

**HOUSING AUTHORITY OF THE CITY OF EASLEY**

**FINANCIAL STATEMENTS  
&  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED MARCH 31, 2018**

HOUSING AUTHORITY OF THE CITY OF EASLEY  
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FOR YEAR ENDED MARCH 31, 2018

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HOUSING AUTHORITY OF THE CITY OF EASLEY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2018

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The management of the Housing Authority of the City of Easley offers the readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the year ended March 31, 2018. This discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position, and identify individual fund issues or concerns. Readers should consider the information presented here in conjunction with the Authority's financial statements to obtain a full understanding of its financial position.

This management discussion and analysis is presented in accordance with the requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). We have made every effort to provide data that allows the reader to gain an adequate understanding of the Authority's annual operating results and financial position as of March 31, 2018.

Questions concerning the information provided in this discussion or requests for additional information should be addressed to the Authority's Executive Director.

**Financial Highlights**

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$772,779 (net position) compared to \$667,310 for the prior fiscal year.
- The Authority's cash and investments balance as of March 31, 2018 was \$404,454 representing an increase of \$115,603 from March 31, 2017.
- The Authority had total revenues of \$817,715 and total expenses of \$760,615 for the year ended March 31, 2018.
- The Authority administers 99 units of Low-Rent Public Housing.

**Overview of the Financial Reports**

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

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

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

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

Our analysis of the Authority as a whole follows with the most important question, “Has the Authority’s financial health improved or worsened as a result of the year’s activities?” The following analysis of entity-wide net position, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual method of accounting, which recognizes revenue when earned and expenses when incurred regardless of when cash is received or paid.

**Statement of Net Position**

	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

The Statement of Net Position reflects an increase of \$105,469 for the year ended March 31, 2018. This increase is based on the net effect of operations which includes depreciation expense on capital assets for the year. In addition, the Authority had prior period adjustments of \$48,369 to correct capital fund revenue recognition which increased Unrestricted Net Position.

Net Capital Assets decreased \$101,589 based on capital expenditures of \$25,345 less depreciation expense of \$126,934 for the year.

Current Liabilities decreased based on the accrual of accounts payable and short-term compensated absences at March 31, 2018.

Non-Current Liabilities and Deferred Inflows of Resources had a net decrease of \$59,122 based on annual adjustments to long-term compensated absences and pension liability at March 31, 2018.

**Analysis of Entity-Wide Revenue and Expenses**

The following table illustrates changes in revenue from FY 2017 to FY 2018.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
REVENUES AND GRANTS			
Tenant Revenue	272,031	226,738	45,293
HUD Operating Grants	534,331	364,389	169,942
HUD Capital Grants	11,000	80,000	(69,000)
Investment Income	353	360	(7)
Other Revenue	-	119	(119)
Total Revenues and Grants	817,715	671,606	146,109

Total Revenues and Grants increased \$146,109 for the year ended March 31, 2018. The majority of the Authority's revenues (67%) were derived from grants from the Department of Housing and Urban Development. The Authority's Operating and Capital Fund budgets fluctuate on an annual basis depending on the Authority's agency plan and Congressional approval of funding levels.

Tenant Revenue increased \$45,293 or 20% for the year ended March 31, 2018. This increase was related to tenant reexaminations and a corresponding increase in dwelling rental charges. In addition, tenant charges for late fees and maintenance increased \$9,942 for the year. The Authority also experienced a small increase in the number of unit months leased for the year.

All other revenue remained basically unchanged for the year.

The following table illustrates changes in expenses from FY 2017 to FY 2018.

EXPENSES	<u>2018</u>	<u>2017</u>	<u>Change</u>
Administration and Tenant Services	286,574	211,225	75,349
Utilities	100,446	106,869	(6,423)
Ordinary Maintenance	194,029	261,345	(67,316)
General Expenses	49,285	46,692	2,593
Extraordinary Maintenance	3,347	0	3,347
Depreciation Expense	<u>126,934</u>	<u>119,887</u>	<u>7,047</u>
Total Expenses	760,615	746,018	14,597

Total Expenses increased \$14,597 or 2% for the year ended March 31, 2018.

Administration and Tenant Services increased based on the following activity for the year:

	\$	35,382
Decrease in audit fees		(6,800)
Decrease in travel expenses		(1,829)
Increase in office expense / sundry		<u>48,596</u>
Total	\$	<u>75,349</u>

Administrative salaries/benefits increased due to personnel changes which included the hiring of a new Executive Director.

Utility expenses decreased based on mild weather conditions for the year.

Ordinary Maintenance and General Expenses had a net decrease of 21% for the year. The majority of the decrease was related to improved control over materials and contract cost expenditures which have been implemented by the new Executive Director. These costs include all costs incurred by the Authority to maintain the tenant dwelling units and property in a safe sanitary manner. Costs include maintenance salaries and benefits, materials used to maintain the units and various contracts for waste management and other maintenance services. General expenses include insurance costs (property, liability, workers' compensation, public officials' liability, auto, bond, etc.), collection losses, compensated absences and the payment in lieu of taxes to the County and local municipalities.

Extraordinary Maintenance expenses were related to the repair and renovation of a tenant dwelling unit by Serv-Pro.

Depreciation represents the cost of all capital additions which are expensed over their estimated useful life and recorded as depreciation expense. This expense increased \$7,047 based on standard calculations for the year.

**Capital Assets**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	201,118	201,118	0
Buildings and Equipment	3,535,270	3,303,138	232,132
Construction in Progress	11,000	217,787	(206,787)
Accumulated Depreciation	<u>(3,040,369)</u>	<u>(2,913,435)</u>	<u>(126,934)</u>
Net Capital Assets	707,019	808,608	(101,589)

Net Capital Assets decreased \$101,589 for the year ended March 31, 2018.

This decrease was created by the following activity for the year:

Capital Fund Program Expenditures	\$ 11,000
HVAC replacement	12,586
Replacement of phone system	1,759
Depreciation expense	<u>(126,934)</u>
Total	<u>\$ (101,589)</u>

All Capital Fund Program expenditures were related to the 2017 Program.

**Economic Factors**

Several significant economic factors affecting the Housing Authority are as follows:

- Congressional funding of the Department of Housing and Urban Development
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Health care and other insurance costs are expected to increase dramatically over the next several years.

**Financial Contact**

Questions concerning any of the information provided in this Management Discussion & Analysis should be addressed to:

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### Independent Auditor's Report

To the Board of Commissioners  
Housing Authority of the City of Easley

#### **Report on the Financial Statements**

We have audited the financial statements of the Housing Authority of the City of Easley (the "Authority"), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of March 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1-5, schedule of changes in net pension liability – defined benefit pension plan on page 23, and schedule of employer contributions – defined benefit pension plan on page 24 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements. The accompanying supplementary information including the financial data schedule and the statement and certification of actual modernization cost are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements.

The financial data schedule and the statement and certification of actual modernization cost are 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. 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 financial data schedule and the statement and certification of actual modernization cost 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 October 1, 2018 on our consideration of the Authority'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 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 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 Authority's internal control over financial reporting and compliance.

*Henderson & DeJohn, LLC*

Birmingham, AL  
October 1, 2018



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### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### Independent Auditor's Report

To the Board of Commissioners  
Housing Authority of the City of Easley

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 basic financial statements of the Housing Authority of the City of Easley (the "Authority"), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 1, 2018.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 over financial reporting 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 the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

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

*Henderson & DeJohn, LLC*

Birmingham, AL  
October 1, 2018

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HOUSING AUTHORITY OF THE CITY OF EASLEY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
ENTERPRISE FUND  
YEAR ENDED MARCH 31, 2018

<b>OPERATING REVENUES</b>	
Rental income	\$ 272,031
Federal grants	<u>534,331</u>
 Total operating revenues	 <u>806,362</u>
 <b>OPERATING EXPENSES</b>	
Administration	286,574
Utilities	100,446
Maintenance	197,376
General	49,285
Depreciation	<u>126,934</u>
 Total operating expenses	 <u>760,615</u>
 Operating income (loss)	 45,747
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	<u>353</u>
 Income (loss) before contributions	 46,100
 Capital contributions	 <u>11,000</u>
 Change in net position	 <u>57,100</u>
 Total net position - beginning of the year	 667,310
 Prior period adjustments	 <u>48,369</u>
 Total net position - beginning of the year, as restated	 <u>715,679</u>
 Total net position - end of the year	 <u><u>\$ 772,779</u></u>

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

HOUSING AUTHORITY OF THE CITY OF EASLEY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
YEAR ENDED MARCH 31, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tenants	\$ 200,668
Federal grants	541,055
Payments to suppliers	(332,292)
Payments to or on behalf of employees	<u>(279,724)</u>
Net cash provided (used) by operating activities	<u>129,707</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(25,345)
Capital contributions	<u>11,000</u>
Net cash provided (used) by capital financing activities	<u>(14,345)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest revenue	241
Purchase of investments	<u>(241)</u>
Net cash provided (used) by investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	115,362
Balances - beginning of the year	<u>60,612</u>
Balances - end of the year	<u><u>\$ 175,974</u></u>
<b>RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 45,747
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	126,934
Pension expense	23,434
Change in assets and liabilities:	
Receivables, net	3,485
Inventories, net	(3,649)
Prepays and other assets	3,265
Deferred outflows of resources	18,432
Accounts payable	(480)
Unearned revenue	(3,465)
Accrued liabilities	(1,842)
Deferred inflows of resources	123,168
Accrued pension and OPEB liabilities	(208,544)
Compensated absences	3,760
Tenant security deposits	<u>(538)</u>
Net cash provided (used) by operating activities	<u><u>\$ 129,707</u></u>

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

HOUSING AUTHORITY OF THE CITY OF EASLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Housing Authority of the City of Easley (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements are as follows: The financial statements will include a Management’s Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of –
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Fund Net Position
  - Statement of Cash Flows
- Notes to financial statements
- Required supplemental information other than MD&A

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the “enterprise fund” in the basic financial statements. Significant Authority policies are described below.

**A. The Reporting Entity**

The Authority was established as a tax-exempt quasi-governmental entity under the United States Housing Act of 1937 for the purpose of providing affordable housing to low and moderate income families in Pickens County, South Carolina. The governing body of the Authority is composed of a 4 member appointed Board of Commissioners (the “Board”). The Mayor of the City of Easley appoints the Board, who in turn hires the Executive Director. The Authority is governed by its charter and by-laws, state and local laws and federal regulations. The Board is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Authority’s management. The Authority has no component units.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Authority’s financial statements are accounted for on the flow of economic resources management focus using the accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flow.

All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with a proprietary fund’s activities are included on the Statement of Net Position. Proprietary fund net position is segregated into Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position. Revenues are recognized when they are earned and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are rental charges to tenants and operating subsidy grants from HUD. Operating expenses for proprietary funds include the cost of administrative expenses, maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Authority applies restricted resources to fund restricted costs and unrestricted resources to fund unrestricted costs. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements.

The Authority has previously adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with this statement, the Authority accounted for all grants that qualify as non-exchange transactions, recognizing receivables and revenues when all applicable eligibility requirements are met. In addition, capital contributions are recorded on the Statement of Revenues, Expenses, and Changes in Fund Net Position after income before contributions and before changes in net position.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED MARCH 31, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component on net position.

**C. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and money market accounts. For purposes of the statement of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the balance sheet approximate fair values because of the short maturities of those investments.

**D. Receivables**

All receivables are current and due within one year. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible. The allowance account for tenant doubtful accounts was \$1,928 as of March 31, 2018.

**E. Restricted Assets and Liabilities**

Debt covenants, HUD regulations, and inter-local agreements restrict the use of certain assets. Restricted assets are offset by related liabilities in accordance with their liquidity.

**F. Inventories**

Inventories are accounted for under the consumption method and recorded at the lower of cost or market. Materials and supplies are recorded as inventories when purchased and as expenditures when used. Inventories are reported net of an allowance for obsolete inventories. Allowances are reported when accounts are proven to be obsolete. The allowance account was \$6,394 as of March 31, 2018.

**G. Prepaid Items**

Prepaid items consist of payments made to vendors for services that will benefit future periods.

**H. Capital Assets**

Capital assets include property, furniture, equipment, and machinery. Capital assets with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Construction in progress consists of capital improvements funded by modernization grant programs. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20
Improvements other than buildings	20
Furniture, equipment, and machinery	5

**I. Compensated Absences**

The Authority's policy allows each employee to accumulate up to 240 vacation hours and be paid for them upon separation. No sick leave is paid upon separation. Time accrued beyond these amounts is forfeited unless exception is granted by the Board. The majority of employees utilize their annual accrual of vacation and sick leave during the year accrued. 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 classification.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Unearned Revenue**

The Authority recognizes revenues as earned. An amount received in advance of the period in which it is earned is recorded as a liability under unearned revenue.

**K. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**L. Deferred Outflows/Inflows 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. The Authority has four items that meet this criterion, contributions that were made to the plan subsequent to the measurement date, pension deferrals resulting from the difference between expected and actual experience, pension deferrals resulting from net changes between projected and actual investment earnings and deferrals resulting from changes in pension plan assumptions. In addition to liabilities, the statement of net 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 has two items that meet the criterion for this category. These two items include pension deferrals resulting from differences between expected and actual experience and pension deferrals resulting from changes in the employer proportionate share of contributions.

**M. 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 Easley Housing Authority's participation in the South Carolina Retirement System Pension Plan (SCRS), and additions to/deductions from Easley Housing Authority's fiduciary net position have been determined on the same basis as they are reported by SCRS in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

**N. Recent Accounting Pronouncements**

The Authority has adopted GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan. This statement replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The adoption of GASB Statement No. 74 had no material effect on the Authority's March 31, 2018 financial statements.

The Authority has adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This statement clarifies the display requirements in GASB Statement No. 14, The Financial Reporting Entity, by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements. The adoption of GASB Statement No. 80 had no material effect on the Authority's March 31, 2018 financial statements.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Authority has adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB 81 requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of GASB Statement No. 80 had no material effect on the Authority's March 31, 2018 financial statements.

The Authority has adopted GASB Statement No. 82, *Pension Issues*. This statement addresses the following pension issues. Presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73. The adoption of GASB Statement No. 82 had no material effect on the Authority's March 31, 2018 financial statements.

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS**

Cash and investments may be invested in the following HUD-approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and,
- Time deposits and repurchase agreements.

At March 31, 2018, cash was in bank deposits or money market accounts and investments were in certificates of deposit, all of which were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Cash and investments balances at March 31, 2018, totaled \$175,974 and \$228,480, respectively.

*Interest Rate Risk* – The Authority's formal investment policy does not specifically address the exposure to this risk.

*Credit Risk* – The Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

*Custodial Credit Risk* – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

*Concentration of Credit Risk* – The Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

**NOTE 3 – CAPITAL ASSETS**

**A. Changes in Capital Assets**

Capital asset activity for the year ended March 31, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	\$ 201,118	\$ -	\$ -	\$ -	\$ 201,118
Construction in progress	217,787	11,000	-	(217,787)	11,000
Total capital assets not being depreciated	<u>418,905</u>	<u>11,000</u>	<u>-</u>	<u>(217,787)</u>	<u>212,118</u>
Capital assets being depreciated					
Buildings and improvements	3,228,662	12,586	-	217,787	3,459,035
Equipment	74,476	1,759	-	-	76,235
Total capital assets being depreciated	<u>3,303,138</u>	<u>14,345</u>	<u>-</u>	<u>217,787</u>	<u>3,535,270</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,845,553)	(125,214)	-	-	(2,970,767)
Equipment	(67,882)	(1,720)	-	-	(69,602)
Total accumulated depreciation	<u>(2,913,435)</u>	<u>(126,934)</u>	<u>-</u>	<u>-</u>	<u>(3,040,369)</u>
Capital assets, net	<u>\$ 808,608</u>	<u>\$ (101,589)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 707,019</u>

**B. Capital Contributions**

The Authority receives capital grants from HUD. The Authority recognize \$11,000 in capital contributions for the fiscal year ended March 31, 2018.

**NOTE 4 – NONCURRENT LIABILITIES**

Noncurrent liabilities at March 31, 2018, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 7,204	\$ 8,481	\$ 4,721	\$ 10,964	\$ 2,741
Accrued pension liability	416,304	60,988	246,098	231,194	-
Total noncurrent liabilities	<u>\$ 423,508</u>	<u>\$ 69,469</u>	<u>\$ 250,819</u>	<u>\$ 242,158</u>	<u>\$ 2,741</u>

HOUSING AUTHORITY OF THE CITY OF EASLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

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**NOTE 5 – DEFINED BENEFIT PENSION PLAN**

Plan Description

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GMP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Employees of Easley Housing Authority are provided a defined benefit pension plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. For SCRS, generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits Provided

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. For SCRS, a Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED MARCH 31, 2018

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)**

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates<sup>1</sup> are as follows:

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>
<b>SCRS</b>		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%

Required employer contribution rates<sup>1</sup> are as follows:

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017</b>
<b>SCRS</b>		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future.

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2017 total pension liability, net pension liability, and sensitivity information were determined by the Systems consulting actuary, Gabriel Roeder, Smith and Company (GRS) and are based on the July 1, 2015 actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year ended June 30, 2017, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)**

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS.

Actuarial cost method	Entry Age Normal
Investment rate of return	7.50 percent
Projected salary increases	3.50 percent to 12.5 percent (varies by service)
Benefit adjustments	Lesser of 1 percent or \$500 annually
Inflation	2.75 percent

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS and PORS are as follows.

Former Job Class	Males	Females
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%

**Net Pension Liability**

The Net Pension Liability (NPL) is calculated separately for each system and represents that system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. The NPL totals, as of June 30, 2017, for the Authority is presented below.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at June 30, 2016</b>	\$ 465,808	\$ 246,443	\$ 219,365
Changes for the year:			
Service Cost	8,258	-	8,258
Interest	34,076	-	34,076
Difference between expected and actual experience	561	-	561
Change in assumptions	17,938	-	17,938
Contributions - Employer	-	12,004	(12,004)
Contributions - Members	-	8,489	(8,489)
Net Investment Income	-	28,666	(28,666)
Benefit Payments, Including Refunds of			
Employee Contributions	(31,171)	(31,171)	-
Administrative Expense	-	(155)	155
Other Changes	-	-	-
Net Changes	29,662	17,833	11,829
<b>Balances at June 30, 2017</b>	<b>\$ 495,470</b>	<b>\$ 264,276</b>	<b>\$ 231,194</b>

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)**

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital markets outlook at the end of third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Target Allocation	Long-Term Expected Rate of Return
Global Equity	45.00%	.3% -2.08%
Real Assets	8.00%	.06% -.22%
Opportunistic	17.00%	.12% -.42%
Diversified Credit	18.00%	.24% -.31%
Conservative Fixed Income	12.00%	.02% -.16%
Total	100.00%	

Sensitivity Analysis

The following table presents the net pension liability of Easley Housing Authority calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Plan's Net Pension Liability	\$ 297,978	\$ 231,194	\$ 190,672

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended March 31, 2017, Easley Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOUSING AUTHORITY OF THE CITY OF EASLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,031	\$ 128
Changes in Assumptions	13,534	-
Net difference between projected and actual earnings on pension plan investments	6,454	-
Changes in employer proportionate share of plan contributions	-	154,754
Employer contributions subsequent to measurement date	14,189	-
Total	\$ 35,208	\$ 154,882

The amount shown above for “Employer contributions subsequent to the measurement date” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended March 31:</b>		
2019	\$	(48,754)
2020	\$	(42,009)
2021	\$	(38,115)
2022	\$	(4,985)
2023	\$	-
Thereafter	\$	-

**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; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the funds affected. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. During the current year and the prior three years, settled claims have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with prior year.

**NOTE 7 – CONCENTRATION OF RISK**

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on availability of funding.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Grants**

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

**NOTE 9 – SUBSEQUENT EVENTS**

Events that occur after the balance sheet date, but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through October 1, 2018, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018

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**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

The Authority reported a prior period adjustment of \$48,369. Unrestricted net position has been increased to adjust for errors in the current year opening unearned revenue balance. These events have no effect on current year income.

**NOTE 11 – FINANCIAL DATA SCHEDULE**

The Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense from operating activities and includes investment revenue and capital grant revenues in operating activities, which differs from the presentation of the basic financial statements.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – DEFINED BENEFIT PENSION PLAN  
YEAR ENDED MARCH 31, 2018

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability	\$ 495,470	\$ 924,706	\$ 930,894	\$ 906,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position										
Plan net position	<u>264,276</u>	<u>508,402</u>	<u>530,533</u>	<u>543,340</u>	_____	_____	_____	_____	_____	_____
Plan net liability (asset)	<u>\$ 231,194</u>	<u>\$ 416,304</u>	<u>\$ 400,361</u>	<u>\$ 363,443</u>	<u>\$ _____</u>					
Plan fiduciary net position as a percentage of the total pension liability	53.34%	54.98%	56.99%	59.92%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 84,348	\$ 151,351	\$ 159,169	\$ 156,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of covered-employee payroll	274.10%	275.06%	251.53%	231.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- GASB No. 68 requires the disclosure to depict the last 10 fiscal years. However, the South Carolina Retirement Systems has only provided the most recent fiscal years figures. More years will be disclosed as the information is provided.

**HOUSING AUTHORITY OF THE CITY OF EASLEY**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS – DEFINED BENEFIT PENSION PLAN**  
**YEAR ENDED MARCH 31, 2018**

	2018	2017	2016	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contributions	\$ 16,861	\$ 20,906	\$ 21,585	\$ 21,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	16,861	20,906	21,585	21,179	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 166,086	\$ 151,351	\$ 159,169	\$ 156,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	10.15%	13.81%	13.56%	13.49%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Notes to Schedule**

Actuarially determined contributions rates were calculated as of June 30, two years prior to the end of the fiscal year in which contributions were reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Remaining amortization period	30 years, Open
Asset valuation method	20 percent difference recognition
Inflation	2.75 percent
Salary increases	3.50 percent plus step up rate increases for members with less than 25 years of service
Investment rate of return	7.50 percent

- GASB No. 68 requires the disclosure to depict the last 10 fiscal years. However, the South Carolina Retirement Systems has only provided the most recent fiscal years figures. More years will be disclosed as the information is provided.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
 STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS  
 YEAR ENDED MARCH 31, 2018

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	<u>SC16P053501-12</u>	<u>SC16P053501-13</u>	<u>SC16P053501-14</u>	<u>SC16P053501-15</u>
Funds Approved	\$ 116,995	\$ 111,784	\$ 117,984	\$ 119,324
Funds Expended	<u>\$ 116,995</u>	<u>\$ 111,784</u>	<u>\$ 117,984</u>	<u>\$ 119,324</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced (HUD Grants)	\$ 116,995	\$ 111,784	\$ 117,984	\$ 119,324
Funds Expended	<u>\$ 116,995</u>	<u>\$ 111,784</u>	<u>\$ 117,984</u>	<u>\$ 119,324</u>
Excess of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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1. The distribution of costs by project as shown on the Final Statements of Modernization Cost dated July 11, 2018, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.

2. All Modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF EASLEY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR YEAR ENDED MARCH 31, 2018

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Financial Statement Findings

The Authority had no findings in 2018.



# HENDERSON & DEJOHN, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Commissioners  
 Housing Authority of the City of Easley

### Independent Accountant’s Report on Applying Agreed-Upon Procedure

We have performed the procedure enumerated in the second paragraph of this report, which was agreed to by the Housing Authority of the City of Easley (the “Housing Authority”) and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with the related hard copy documents. The Housing Authority is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure enumerated below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the chart below under “UFRS Rule Information” column with the corresponding printed documents listed in chart under the “Hard Copy Documents” column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the electronic submission of the items listed in the “UFRS Rule Information” column in the chart below. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

We were engaged to perform an audit of the financial statements of the Housing Authority as of and for the year ended March 31, 2018, and have issued our report thereon dated October 1, 2018. The information in the “Hard Copy Documents” column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Housing Authority’s Financial Data Schedule dated October 1, 2018, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the financial statement package and the FDS, which includes the auditor’s report, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit report.

This report is intended solely for the information and use of the Housing Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Balance Sheet and Revenue and Expense	Financial Data Schedule, all CFDA’s, If applicable	X	
2	Footnotes	Footnotes to audited basic financial statements	X	
3	Type of opinion on FDS	Auditor’s supplemental report on FDS	X	
4	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

*Henderson & DeJohn, LLC*

Birmingham, AL  
 October 1, 2018

HOUSING AUTHORITY OF THE CITY OF EASLEY  
 FINANCIAL DATA SCHEDULE – BALANCE SHEET  
 MARCH 31, 2018

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$164,444	\$164,444		\$164,444
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted				
114 Cash - Tenant Security Deposits	\$11,530	\$11,530		\$11,530
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$175,974	\$175,974	\$0	\$175,974
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$5,791	\$5,791		\$5,791
126.1 Allowance for Doubtful Accounts -Tenants	(\$1,928)	(\$1,928)		(\$1,928)
126.2 Allowance for Doubtful Accounts - Other				
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable	\$170	\$170		\$170
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,033	\$4,033	\$0	\$4,033
131 Investments - Unrestricted	\$228,480	\$228,480		\$228,480
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$11,477	\$11,477		\$11,477
143 Inventories	\$50,022	\$50,022		\$50,022
143.1 Allowance for Obsolete Inventories	(\$6,394)	(\$6,394)		(\$6,394)
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$463,592	\$463,592	\$0	\$463,592
161 Land	\$201,118	\$201,118		\$201,118
162 Buildings	\$3,459,035	\$3,459,035		\$3,459,035
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$76,235	\$76,235		\$76,235
165 Leasehold Improvements				
166 Accumulated Depreciation	(\$3,040,369)	(\$3,040,369)		(\$3,040,369)
167 Construction in Progress	\$11,000	\$11,000		\$11,000
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$707,019	\$707,019	\$0	\$707,019
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$707,019	\$707,019	\$0	\$707,019
200 Deferred Outflow of Resources	\$35,208	\$35,208		\$35,208

HOUSING AUTHORITY OF THE CITY OF EASLEY  
 FINANCIAL DATA SCHEDULE – BALANCE SHEET  
 MARCH 31, 2018

	Project Total	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$1,205,819	\$1,205,819	\$0	\$1,205,819
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$17,964	\$17,964		\$17,964
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$1,674	\$1,674		\$1,674
322 Accrued Compensated Absences - Current Portion	\$2,741	\$2,741		\$2,741
324 Accrued Contingency Liability				
325 Accrued Interest Payable				
331 Accounts Payable - HUD PHA Programs				
332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$3,000	\$3,000		\$3,000
341 Tenant Security Deposits	\$11,530	\$11,530		\$11,530
342 Unearned Revenue	\$1,832	\$1,832		\$1,832
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other				
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$38,741	\$38,741	\$0	\$38,741
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current	\$8,223	\$8,223		\$8,223
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities	\$231,194	\$231,194		\$231,194
350 Total Non-Current Liabilities	\$239,417	\$239,417	\$0	\$239,417
300 Total Liabilities	\$278,158	\$278,158	\$0	\$278,158
400 Deferred Inflow of Resources	\$154,882	\$154,882		\$154,882
508.4 Net Investment in Capital Assets	\$707,019	\$707,019		\$707,019
511.4 Restricted Net Position	\$0	\$0		\$0
512.4 Unrestricted Net Position	\$65,760	\$65,760		\$65,760
513 Total Equity - Net Assets / Position	\$772,779	\$772,779	\$0	\$772,779
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,205,819	\$1,205,819	\$0	\$1,205,819

HOUSING AUTHORITY OF THE CITY OF EASLEY  
 FINANCIAL DATA SCHEDULE – INCOME STATEMENT  
 FOR YEAR ENDED MARCH 31, 2018

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$248,874	\$248,874		\$248,874
70400 Tenant Revenue - Other	\$23,157	\$23,157		\$23,157
70500 Total Tenant Revenue	\$272,031	\$272,031	\$0	\$272,031
70600 HUD PHA Operating Grants	\$534,331	\$534,331		\$534,331
70610 Capital Grants	\$11,000	\$11,000		\$11,000
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				
71100 Investment Income - Unrestricted	\$353	\$353		\$353
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				
71500 Other Revenue				
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$817,715	\$817,715	\$0	\$817,715
91100 Administrative Salaries	\$140,779	\$140,779		\$140,779
91200 Auditing Fees	\$7,200	\$7,200		\$7,200
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$27,753	\$27,753		\$27,753
91600 Office Expenses	\$42,771	\$42,771		\$42,771
91700 Legal Expense				
91800 Travel	\$9,135	\$9,135		\$9,135
91810 Allocated Overhead				
91900 Other	\$58,936	\$58,936		\$58,936
91000 Total Operating - Administrative	\$286,574	\$286,574	\$0	\$286,574
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0	\$0	\$0
93100 Water	\$59,010	\$59,010		\$59,010
93200 Electricity	\$7,752	\$7,752		\$7,752
93300 Gas	\$33,684	\$33,684		\$33,684
93400 Fuel				
93500 Labor				

HOUSING AUTHORITY OF THE CITY OF EASLEY  
 FINANCIAL DATA SCHEDULE – INCOME STATEMENT  
 FOR YEAR ENDED MARCH 31, 2018

	Project Total	Subtotal	ELIM	Total
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$100,446	\$100,446	\$0	\$100,446
94100 Ordinary Maintenance and Operations - Labor	\$37,757	\$37,757		\$37,757
94200 Ordinary Maintenance and Operations - Materials and Other	\$46,373	\$46,373		\$46,373
94300 Ordinary Maintenance and Operations Contracts	\$95,672	\$95,672		\$95,672
94500 Employee Benefit Contributions - Ordinary Maintenance	\$14,227	\$14,227		\$14,227
94000 Total Maintenance	\$194,029	\$194,029	\$0	\$194,029
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0	\$0	\$0
96110 Property Insurance	\$7,000	\$7,000		\$7,000
96120 Liability Insurance	\$7,000	\$7,000		\$7,000
96130 Workmen's Compensation	\$5,589	\$5,589		\$5,589
96140 All Other Insurance	\$2,463	\$2,463		\$2,463
96100 Total insurance Premiums	\$22,052	\$22,052	\$0	\$22,052
96200 Other General Expenses				
96210 Compensated Absences	\$8,481	\$8,481		\$8,481
96300 Payments in Lieu of Taxes	\$3,000	\$3,000		\$3,000
96400 Bad debt - Tenant Rents	\$15,752	\$15,752		\$15,752
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$27,233	\$27,233	\$0	\$27,233
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$630,334	\$630,334	\$0	\$630,334
97000 Excess of Operating Revenue over Operating Expenses	\$187,381	\$187,381	\$0	\$187,381
97100 Extraordinary Maintenance	\$3,347	\$3,347		\$3,347
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$126,934	\$126,934		\$126,934
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				

HOUSING AUTHORITY OF THE CITY OF EASLEY  
 FINANCIAL DATA SCHEDULE – INCOME STATEMENT  
 FOR YEAR ENDED MARCH 31, 2018

	Project Total	Subtotal	ELIM	Total
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$760,615	\$760,615	\$0	\$760,615
10010 Operating Transfer In	\$138,701	\$138,701	(\$138,701)	\$0
10020 Operating transfer Out	(\$138,701)	(\$138,701)	\$138,701	\$0
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$57,100	\$57,100	\$0	\$57,100
11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	\$667,310	\$667,310		\$667,310
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$48,369	\$48,369		\$48,369
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				
11180 Housing Assistance Payments Equity				
11190 Unit Months Available	1183	1183		1183
11210 Number of Unit Months Leased	1165	1165		1165
11270 Excess Cash	\$319,069	\$319,069		\$319,069
11610 Land Purchases	\$0	\$0		\$0
11620 Building Purchases	\$23,586	\$23,586		\$23,586
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$1,759	\$1,759		\$1,759
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