

NORTHAMPTON HOUSING AUTHORITY
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

NORTHAMPTON HOUSING AUTHORITY

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NORTHAMPTON HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Northampton Housing Authority
Northampton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Northampton Housing Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Northampton Housing 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northampton Housing Authority, as of June 30, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the required supplementary information presented on pages 40 through 44, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Northampton Housing Authority's basic financial statements. The supplementary information on pages 45 through 50, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information presented on pages 45 through 50 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information presented on pages 45 through 50 and the Schedule of Expenditures of Federal Awards is 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 issued our report dated March 30, 2021 on our consideration of the Northampton Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northampton Housing Authority'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 Northampton Housing Authority's internal control over financial reporting and compliance.

Marcum LLP

Boston, Massachusetts

March 30, 2021

NORTHAMPTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

The Northampton Housing Authority (the Authority) is pleased to present its basic financial statements as of and for the year ended June 30, 2020, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the inclusion of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. In addition, GAAP requires the inclusion of this management's discussion and analysis (MD&A) section as required supplementary information.

The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that provide additional information.

As provided for under GAAP, the Authority uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation and amortization, are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of the Authority are included in the statement of net position.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2020, with comparative data for the year ended June 30, 2019. Please read this section in conjunction with the Authority's basic financial statements, which immediately follow this section.

HIGHLIGHTS

- Assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources at June 30, 2020 by \$6,121,350 (net position), representing a decrease of \$301,905 from the prior year.
- Total revenues increased by \$532,130 from the prior year, while total expenses decreased by \$243,732.
- The Authority's current ratio that measures liquidity increased during the year from 7.34 to 8.02.

NORTHAMPTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

OVERVIEW OF THE AUTHORITY'S OPERATIONS

The Authority was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. These services are provided through the administration of the following programs:

Federal Programs

- Section 8 Housing Choice Voucher Program
- Mainstream Voucher Program
- Low Rent Public Housing Program
- Public Housing Capital Fund Program
- Section 8 Moderate Rehabilitation Program

State/Local and Other Programs

- State Consolidated Housing
- State Chapter 689 Housing
- Massachusetts Rental Voucher Program
- State Modernization Program

For additional information on the Authority's programs, see the notes to financial statements.

NORTHAMPTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

FINANCIAL ANALYSIS

Summary of Net Position

Presented below is the Authority's condensed summary of net position at June 30, 2020 compared to June 30, 2019. The statement of net position presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the Authority at the end of the fiscal year. The purpose of the statement of net position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time. It presents end of year data for assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (assets and deferred outflows of resources, minus liabilities and deferred inflows of resources).

SUMMARY OF NET POSITION

June 30, 2020 and 2019

	2020	2019	Change	% Change
Current Assets	\$ 4,325,174	\$ 4,576,085	\$ (250,911)	-5.48%
Capital Assets	<u>8,121,312</u>	<u>8,163,371</u>	<u>(42,059)</u>	-0.52%
Total Assets	<u>12,446,486</u>	<u>12,739,456</u>	<u>(292,970)</u>	-2.30%
Deferred Outflows of Resources	<u>1,022,287</u>	<u>1,218,836</u>	<u>(196,549)</u>	-16.13%
Current Liabilities	539,342	623,664	(84,322)	-13.52%
Noncurrent Liabilities	<u>5,777,937</u>	<u>6,434,712</u>	<u>(656,775)</u>	-10.21%
Total Liabilities	<u>6,317,279</u>	<u>7,058,376</u>	<u>(741,097)</u>	-10.50%
Deferred Inflows of Resources	<u>1,030,144</u>	<u>476,661</u>	<u>553,483</u>	116.12%
Investment in capital assets	8,121,312	8,163,371	(42,059)	-0.52%
Restricted	53,095	97,020	(43,925)	-45.27%
Unrestricted (deficit)	<u>(2,053,057)</u>	<u>(1,837,136)</u>	<u>(215,921)</u>	11.75%
Total Net Position	<u>\$ 6,121,350</u>	<u>\$ 6,423,255</u>	<u>\$ (301,905)</u>	-4.70%

Total assets of the Authority at June 30, 2020 and 2019 were \$12,446,486 and \$12,739,456, respectively, a change of 2.30%. The significant components of current assets are cash and receivables. The significant components of noncurrent assets are capital assets. Capital assets include land, buildings and building improvements, construction in progress, and equipment. All capital assets except for land and construction in progress are shown net of accumulated depreciation.

NORTHAMPTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

Total liabilities of the Authority at June 30, 2020 and 2019 were \$6,317,279 and \$7,058,376, respectively, a change of 10.50%. Current liabilities include accounts payable, accrued liabilities and unearned revenue. Noncurrent liabilities are primarily made up of pension and OPEB liabilities.

Deferred inflows and outflows of resources relate to the Authority pension and OPEB liabilities. In 2020, the Authority's pension and OPEB related deferred outflows decreased by \$196,549 and deferred inflows increased by \$553,483. These changes are the result of fluctuations in the actuarial valuations of the liabilities and the change in the value of pension assets.

Net position represents the Authority's equity, which is accounted for in three major categories. The first category, investment in capital assets, represents the Authority's equity in land, buildings and building improvements, construction in progress, and equipment. The next net position category is restricted net position; this shows the amounts subject to external restriction. The last category is unrestricted net position; these funds are available to use for any lawful and prudent purpose of the Authority. Unrestricted net position decreased by \$215,921, or 11.75%, for the fiscal year.

NORTHAMPTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

Summary of Revenues, Expenses and Changes in Net Position

Presented below is the condensed summary of revenues, expenses and changes in net position information for fiscal year ended June 30, 2020 compared to the year ended June 30, 2019. The information reflects the results of operations for the Authority and displays the sources of revenue, the nature of expenses for the year and the resulting change in net position. All revenues and expenses are accounted for on an accrual basis. See notes to financial statements.

SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the years ended June 30, 2020 and 2019

	2020	2019	Change	% Change
Revenue				
Operating Revenues	\$ 10,642,789	\$ 10,611,783	\$ 31,006	0.29%
Non-operating Revenues	<u>633,405</u>	<u>132,281</u>	<u>501,124</u>	378.83%
Total Revenues	<u>11,276,194</u>	<u>10,744,064</u>	<u>532,130</u>	4.95%
Expenses				
Housing assistance payments	5,705,020	5,531,018	174,002	3.15%
Administration	1,998,869	2,112,347	(113,478)	-5.37%
Repair and maintenance	1,859,191	1,706,812	152,379	8.93%
Utilities	1,060,800	1,042,368	18,432	1.77%
Depreciation expense	605,442	976,536	(371,094)	-38.00%
Insurance expense	160,021	161,021	(1,000)	-0.62%
Other general expenses	131,903	140,710	(8,807)	-6.26%
Tenant services	<u>56,853</u>	<u>151,019</u>	<u>(94,166)</u>	-62.35%
Total Expenses	<u>11,578,099</u>	<u>11,821,831</u>	<u>(243,732)</u>	-2.06%
Change in Net Position	(301,905)	(1,077,767)	775,862	-71.99%
Net Position - Beginning of Year	<u>6,423,255</u>	<u>7,501,022</u>	<u>(1,077,767)</u>	-14.37%
Net Position - End of Year	<u>\$ 6,121,350</u>	<u>\$ 6,423,255</u>	<u>\$ (301,905)</u>	-4.70%

NORTHAMPTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

Generally, operating revenues are amounts received for providing housing to the Authority's tenants as well as subsidies and grants received from the U.S. Department of Housing and Urban Development (HUD) that provide significant funding for the operations of the Authority's housing programs. Operating expenses are those incurred to operate, maintain, and repair the housing units and to provide supportive services to the tenants of the Authority. Nonoperating revenues are revenues earned for which goods and services are not provided, for example, interest income. Capital grants represent revenues earned for public housing capital repairs.

Significant changes in revenues and expenses from the fiscal year ended June 30, 2019 to June 30, 2020 include the following:

- Nonoperating revenues increased by \$501,124, or 378.83%, due to an increase in capital improvement activity funded by the State Modernization Program.
- Housing assistance payments increased by \$174,002, or 3.15%, due to an increase in average HAP contracts.
- Repair and maintenance expenses increased by \$152,379, or 8.93%, due to an increase in the maintenance workforce and maintenance materials used during the fiscal year.
- Administrative expenses decreased by \$113,478, or 5.37%, due to a decrease in employee benefit expenses, which resulted from fluctuations in the pension and OPEB liabilities.
- Tenant service expenses decreased by \$94,166, or 62.35%, due to COVID-related expenses incurred during the fiscal year.
- Depreciation expense decreased by \$371,094, or 38.00%, due to certain assets reaching the end of their depreciable lives in the prior fiscal year.

NORTHAMPTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, capital assets, net of accumulated depreciation was \$8,121,312 which includes land, buildings and building improvements, construction in progress, and equipment. The schedule below reflects the changes in capital assets, net of depreciation, from June 30, 2019 to June 30, 2020:

CAPITAL ASSET ANALYSIS

June 30, 2020 and 2019

	2020	2019	Change	% Change
Land	\$ 580,560	\$ 580,560	\$ --	0.00%
Buildings	34,059,899	33,926,394	133,505	0.39%
Furniture and equipment	614,281	565,822	48,459	8.56%
Construction in progress	<u>613,414</u>	<u>296,392</u>	<u>317,022</u>	106.96%
Total capital assets	<u>35,868,154</u>	<u>35,369,168</u>	<u>498,986</u>	1.41%
Accumulated depreciation	<u>(27,746,842)</u>	<u>(27,205,797)</u>	<u>(541,045)</u>	1.99%
Capital assets, net of accumulated depreciation	<u>\$ 8,121,312</u>	<u>\$ 8,163,371</u>	<u>\$ (42,059)</u>	-0.52%

The majority of the additions were attributable to construction in progress. Additional information on the Authority's capital assets can be found in the notes to financial statements.

NORTHAMPTON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

JUNE 30, 2020

Long-Term Debt

At June 30, 2020, the Authority had no long term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Significant economic factors affecting the Authority's budget in the next year are as follows:

- The Authority is primarily dependent upon HUD and DHCD for the funding of its federal and state programs, respectively; therefore, the Authority is affected more by the federal and state budget than by local economic conditions.
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income
- Inflationary pressure on utility rates, housing costs, supplies and other costs
- Current trends in the housing market
- Local and national property rental markets that determine Housing Assistance Payments
- The economic impacts of COVID-19

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Cara Leiper, Executive Director, Northampton Housing Authority, 49 Old South Street Suite 1, Northampton, MA 01060.

NORTHAMPTON HOUSING AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 3,888,861
Restricted cash	53,095
Accounts receivable, net	284,552
Prepaid expenses and other current assets	98,666
Total Current Assets	<u>4,325,174</u>

Noncurrent Assets

Capital assets, non-depreciable	1,193,974
Capital assets, net of accumulated depreciation	6,927,338
Total Noncurrent Assets	<u>8,121,312</u>

Total Assets	<u>12,446,486</u>
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Deferred Outflows of Resources	<u>1,022,287</u>
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The accompanying notes are an integral part of these financial statements.

NORTHAMPTON HOUSING AUTHORITY

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2020

Liabilities

Current Liabilities

Accounts payable	\$ 414,501
Accounts payable, HUD	19,024
Accounts payable, other government	18,779
Accrued wages and current portion of compensated absences	61,363
Unearned revenue	25,675
Total Current Liabilities	<u>539,342</u>

Noncurrent Liabilities

Accrued compensated absences, net of current portion	48,038
Net pension liability	2,712,154
OPEB liability	3,017,745
Total Noncurrent Liabilities	<u>5,777,937</u>

Total Liabilities

6,317,279

Deferred Inflows of Resources

1,030,144

Net Position

Investment in capital assets	8,121,312
Restricted:	
Housing assistance payments	53,095
Unrestricted (deficit)	<u>(2,053,057)</u>

Total Net Position

\$ 6,121,350

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

NORTHAMPTON HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2020

Operating Revenues	
HUD grants	\$ 7,114,662
Tenant rental income	2,160,383
Other government grants	1,290,843
Other revenue	76,901
Total Operating Revenues	<u>10,642,789</u>
Operating Expenses	
Housing assistance payments	5,705,020
Administration	1,998,869
Repair and maintenance	1,859,191
Utilities	1,060,800
Depreciation expense	605,442
Insurance expense	160,021
Other general expenses	131,903
Tenant services	56,853
Total Operating Expenses	<u>11,578,099</u>
Operating Loss	<u>(935,310)</u>
Nonoperating Revenues	
Interest and investment revenue	22,622
Total Nonoperating Revenues	<u>22,622</u>
Loss before Capital Grants	<u>(912,688)</u>
Capital Grants	
Other government capital grants	540,136
HUD capital grants	70,647
Total Capital Grants	<u>610,783</u>
Change in Net Position	(301,905)
Net Position, Beginning of Year	<u>6,423,255</u>
Net Position, End of Year	<u>\$ 6,121,350</u>

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

NORTHAMPTON HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities

HUD grants	\$ 7,119,519
Other government grants	930,833
Receipts from tenants	2,075,964
Other operating receipts	72,708
Payments to employees	(2,554,189)
Payments to suppliers	(2,350,154)
Payments to landlords	<u>(5,705,020)</u>
Net cash used in operating activities	<u>(410,339)</u>

Cash Flows from Capital and Related Financing Activities

Other government capital grants	388,038
HUD capital grants	73,442
Acquisitions of capital assets	<u>(563,383)</u>
Net cash used in capital and related financing activities	<u>(101,903)</u>

Cash Flows from Investing Activities

Interest and dividends received	<u>22,622</u>
Net cash provided by investing activities	<u>22,622</u>

Net decrease in cash, cash equivalents and restricted cash (489,620)

Cash, cash equivalents and restricted cash, beginning of year 4,431,576

Cash, cash equivalents and restricted cash, end of year \$ 3,941,956

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

NORTHAMPTON HOUSING AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

Reconciliation of operating loss to net cash used in operating activities:

Operating Loss	\$ (935,310)
Adjustments:	
Depreciation	605,442
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, tenants	(51,249)
(Increase) decrease in accounts receivable, other	(4,193)
(Increase) decrease in accounts receivable, other government	(177,700)
(Increase) decrease in prepaid expenses and other current assets	(9,649)
(Decrease) increase in accounts payable	257,097
(Decrease) increase in accounts payable, HUD	4,857
(Decrease) increase in accounts payable, other government	(186,524)
(Decrease) increase in compensated absences and accrued wages	12,369
deferred inflow/outflows of resources	89,327
(Decrease) increase in accrued expenses and other current liabilities	(8,074)
(Decrease) increase in unearned operating revenue	(6,732)
Net cash used in operating activities	<u>\$ (410,339)</u>

Cash, cash equivalents and restricted cash per Statement of Net Position:

Cash and cash equivalents	\$ 3,888,861
Restricted cash - current	<u>53,095</u>

Total cash, cash equivalents and restricted cash per Statement of Net Position \$ 3,941,956

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

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – ORGANIZATION

The Northampton Housing Authority (the Authority) was incorporated under the laws of the Commonwealth of Massachusetts. The Authority operates under a board of commissioner form of government to provide safe and decent housing to low and moderate-income families and elderly individuals.

The Authority maintains its accounting records by program and operates the following programs:

Federal Programs

Low Rent Public Housing – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low-income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of the Authority.

Section 8 Housing Choice Voucher and the Mainstream Voucher Program – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program, qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard.

Section 8 Moderate Rehabilitation – The moderate rehabilitation program provides project-based rental assistance for low income families. Assistance is limited to properties previously rehabilitated pursuant to a housing assistance payments (HAP) contract between an owner and the Authority. Under the contract, the owner receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – ORGANIZATION (CONTINUED)

State/Local and Other Programs

State Consolidated Housing – Under these programs, the Authority owns, operates and maintains rental housing acquired with grants from Massachusetts Department of Housing & Community Development (DHCD). Dwelling units are leased to low income tenants at rates based on their ability to pay. Operations are supported by DHCD via operating grants.

State Chapter 689 Housing – Under this program, the Authority owns operates and maintains rental housing acquired with grants from DHCD. The building is generally rented to a non-profit corporation who provides health and human resource needs to mentally disabled individuals.

Massachusetts Rental Voucher Program (MRVP) – DHCD provides grants to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority subsidizes the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a contract amount.

State Modernization Program – DHCD provides grant funds to authorities with State Consolidated units based on the Authority's application and determination of need. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the State Consolidated Housing Program.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The Authority's financial statements include the accounts of all of the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

BASIS OF PRESENTATION AND ACCOUNTING

The Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund utilizing the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods and services is incurred, regardless of the timing of the related cash flows.

The Authority's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB). The Authority follows GASB as applied to governmental entities.

The Authority's primary source of nonexchange revenue relates to grants and subsidies. Grants and subsidies revenue is recognized at the time eligible program expenses occur and/or the Authority has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Grants received in advance of expenses are recorded as a liability until earned.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS ADOPTED

During 2020, the Authority adopted the following accounting standards that did not impact the Authority's financial statements.

GASB	
Statement	
Number	Name
84	Fiduciary Activities
90	Majority Equity Interests – an amendment of GASB Statements 14 and 61

USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures. Actual amounts could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Authority considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

ACCOUNTS RECEIVABLE

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Accounts receivable from tenants are written off with board approval when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Allowances for other non-tenant receivables are reviewed annually. See Note 6 for details of accounts receivable and allowances at year end.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

Capital assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the time of acquisition. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land and Building Improvements	15 years
Furniture, Equipment and Machinery	5-10 years

IMPAIRMENT OF CAPITAL ASSETS

Governmental Accounting Standards Board's, Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires certain note disclosures or recognition regarding impairments of capital assets. The Authority did not recognize any impairments of capital assets in fiscal year 2020.

COMPENSATED ABSENCES

Vacation leave accrues from 10 days to 25 days per year based on years of service. Earned vacation leave is credited to each employee on the last day of the fiscal year. Vacation leave must be used by the end of the following fiscal year. The Authority's policy allows employees to accumulate sick leave with no limit. Sick leave may only be used in the event of illness. Employees will be compensated for 20% of the unused sick leave upon retirement. Total accrued compensated absences at June 30, 2020 aggregated \$48,038.

OPERATING REVENUES AND EXPENSES

Operating revenue includes operating grants and subsidies, rental income, management services provided and all other revenue relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NON-OPERATING REVENUES AND EXPENSE

The Authority's nonoperating revenues relate primarily to capital grants provided by HUD and the Commonwealth of Massachusetts and interest income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

ECONOMIC DEPENDENCY

The Authority's state and federal programs are economically dependent on grants and annual contributions from DHCD and HUD, respectively. These programs operate at a loss prior to receiving these grants and contributions.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement system and additions/deductions from the system's fiduciary net position have been determined on the same basis as they are reported by the retirement system.

OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined by an actuarial valuation conducted by the Authority and are accounted for in accordance with the requirements of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources are the consumption of net position by the Authority that is applicable to a future reporting period. Deferred inflows of resources are the acquisition of net position by the Authority that is applicable to a future reporting period. These consist of the deferral of the recognition of revenues and expenses until the future period to which the outflows and inflows are related. The Authority's deferred outflows and inflows of resources are either related to pension or related to OPEB. The following is a summary of deferred outflows and inflows of resources at June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	\$ 896,792	\$ 376,757
Related to OPEB	<u>125,495</u>	<u>653,387</u>
Total	<u>\$ 1,022,287</u>	<u>\$ 1,030,144</u>

APPLICATION OF RESOURCES

The Authority would first apply restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2021, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in these financial statements.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 3 – NET POSITION

Net position is reported in three categories:

Investment in Capital Assets consists of all capital assets, reduced by accumulated depreciation, the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Authority had no debt related to its capital assets at June 30, 2020. At June 30, 2020, the investment in capital assets was \$8,121,312.

Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc. At June 30, 2020, restrictions of \$53,095 represent the net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments.

Unrestricted Net Position is designed to represent the net available assets, for the entire Authority. At June 30, 2020, the unrestricted net deficit was \$2,053,057.

NOTE 4 – CASH AND CASH EQUIVALENTS

The Authority has adopted HUD's Investment Regulation PIH 1996-33 as its investment policy. HUD regulations require that all HUD deposits in financial institutions and investments be fully insured or collateralized, by U.S. Government obligations that have a fair value of not less than the principal amount of the deposits. The policy also requires that investments not have a maturity period longer than three years.

Custodial Credit Risk – Cash Deposits

At times, the Authority's balances may exceed the Federal insurance limits; however, the Authority has not experienced any losses with respect to its bank balance in excess of government provided insurance. In addition, balances are fully collateralized through agreements with the financial institutions. Management believes that no significant risk exists with respect to cash balances as of June 30, 2020.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 5 – RESTRICTED CASH

The Authority's restricted cash balance of \$53,095 consists of funds restricted for future HAP payments. This amount supports a corresponding restricted net position.

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a listing of receivables for the Authority including the applicable allowances for uncollectible accounts at June 30, 2020.

Category of Receivable	Amount
Other Government	\$ 183,032
Miscellaneous	9,872
Tenants	<u>116,341</u>
Gross Receivables	309,245
Allowance - Tenants	<u>(24,693)</u>
Net Receivables	<u>\$ 284,552</u>

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets and related accumulated depreciation.

	July 1, 2019	Increases	Decreases	June 30, 2020
Capital assets - non-depreciable				
Land	\$ 580,560	\$ --	\$ --	\$ 580,560
Construction in progress	<u>296,392</u>	<u>450,527</u>	<u>(133,505)</u>	<u>613,414</u>
Total capital assets - non-depreciable	<u>876,952</u>	<u>450,527</u>	<u>(133,505)</u>	<u>1,193,974</u>
Capital assets - depreciable				
Buildings	33,926,394	133,505	--	34,059,899
Furniture & equipment	<u>565,822</u>	<u>112,856</u>	<u>(64,397)</u>	<u>614,281</u>
Total capital assets - depreciable	<u>34,492,216</u>	<u>246,361</u>	<u>(64,397)</u>	<u>34,674,180</u>
Less accumulated depreciation				
Buildings	26,825,852	555,086	--	27,380,938
Furniture & equipment	<u>379,945</u>	<u>50,356</u>	<u>(64,397)</u>	<u>365,904</u>
Total accumulated depreciation	<u>27,205,797</u>	<u>605,442</u>	<u>(64,397)</u>	<u>27,746,842</u>
Capital Assets Net	<u>\$ 8,163,371</u>	<u>\$ 91,446</u>	<u>\$ (133,505)</u>	<u>\$ 8,121,312</u>
Depreciation expense was charged to:				
Federal Public Housing		<u>\$ 83,190</u>		
Housing Choice Voucher		<u>\$ 11,355</u>		
State/Local Programs		<u>\$ 510,897</u>		

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2020 is as follows:

	July 1, 2019	Additions	Reductions	June 30, 2020	Amount due within one year
Compensated Absences	\$ 44,979	\$ 125,890	\$ (122,831)	\$ 48,038	\$ --
Other	8,074	--	(8,074)	--	--
Net Pension Liability	3,056,026	--	(343,872)	2,712,154	--
OPEB Liability	<u>3,334,578</u>	<u>--</u>	<u>(316,833)</u>	<u>3,017,745</u>	<u>--</u>
Total	<u>\$ 6,443,657</u>	<u>\$ 125,890</u>	<u>\$ (791,610)</u>	<u>\$ 5,777,937</u>	<u>\$ --</u>

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – REAL ESTATE TAXES

Property owned by the Authority is exempt from local real estate taxes. The Authority makes a payment in lieu of taxes equal to 10% of rental income charged less utility expenses annually for all of its properties constructed with and funded by HUD. State funded scattered site units make payments in lieu of real estate taxes equal to ½ of the Municipality's tax rate plus \$100 multiplied by the number of available bedrooms. State funded family properties make payments in lieu of real estate taxes equal to \$3 per unit per month. The payment in lieu of taxes for the year ended June 30, 2020 aggregated \$27,404.

NOTE 10 – COST-SHARING DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION

The Authority provides pension benefits to certain employees through the Northampton Contributory Retirement System (NCRS), a cost-sharing, multiple-employer public employee retirement system regulated by Public Employee Retirement Administration Commission (PERAC). The plan is a defined benefit plan. Participation is mandatory for all full time employees of the Authority. The retirement plan is a pooled risk type of plan. Under this type of plan, funding is determined based on all employees covered for all employing units. The funding liabilities are shared by each employing unit pro-rata based on the number of employees in the employing unit. Since the Authority's share of pension liability is not based on their employees, pension expense is determined by the total required payment to be made to the retirement plan for the year. The NCRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to NCRS, 240 Main Street, Northampton, MA 01060 or by calling (413) 587-1211.

PLAN MEMBERSHIP

The Authority has 20 employees participating in the plan.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 – COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)

SIGNIFICANT PLAN PROVISIONS AND REQUIREMENTS

State law establishes benefit provisions and contribution requirements of the NCRS. Employees who have at least 10 years of longevity and have attained 55 years of age are eligible to receive retirement benefits. Retired employees receive an allowance based upon the average of their three highest consecutive salary years of service multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer payout period. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of creditable service, and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

FUNDING POLICY

Depending on their employment date, active Plan members must contribute either 5%, 7%, 8%, or 9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted before July 1, 1998, which are reimbursed by the Commonwealth. The current and two preceding years' apportionment of the annual pension cost between the employers required the Authority to contribute approximately 5.37% of the total. The Authority's required and actual contributions to NCRS for the year ended June 30, 2020 were \$344,689. Employee contributions for the same period were \$165,197.

PENSION LIABILITIES

At June 30, 2020, the Authority reported a liability of \$2,712,154 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 – COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)

PENSION EXPENSE AND DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

For the year ended June 30, 2020, the Authority recognized pension expense of \$451,349. The deferred outflows of resources resulting from contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,455	\$ 42,790
Changes of assumptions	222,911	--
Net difference between projected and actual earnings on pension plan investments	--	266,322
Changes in proportion and differences between contributions and proportionate share of contributions	249,737	67,645
Contributions subsequent to the measurement date	344,689	--
Total	\$ 896,792	\$ 376,757

These amounts will be recognized as expense, or as a reduction of expense, as follows:

Year	Deferred Outflows (Inflows of) Resources
2021	\$ 364,082
2022	(13,242)
2023	124,124
2024	44,937
2025	134
Total	\$ 520,035

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 – COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)

ACTUARIAL METHODS & ASSUMPTIONS

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal Cost Method
Investment rate of return	7.38%
Discount rate	7.38%
Inflation	2.25%
Salary increases	3.00%
Cost of living adjustments	3.00% of first \$13,000
Mortality rates	Based on the RP-2014 Combined Mortality Tables, with adjustments for improvements based on Scale MP-

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return
Large capital equities	41.00%	4.29%
Mid/small capital equities	15.00%	4.29%
International equities	5.00%	4.39%
Emerging market equities	3.00%	6.54%
Fixed income	35.00%	0.88%
Private equity	1.00%	8.20%

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 – COST-SHARING DEFINED BENEFIT PENSION PLAN (CONTINUED)

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.375 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount	1% Increase
	6.375%	7.375%	8.375%
Net pension liability (asset)	<u>\$ 3,885,116</u>	<u>\$ 2,712,154</u>	<u>\$ 1,749,187</u>

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued NCRS financial report.

PAYABLES TO THE PENSION PLAN

As of June 30, 2020, the Authority had no outstanding payables to NCRS.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

PLAN DESCRIPTION AND BENEFITS PROVIDED

The Authority's defined benefit OPEB plan provides OPEB for all permanent full-time employees of the Authority. The OPEB plan is a single employer defined benefit OPEB plan administered by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement 75.

The Authority provides comprehensive medical insurance, both with and without Medicare coordination, and life insurance to its employees who meet certain eligibility requirements. Employees are eligible for postretirement benefits if he/she has reached the age of 55 as an active employee and completed 10 years of service.

All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits. The duration of these benefits is for the employee's lifetime. Under this cost sharing plan, these benefits cover 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for both individuals and family members (percentages represent the employees' portion).

The face value of each life insurance policy is \$5,000. Life insurance benefits do not apply to family members, this benefit covers 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for individuals.

PLAN MEMBERSHIP

At June 30, 2020, there are 24 active employees and 29 retired employees enrolled in the plan.

TOTAL OPEB LIABILITY

The Authority's total OPEB liability of \$3,017,745 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Cost Method	Individual Entry Age Normal
Municipal Bond Rate	3.36%
Discount Rate	3.50%
Inflation	2.50%
Salary Increase	3.00%
Pre-Retirement Mortality	RP-2014 Blue Collar Employees Mortality Table projected generationally with scale MP-2016 for males and females.
Post-Retirement Mortality	RP-2014 Blue Collar Employees Mortality Table projected generationally with scale MP-2016 for males and females.
Mortality Experience Study	The mortality assumptions reflect PERAC's recent experience analysis published in 2014 (based on the years 2006-2011), updated to reflect data through January 1, 2015 for post-retirement mortality, and professional judgement.
Healthcare Trend	Increasing at 5.0% per annum
Withdrawal Rates	Plan participants are expected to withdraw from the plan at a decreasing rate, based on years of service and age, from 27.0% at age 20 and 0-4 years of service to 3.50% at age 60 and 10+ years of service.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(CONTINUED)**

CHANGES IN THE TOTAL OPEB LIABILITY

Balance at beginning of year	\$	3,334,578
Changes for the year:		
Service cost		148,926
Interest		111,191
Difference between expected and actual experience		(283,206)
Changes of Assumptions		(168,249)
Benefit payments		(125,495)
Net changes		<u>(316,833)</u>
Balance at end of year	\$	<u>3,017,745</u>

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents the Plan’s total OPEB liability, calculated using the discount rate of 3.50% as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower, or 1 percentage-point higher, than the current rate.

	1% Decrease 2.50%	Current Discount 3.50%	1% Increase 4.50%
Total OPEB liability	<u>\$ 3,476,169</u>	<u>\$ 3,017,745</u>	<u>\$ 2,649,581</u>

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE TREND RATE

The following table presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1 percentage-point lower or 1 percentage-point higher than the current rate.

	1% Decrease 4.00%	Current Trend 5.00%	1% Increase 6.00%
Total OPEB liability	<u>\$ 2,620,401</u>	<u>\$ 3,017,745</u>	<u>\$ 3,517,232</u>

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(CONTINUED)**

OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2020, the Authority recognized OPEB expenses of \$123,279. The deferred outflows of resources resulting from contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. At June 30, 2020, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 514,916
Changes of assumptions	--	138,471
Contributions subsequent to the measurement date	125,495	--
Total	\$ 125,495	\$ 653,387

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ending June 30,	Deferred Outflows (Inflows of) Resources
2021	\$ (11,343)
2022	(136,838)
2023	(136,838)
2024	(136,838)
2025	(106,035)
Total	\$ (527,892)

NORTHAMPTON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 12 – OTHER RETIREMENT PLANS

The Authority provides to employees a separate deferred compensation plan in accordance with IRC §457. The plan is open to all employees. Employee contributions for 2020 were \$22,568. There were no employer contributions.

NOTE 13 – GROUND LEASE AGREEMENTS

The Authority is leasing land to the City of Northampton for a term of 99 years, expiring in April 2105 at an annual base rent of \$1. The Authority is also leasing land to HAP Inc. for a term of 99 years, expiring July 2104 at an annual base rent of \$1,000. The book value of the land under lease is accounted for on the Authority's Statement of Net Position as a Noncurrent Asset.

NOTE 14 – RISK MANAGEMENT

LITIGATION

The Authority is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the Authority.

GRANTS

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures 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 15 – ECONOMIC UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Authority has been able to continue its operations in this environment, however, at this point, the extent to which COVID-19 may impact the Authority's financial condition or results of operations is uncertain.

NORTHAMPTON HOUSING AUTHORITY

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST THREE FISCAL YEARS

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 148,926	\$ 197,472	\$ 151,892
Interest	111,191	106,731	112,870
Difference between expected and actual experience	(283,206)	--	(395,706)
Changes of Assumptions	(168,249)	--	--
Benefit payments	<u>(125,495)</u>	<u>(111,432)</u>	<u>(95,788)</u>
Net Change in Total Pension Liability	<u>(316,833)</u>	<u>192,771</u>	<u>(226,732)</u>
Total OPEB Liability - Beginning	<u>3,334,578</u>	<u>3,141,807</u>	<u>3,368,539</u>
Total OPEB Liability - Ending	<u>\$ 3,017,745</u>	<u>\$ 3,334,578</u>	<u>\$ 3,141,807</u>
Covered Payroll	\$ 1,817,310	\$ 1,507,974	\$ 1,464,052
Net OPEB Liability as a Percentage of Covered Payroll	166.06%	221.13%	214.60%

The Schedule is intended to present information for 10 years, additional years will be displayed as they become available.

See Notes to Required Supplementary Information

NORTHAMPTON HOUSING AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NORTHAMPTON CONTRIBUTORY RETIREMENT SYSTEM

LAST SIX FISCAL YEARS

Measurement Period Ending December 31,	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	5.370%	5.440%	4.680%	4.687%	4.580%	5.000%
Proportionate share of the net pension liability	\$ 2,712,154	\$ 3,056,026	\$ 2,164,910	\$ 2,840,958	\$ 2,356,917	\$ 2,143,043
Covered payroll	\$ 1,456,827	\$ 1,388,820	\$ 1,157,081	\$ 1,119,842	\$ 1,186,908	\$ 1,205,575
Proportionate share of the net pension liability as a percentage of covered payroll	186.2%	220.0%	187.1%	253.7%	198.6%	177.8%
Plan fiduciary net position as a percentage of the total pension liability	73.600%	69.600%	73.000%	63.700%	68.200%	72.300%

The Schedule is intended to present information for 10 years, additional years will be displayed as they become available.

See Notes to Required Supplementary Information

NORTHAMPTON HOUSING AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
NORTHAMPTON CONTRIBUTORY RETIREMENT SYSTEM

LAST SIX FISCAL YEARS

Measurement Period Ending December 31,	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 340,596	\$ 333,947	\$ 333,264	\$ 275,574	\$ 235,745	\$ 250,435
Contributions in relation to the contractually required contribution	<u>340,596</u>	<u>333,947</u>	<u>333,264</u>	<u>275,574</u>	<u>235,745</u>	<u>250,435</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll	\$ 1,456,827	\$ 1,388,820	\$ 1,157,081	\$ 1,119,842	\$ 1,186,908	\$ 1,205,575
Contributions as a percentage of covered payroll	23.38%	24.05%	28.80%	24.61%	19.86%	20.77%

The Schedule is intended to present information for 10 years, additional years will be displayed as they become available.

See Notes to Required Supplementary Information

NORTHAMPTON HOUSING AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

NOTE 1 – OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

DESCRIPTION OF REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Changes in the Total OPEB Liability and Related Ratios details the Plan's other postemployment benefit liability and the covered employee payroll. It demonstrates the Plan's total liability and the Plan's liability as a percentage of covered payroll.

10-YEAR TREND INFORMATION

The Schedule of Changes in the Total OPEB Liability and Related Ratios is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years in which information is available.

CHANGES IN BENEFIT TERMS

There were no changes in benefit terms from the prior measurement date.

CHANGES IN ASSUMPTIONS

Effective June 30, 2020;

- Discount rate is 3.50%, previously 3.25%

NOTE 2 – PENSION PLAN SCHEDULES

DESCRIPTION OF REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of the Proportionate Share of the Net Pension Liability presents multi-year trend information on the Authority's share of the Net Pension Liability and related ratios.

The Schedule of Contributions presents multiyear trend information for the Authority's required and actual contributions relating to the pension plan.

10-YEAR TREND INFORMATION

The Schedules of the Proportionate Share of the Net Pension Liability and the Schedule of Contributions are intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years in which information is available.

NORTHAMPTON HOUSING AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

JUNE 30, 2020

NOTE 2 – PENSION PLAN SCHEDULES (CONTINUED)

CHANGES IN BENEFIT TERMS

There were no changes in benefit terms from the prior measurement date.

CHANGES IN ASSUMPTIONS

There were no changes in assumptions from the prior measurement date.

NORTHAMPTON HOUSING AUTHORITY

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

JUNE 30, 2020

FDS Line Item	Description	AMP 01	Housing Choice Vouchers	Mainstream Vouchers	Section 8 Moderate Rehabilitation Program	HCV CARES Act Funding	State/Local	Eliminations	Total
111	Cash - Unrestricted	2,152,255	319,144	-	100,055	-	1,317,407	-	3,888,861
113	Cash - Other Restricted	-	35,221	17,874	-	-	-	-	53,095
100	Total Cash	2,152,255	354,365	17,874	100,055	-	1,317,407	-	3,941,956
124	Accounts Receivable - Other Government	-	-	-	-	-	183,032	-	183,032
125	Accounts Receivable - Miscellaneous	-	9,872	-	-	-	-	-	9,872
126	Accounts Receivable - Tenants	28,799	-	-	-	-	87,542	-	116,341
126.1	Allowance for Doubtful Accounts -Tenants	(5,921)	-	-	-	-	(18,772)	-	(24,693)
120	Total Receivables, Net of Allowances for Doubtful Accounts	22,878	9,872	-	-	-	251,802	-	284,552
142	Prepaid Expenses and Other Assets	-	-	-	-	-	98,666	-	98,666
150	Total Current Assets	2,175,133	364,237	17,874	100,055	-	1,667,875	-	4,325,174
161	Land	229,020	-	-	-	-	351,540	-	580,560
162	Buildings	9,846,032	-	-	-	-	24,213,867	-	34,059,899
163	Furniture, Equipment & Machinery - Dwellings	254,695	-	-	-	-	256,360	-	511,055
164	Furniture, Equipment & Machinery - Administration	-	103,226	-	-	-	-	-	103,226
166	Accumulated Depreciation	(9,470,378)	(68,476)	-	-	-	(18,207,988)	-	(27,746,842)
167	Construction in Progress	-	-	-	-	-	613,414	-	613,414
160	Total Capital Assets, Net of Accumulated Depreciation	859,369	34,750	-	-	-	7,227,193	-	8,121,312
180	Total Non-Current Assets	859,369	34,750	-	-	-	7,227,193	-	8,121,312
200	Deferred Outflow of Resources	162,392	327,202	-	6,084	-	526,609	-	1,022,287
290	Total Assets and Deferred Outflow of Resources	3,196,894	726,189	17,874	106,139	-	9,421,677	-	13,468,773
312	Accounts Payable <= 90 Days	-	-	-	-	-	414,501	-	414,501
321	Accrued Wage/Payroll Taxes Payable	-	-	-	-	-	61,363	-	61,363
331	Accounts Payable - HUD PHA Programs	-	-	-	19,024	-	-	-	19,024
333	Accounts Payable - Other Government	18,779	-	-	-	-	-	-	18,779
342	Unearned Revenue	4,864	-	-	-	-	20,811	-	25,675
310	Total Current Liabilities	23,643	-	-	19,024	-	496,675	-	539,342
354	Accrued Compensated Absences - Non Current	12,204	6,335	-	237	-	29,262	-	48,038

See Independent Auditors' Report

NORTHAMPTON HOUSING AUTHORITY

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

JUNE 30, 2020

FDS Line Item	Description	AMP 01	Housing Choice Vouchers	Mainstream Vouchers	Section 8 Moderate Rehabilitation Program	HCV CARES Act Funding	State/Local	Eliminations	Total
357	Accrued Pension and OPEB Liabilities	872,000	1,469,889	-	59,831	-	3,328,179	-	5,729,899
350	Total Non-Current Liabilities	884,204	1,476,224	-	60,068	-	3,357,441	-	5,777,937
300	Total Liabilities	907,847	1,476,224	-	79,092	-	3,854,116	-	6,317,279
400	Deferred Inflow of Resources	163,037	244,170	-	6,579	-	616,358	-	1,030,144
508.4	Net Investment in Capital Assets	859,369	34,750	-	-	-	7,227,193	-	8,121,312
511.4	Restricted Net Position	-	35,221	17,874	-	-	-	-	53,095
512.4	Unrestricted Net Position	1,266,641	(1,064,176)	-	20,468	-	(2,275,990)	-	(2,053,057)
513	Total Equity - Net Assets / Position	2,126,010	(994,205)	17,874	20,468	-	4,951,203	-	6,121,350
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	3,196,894	726,189	17,874	106,139	-	9,421,677	-	13,468,773
70300	Net Tenant Rental Revenue	348,653	-	-	-	-	1,804,663	-	2,153,316
70400	Tenant Revenue - Other	-	-	-	-	-	7,067	-	7,067
70500	Total Tenant Revenue	348,653	-	-	-	-	1,811,730	-	2,160,383
70600	HUD PHA Operating Grants	430,602	6,304,251	17,874	186,245	175,690	-	-	7,114,662
70610	Capital Grants	70,647	-	-	-	-	-	-	70,647
70700	Total Fee Revenue	-	-	-	-	-	-	-	-
70800	Other Government Grants	-	-	-	-	-	1,830,979	-	1,830,979
71100	Investment Income - Unrestricted	7,407	503	-	97	-	14,615	-	22,622
71500	Other Revenue	7,923	103,414	-	-	-	66,776	-	178,113
71600	Gain or Loss on Sale of Capital Assets	(4,516)	-	-	-	-	(4,515)	-	(9,031)
70000	Total Revenue	860,716	6,408,168	17,874	186,342	175,690	3,719,585	-	11,368,375
91100	Administrative Salaries	152,384	352,064	-	18,963	155,739	456,418	-	1,135,568
91200	Auditing Fees	1,390	10,598	-	442	-	9,980	-	22,410
91500	Employee Benefit contributions - Administrative	35,105	193,003	-	16,671	8,644	157,483	-	410,906
91600	Office Expenses	46,401	114,890	-	4,588	11,307	175,365	-	352,551
91700	Legal Expense	32,665	344	-	13	-	43,128	-	76,150
91800	Travel	200	206	-	8	-	870	-	1,284
91000	Total Operating - Administrative	268,145	671,105	-	40,685	175,690	843,244	-	1,998,869

See Independent Auditors' Report

NORTHAMPTON HOUSING AUTHORITY

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

JUNE 30, 2020

FDS Line Item	Description	AMP 01	Housing Choice Vouchers	Mainstream Vouchers	Section 8 Moderate Rehabilitation Program	HCV CARES Act Funding	State/Local	Eliminations	Total
92400	Tenant Services - Other	180	-	-	-	-	56,673	-	56,853
92500	Total Tenant Services	180	-	-	-	-	56,673	-	56,853
93100	Water	67,884	-	-	-	-	306,140	-	374,024
93200	Electricity	49,690	-	-	-	-	517,238	-	566,928
93300	Gas	27,936	-	-	-	-	90,228	-	118,164
93800	Other Utilities Expense	-	-	-	-	-	1,684	-	1,684
93000	Total Utilities	145,510	-	-	-	-	915,290	-	1,060,800
94100	Ordinary Maintenance and Operations - Labor	215,896	-	-	-	-	513,893	-	729,789
94200	Ordinary Maintenance and Operations - Materials and Other	90,154	-	-	-	-	346,542	-	436,696
94300	Ordinary Maintenance and Operations Contracts	124,105	-	-	-	-	268,138	-	392,243
94500	Employee Benefit Contributions - Ordinary Maintenance	77,524	-	-	-	-	222,939	-	300,463
94000	Total Maintenance	507,679	-	-	-	-	1,351,512	-	1,859,191
95000	Total Protective Services	-	-	-	-	-	-	-	-
96140	All Other Insurance	52,667	20,925	-	782	-	85,647	-	160,021
96100	Total insurance Premiums	52,667	20,925	-	782	-	85,647	-	160,021
96210	Compensated Absences	20,115	10,437	-	390	-	48,217	-	79,159
96300	Payments in Lieu of Taxes	18,779	-	-	-	-	8,625	-	27,404
96400	Bad debt - Tenant Rents	3,217	-	-	-	-	22,123	-	25,340
96000	Total Other General Expenses	42,111	10,437	-	390	-	78,965	-	131,903
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-	-	-	-
96900	Total Operating Expenses	1,016,292	702,467	-	41,857	175,690	3,331,331	-	5,267,637
97000	Excess of Operating Revenue over Operating Expenses	(155,576)	5,705,701	17,874	144,485	-	388,254	-	6,100,738
97300	Housing Assistance Payments	-	5,482,835	-	140,015	-	82,170	-	5,705,020
97350	HAP Portability-In	-	92,181	-	-	-	-	-	92,181
97400	Depreciation Expense	83,190	11,355	-	-	-	510,897	-	605,442
90000	Total Expenses	1,099,482	6,288,838	-	181,872	175,690	3,924,398	-	11,670,280

See Independent Auditors' Report

NORTHAMPTON HOUSING AUTHORITY

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

JUNE 30, 2020

FDS Line Item	Description	AMP 01	Housing Choice Vouchers	Mainstream Vouchers	Section 8 Moderate Rehabilitation Program	HCV CARES Act Funding	State/Local	Eliminations	Total
10010	Operating Transfer In	62,796	100,000	-	-	-	-	(162,796)	-
10020	Operating transfer Out	(62,796)	-	-	-	-	(100,000)	162,796	-
10100	Total Other financing Sources (Uses)	-	100,000	-	-	-	(100,000)	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(238,766)	219,330	17,874	4,470	-	(304,813)	-	(301,905)
11030	Beginning Equity	2,364,776	(1,213,535)	-	15,998	-	5,256,016	-	6,423,255
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	(1,029,426)	-	-	-	-	-	(1,029,426)
11180	Housing Assistance Payments Equity	-	35,221	-	-	-	-	-	35,221
11190	Unit Months Available	1,308	9,900	20	384	-	6,355	-	17,967
11210	Number of Unit Months Leased	1,293	9,119	-	369	-	6,280	-	17,061
11270	Excess Cash	2,054,590	-	-	-	-	-	-	2,054,590
11620	Building Purchases	55,647	-	-	-	-	-	-	55,647

See Independent Auditors' Report

NORTHAMPTON HOUSING AUTHORITY
STATEMENT OF ACTUAL MODERNIZATION COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Project:	MA01P026501-16
Modernization Funds Approved	\$ 120,715
Modernization Funds Expended	<u>120,715</u>
Excess of Modernization Funds Approved	<u>\$ --</u>
Modernization Funds Advanced	\$ 120,715
Modernization Funds Expended	<u>120,715</u>
Excess of Modernization Funds Advanced	<u>\$ --</u>

Based on our review of the completed projects:

- 1) All work in connection with the projects is complete.
- 2) All liabilities have been incurred and discharged through payment.

See Independent Auditors' Report

NORTHAMPTON HOUSING AUTHORITY

STATEMENT OF ACTUAL MODERNIZATION COSTS – UNCOMPLETED

FOR THE YEAR ENDED JUNE 30, 2020

Project:	MA01P026501-17
Modernization Funds Approved	\$ 124,977
Modernization Funds Expended	<u>23,783</u>
Excess of Modernization Funds Approved	<u>\$ 101,194</u>
Modernization Funds Advanced	\$ 23,783
Modernization Funds Expended	<u>23,783</u>
Excess of Modernization Funds Advanced	<u>\$ --</u>

See Independent Auditors' Report

NORTHAMPTON HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Provided to Sub-recipients	Total Federal Expenditures
Department of Housing & Urban Development (HUD)				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	--	\$ --	\$ 6,185,302
Section 8 Housing Choice Vouchers - CARES Act	14.871	--	--	175,690
Total Housing Voucher Cluster			--	<u>6,360,992</u>
Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	14.856	--	--	186,245
Total Section 8 Project-Based Cluster			--	<u>186,245</u>
Public and Indian Housing	14.850	--	--	430,602
Public Housing Capital Fund (CFP)	14.872	--	--	<u>70,647</u>
Total Department of Housing & Urban Development			--	<u>7,048,486</u>
Total Expenditures of Federal Awards			\$ --	<u>\$ 7,048,486</u>

See Notes to the Schedule of Expenditures of Federal Awards

NORTHAMPTON HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Northampton Housing Authority, under programs of the federal government for the year ended June 30, 2020. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Northampton Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of Northampton Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For performance-based awards, expenditures reported represent amounts earned.

NOTE 3 – INDIRECT COST RATE

The Northampton Housing Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To The Board of Commissioners
Northampton Housing Authority
Northampton, Massachusetts

We have audited, 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, the financial statements of the Northampton Housing Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Northampton Housing Authority's basic financial statements, and have issued our report thereon dated March 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northampton Housing Authority's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northampton Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Northampton Housing 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 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 Northampton Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Marcum LLP

Boston, Massachusetts
March 30, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To The Board of Commissioners
Northampton Housing Authority
Northampton, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Northampton Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Northampton Housing Authority's major federal program for the year ended June 30, 2020. The Northampton Housing Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Northampton Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Northampton Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Northampton Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Northampton Housing Authority's internal control over compliance.

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

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

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

Marcum LLP

Boston, Massachusetts
March 30, 2021

NORTHAMPTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

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

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over the major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditors' report issued on compliance for the major federal program: *Unmodified Opinion*

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

Identification of the major federal program:

CFDA #	Name of Federal Program or Cluster
---------------	---

14.871	Housing Voucher Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

NORTHAMPTON HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No prior audit findings.

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To The Board of Commissioners
Northampton Housing Authority
Northampton, Massachusetts

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Northampton Housing Authority (the 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 related hard copy documents included within the audit reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of the Authority and REAC. Consequently, we make no representation regarding the sufficiency of the procedure described 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 the "UFRS Rule Information" column with the corresponding printed documents listed in the chart under the "Hard Copy Documents" column. The associated findings from 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.

<u>PROCEDURE</u>	<u>UFRS RULE INFORMATION</u>	<u>HARD COPY DOCUMENTS</u>	<u>FINDINGS</u>
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	Agrees
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	Agrees
5	General information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Agrees

<u>PROCEDURE</u>	<u>UFRS RULE INFORMATION</u>	<u>HARD COPY DOCUMENTS</u>	<u>FINDINGS</u>
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	Agrees
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	Agrees
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Agrees
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Agrees

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 whether the electronic submission of the items listed in the "UFRS Rule Information" column in the agrees with the related hard copy documents within the audit reporting package. 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.

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by the Authority as of and for the year ended June 30, 2020 and have issued our reports thereon dated March 30, 2021. 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 Authority's supplementary information dated March 30, 2021, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditors' reports, is available in its entirety from the Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This purpose of this report on applying the agreed-upon procedures is solely to describe the procedure performed on the electronic submission of the items listed in the "UFRS Rule Information" column and associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Boston, Massachusetts
March 30, 2021