:

| | |
|---------------------------|------------------|
| City of Harlem – PILOT | \$ 29,527 |
| Thomson Housing Authority | <u>59,423</u> |
| | <u>\$ 88,950</u> |

Reimbursements were made to the Thomson Housing Authority subsequent to year-end.

Unearned Revenue

The Authority had the following unearned revenue at December 31, 2021:

| | |
|---------------|-----------------|
| Prepaid rents | <u>\$ 1,626</u> |
|---------------|-----------------|

Pension Plan Obligation

The Authority provides a defined contribution pension plan through Metropolitan Life for eligible full-time employees. The Board of Commissioners authorized participation in the pension plan. The pension plan was adopted on January 1, 1970. Employees are eligible for the plan after six months of service.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participant's benefits that may be allocated to such participant's account and the returns earned on investments of those contributions.

As all employees are employees of the East Georgia Housing Authority Partnership (EGHAP), EGHAP contributes an amount equal to 13.5% of each employee's annual compensation to the plan., with each member of EGHP covering their share of the costs based on a percentage of unit's methodology. Pension expense totaled \$7,613 for the year December 31, 2021. Employees are not required to make, nor did they make, any contributions to the plan.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3: Detail Notes on All Programs (Continued)

B Liabilities (Continued)

Noncurrent Liabilities

Changes in noncurrent liabilities are as follows:

| | Balance 12/31/20 | Additions | Deletions | Balance 12/31/21 | Less Amounts Due Within One Year | Noncurrent Balance 12/31/21 |
|------------------------------|---------------------|-----------------|--------------------|---------------------|-------------------------------------|-----------------------------------|
| Accrued compensated absences | \$ 8,187 | \$ 9,287 | \$ (11,557) | \$ 5,917 | \$ (5,917) | \$ - |
| Total | <u>\$ 8,187</u> | <u>\$ 9,287</u> | <u>\$ (11,557)</u> | <u>\$ 5,917</u> | <u>\$ (5,917)</u> | <u>\$ -</u> |

C. Net Position

Schedule of Changes in Net Position:

| | Net Investment In Capital Assets | Unrestricted Net Position | Total |
|---------------------------------------|-------------------------------------|------------------------------|-------------------|
| Balance - beginning of year | \$ 83,723 | \$ 224,131 | \$ 307,854 |
| Increase in net position | - | 130,548 | 130,548 |
| Changes in invested in capital assets | (3,327) | 3,327 | - |
| Balance - end of year | <u>\$ 80,396</u> | <u>\$ 358,006</u> | <u>\$ 438,402</u> |

NOTE 4: Related Party Transactions

There were no related party transactions for the year ended December 31, 2021.

NOTE 5: Claims and Judgments

At December 31, 2021, the Authority was not a defendant to any lawsuit whose outcome would be material to the financial statements. No provision was made in the audited financial statements for any contingent liabilities. In the opinion of management and the Authority's attorney, there is no legal matter that will have a materially adverse effect on the Authority's financial position.

HOUSING AUTHORITY OF THE CITY OF HARLEM
Harlem, Georgia

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 6: Risk Management

The Authority is exposed to various risks of losses related to torts, theft of, or damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Authority has mitigated this risk by participating and obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the fund where the coverage is required. Insurance coverage provided includes property and casualty, general liability, fidelity bond, workers compensation. During the current or subsequent period there were no claims made or paid that were not covered by the Authority's insurance providers. There were no significant coverage decreases in the current or subsequent audit period.

The Authority participates in the Housing Authority Risk Retention Group. The Group was established for the purposes of providing each member with indemnification and financial protection against, and risk management services with respect to, any risk of loss as may be agreed upon by the Member and the Group. The Group is required to assess an initial reserve contribution and periodic contributions, to establish a self insured retention fund and to arrange for reinsurance contracts for any excess insurance needed. The Group is allowed to assess retrospective increases in the periodic contributions to all members as a group based on the experience of all members as a group. The members of this Group are required to remit to the Group any required initial reserve contribution and the periodic contributions to comply with the terms of any risk management program developed by the Group.

The Authority has also joined together with other municipalities in the state as part of the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the Authority is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The settlement discussions and all levels of litigation arising out of any claim made against the Authority within the scope of loss protection furnished by the funds.

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the preview of the Worker's Compensation Law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding or compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.