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October 13, 2023

Board of Commissioners
Housing Authority of the City of Evansville
402 Court Street, Suite B
Evansville, IN 47708

We have reviewed the audit report of the Housing Authority of the City of Evansville, which was opined upon by MCM CPAs & Advisors LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Housing Authority of the City of Evansville as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, MCM CPAs & Advisors LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

The Housing Authority of the City of Evansville, Indiana

Financial Statements

Year Ended December 31, 2022

The Housing Authority of the City of Evansville, Indiana
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Year Ended December 31, 2022

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Independent Auditor's Report on Financial Statements

Board of Commissioners
The Housing Authority of the City of Evansville, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of The Housing Authority of the City of Evansville, Indiana (the "Authority") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Authority, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following discretely presented component units:

- Vision 1505, L.P.
- EHA RAD I, L.P.
- EHA RAD II, L.P.
- EHA RAD IV, L.P.
- CSSL, L.P.
- Evansville Townhomes, L.P.
- Trailside Townhomes, L.P.
- Trailside Commons, L.P.
- River View Vincennes, L.P.
- Evansville Townhomes II, L.P.
- KHA RAD I, L.P.
- Erie Pointe L.P.

These entities represent 97 percent, 93 percent, and 100 percent, respectively, of the assets, net position and revenues of the discretely presented component units. Those financial statements, which were prepared in accordance with the Accounting Standards Codification as issued by the Financial Accounting Standards Board, were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors.

MCM CPAs & Advisors LLP

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Indiana
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Independent Auditor's Report on Financial Statements (Continued)

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of Vison 1505, L.P., CSSL, L.P., Evansville Townhomes, L.P., Trailside Townhomes, L.P., Trailside Commons, L.P., River View Vincennes, L.P., Evansville Townhomes II, L.P., KHA RAD I L.P. and Erie Pointe L.P. were not audited in accordance with Government Auditing Standards. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Authority's 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Audit Standards, we:

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

Independent Auditor's Report on Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 to 11 and the Schedules of the Authority's Proportionate Share of the Net Pension Liability and of the Authority's Contributions on pages 63 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the accompanying financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Independent Auditor's Report on Financial Statements (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "MCM CPAs & Advisors LLP". The signature is written in a cursive, stylized font.

Lexington, Kentucky
September 20, 2023

**The Housing Authority of the City of Evansville, Indiana
Management's Discussion and Analysis
Year Ended December 31, 2022**

This section of The Housing Authority of the City of Evansville, Indiana's (the "Authority") annual financial report presents management's discussion and analysis of the Authority's financial position, results of operations and cash flows during the fiscal year ended December 31, 2022. This analysis should be read in conjunction with the Independent Auditor's Report, financial statements and accompanying notes.

Introduction - The Housing Authority of the City of Evansville, Indiana

The Authority is a Public Housing Authority with a Board of Commissioners. The applicable jurisdictions appoint the Board of Commissioners. However, the Authority has complete legislative and administrative authority, and it recruits and employs personnel. The Authority adopts a budget that is approved by the Board of Commissioners. Subsidies for operations are received primarily from the Department of Housing and Urban Development ("HUD"). The Authority has substantial legal authority to control its affairs without local government approval; therefore, all operations of the Authority are a separate reporting entity as reflected in this report. The Authority has included as blended component units the activities for Advantix Development Corporation and Lincoln Estates Redevelopment, Inc., both non-profit organizations. Advantix includes the financial information of its wholly-owned subsidiaries as described in Note A. These entities are considered blended component units because the Authority has financial accountability and control over their boards of directors and management.

The Authority has also included, as discretely presented component units, the activities of Vision 1505, L.P. ("Vision LP"), EHA RAD I, L.P. ("RAD I"), EHA RAD II, L.P. ("RAD II"), EHA RAD IV, L.P. ("RAD IV"), CSSL, L.P. ("CSSL"), Evansville Townhomes, L.P., Trailside Townhomes, L.P., Trailside Commons, L.P., River View Vincennes, L.P., Evansville Townhomes, II, L.P., Erie Pointe, L.P., KHA RAD I, L.P., Evansville Townhomes III, L.P. and 34 East L.P. These entities are shown as discretely presented component units because the Authority is financially accountable for them; however, they do not have full operational responsibilities for these entities.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purposes. The financial transactions of the Authority are recorded in the funds that consist of a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses, as appropriate. The Authority is a self-supporting entity and follows enterprise fund reporting.

This discussion and analysis are designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in net position of the Authority. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow this section.

Financial Statements

The basic financial statements include three required statements, which provide different views of the Authority. They are the *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position* and the *Statement of Cash Flows*. These statements provide current and long-term information about the Authority's financial condition and activities.

The *Statement of Net Position* includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**The Housing Authority of the City of Evansville, Indiana
Management's Discussion and Analysis (Continued)
Year Ended December 31, 2022**

Financial Statements (Continued)

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through externally funded programs, tenant rents and other revenue sources.

The primary purpose of the *Statement of Cash Flows* is to provide information about the Authority's cash receipts and cash payments during the accounting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities.

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

Financial Highlights

The Authority's most significant financial highlights consist of the following:

- The Authority's net position increased by approximately \$3.5 million during 2022 and increased by approximately \$1.5 million during 2021.
- Operating revenues increased by approximately \$10.8 million from 2021 to 2022 and decreased by approximately \$7.1 million from 2020 to 2021.
- Total operating expenses for the Authority's programs increased by approximately \$7.0 million from 2021 to 2022 and decreased by approximately \$6.9 million from 2020 to 2021.
- Net nonoperating income (expense) for the Authority decreased by approximately \$2.0 million from 2021 to 2022 and increased by approximately \$2.8 million from 2020 to 2021. Total net nonoperating income was approximately \$1.1 million in income for 2022 and \$3.0 million for 2021. In 2022, EHA received \$1,670,901 from a 2012 settlement from HUD on its subsidy denials in 2012.

The Authority has several programs that are reported in a single enterprise fund. The main program consist of the following:

Housing Choice Voucher Program

Under the Housing Choice Voucher Program, the Authority provides rental housing assistance subsidies in support of up to 2826 housing units in 2022, 2254 units were actually leased in 2022. The purpose of the program is to provide decent affordable housing to low-income families and elderly and handicapped persons wherein rental assistance is provided by HUD. The associated units are maintained and managed by private landlords.

**The Housing Authority of the City of Evansville, Indiana
Management's Discussion and Analysis (Continued)
Year Ended December 31, 2022**

Net Position

The following table is a condensed summary of net position of the business-type activities of the Authority at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current assets	\$ 18,640,073	\$ 10,035,614	\$ 8,604,459	85.7%
Capital assets, net	3,192,391	4,089,804	(897,413)	-21.9%
Notes receivable, net	29,147,750	27,006,250	2,141,500	7.9%
Other assets	<u>574,288</u>	<u>697,232</u>	<u>(122,944)</u>	<u>-17.6%</u>
Total assets	51,554,502	41,828,900	9,725,602	23.3%
Deferred outflows of resources	<u>385,605</u>	<u>220,970</u>	<u>164,635</u>	<u>74.5%</u>
Total assets and deferred outflows of resources	51,940,107	42,049,870	9,890,237	23.5%
Liabilities				
Current liabilities	9,973,486	3,549,258	6,424,228	181.0%
Noncurrent liabilities	<u>1,641,873</u>	<u>1,320,317</u>	<u>321,556</u>	<u>24.4%</u>
Total liabilities	11,615,359	4,869,575	6,745,784	138.5%
Deferred inflows of resources	<u>69,618</u>	<u>451,559</u>	<u>(381,941)</u>	<u>-84.6%</u>
Total liabilities and deferred inflows of resources	11,684,977	5,321,134	6,363,843	119.6%
Net position				
Net investment in capital assets	3,192,391	4,089,804	(897,413)	-21.9%
Restricted	130,447	196,146	(65,699)	-33.5%
Unrestricted	<u>36,932,292</u>	<u>32,442,786</u>	<u>4,489,506</u>	<u>13.8%</u>
Total net position	<u>\$ 40,255,130</u>	<u>\$ 36,728,736</u>	<u>\$ 3,526,394</u>	<u>9.6%</u>

**The Housing Authority of the City of Evansville, Indiana
Management's Discussion and Analysis (Continued)
Year Ended December 31, 2022**

Major Factors Affecting the Statement of Net Position

Total assets of the Authority as of December 31, 2022 and 2021 amounted to \$51,554,502 and \$41,828,900, respectively. Current assets primarily consist of cash and receivables and other current assets. Non-current assets primarily consist of capital assets and notes receivable. Capital assets primarily include land, buildings and improvements, and equipment. All capital assets except for land and construction in progress are shown net of accumulated depreciation. Notes receivable primarily consist of loans made to the discretely presented component units for the sale of property at appraised values. The principal change in assets from December 31, 2022 to December 31, 2021 was due to a decrease in capital assets of \$897,413 which was offset by an increase in notes receivable of \$2,141,500 and an increase in current assets of approximately \$8,469,000 for an increase of \$9,725,602.

Total liabilities and deferred inflows of resources of the Authority are \$11,684,977 and \$5,321,137 as of December 31, 2022 and 2021, respectively. Current liabilities primarily include accounts payable construction billings over earnings and accrued expenses. Noncurrent liabilities primarily include the accrued pension obligation and mortgage and other notes payable, net of current portion. Current liabilities have increased by approximately \$6,400,000 primarily due to the timing construction billings over earnings, construction payables and accounts payable retention in 2022. Noncurrent liabilities have increased by approximately \$322,000, primarily due to an increase in the accrued pension obligation in 2022.

Deferred outflows of resources are \$385,605 and \$220,970 as of December 31, 2022 and 2021, respectively. Deferred inflows of resources are \$69,618 and \$451,559 as of December 31, 2022 and 2021, respectively. Deferred outflows and inflows of resources are related to the pension obligation and are being amortized into pension expense over the average expected remaining service life, except for the difference between expected and actual investment earnings, which is amortized over five years.

Net position represents the Authority's equity, a portion of which is restricted for certain use. Net position is divided into three major categories. The first category, net investment in capital assets shows the Authority's equity in land, buildings and improvements, construction in progress, and equipment, net of related capital debt outstanding. The next net position category, restricted, is reserved for the programs mandated by HUD. The last category, unrestricted, is available to use for any lawful and prudent purpose of the Authority. The increase in net position is due to operating and nonoperating expense during 2022.

**The Housing Authority of the City of Evansville, Indiana
Management's Discussion and Analysis (Continued)
Year Ended December 31, 2022**

Revenues, Expenses and Changes in Net Position

The following table is a condensed summary of revenues, expenses and changes in net position for the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenues				
Tenant revenue	\$ 420,518	\$ 479,728	\$ (59,210)	-12.3%
HUD PHA operating grants	15,471,545	14,935,356	536,189	3.6%
Other government grants	298,310	103,574	194,736	188.0%
Fraud recovery income	5,538	13,859	(8,321)	-60.0%
Management fees	528,890	1,107,601	(578,711)	0.0%
Other revenue	<u>21,004,345</u>	<u>10,272,780</u>	<u>10,731,565</u>	<u>104.5%</u>
Total operating revenues	37,729,146	26,912,898	10,816,248	40.2%
Operating expenses				
Administration	3,501,690	3,367,703	133,987	4.0%
Tenant services	137,735	287,751	(150,016)	-52.1%
Utilities	179,620	168,614	11,006	6.5%
Ordinary maintenance and operations	539,860	820,683	(280,823)	-34.2%
Insurance	339,034	198,370	140,664	70.9%
Other general expenses	16,347,348	9,900,420	6,446,928	65.1%
Housing assistance payments	13,858,436	13,203,839	654,597	5.0%
Depreciation and amortization	<u>430,440</u>	<u>432,585</u>	<u>(2,145)</u>	<u>-0.5%</u>
Total operating expenses	<u>35,334,163</u>	<u>28,379,965</u>	<u>6,954,198</u>	<u>24.5%</u>
Operating income (expense)	2,394,983	(1,467,067)	3,862,050	-263.2%
Nonoperating income (expense), net	<u>1,131,411</u>	<u>3,013,601</u>	<u>(1,882,190)</u>	<u>-62.5%</u>
Change in net position	<u>\$ 3,526,394</u>	<u>\$ 1,546,534</u>	<u>\$ 1,979,860</u>	<u>128.0%</u>

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position

During 2022, the Authority's net operating income was approximately \$2.4 million. Net nonoperating income and other special items resulted in approximately \$1.1 million in income which primarily consisted of investment income and gains on disposal of capital assets.

During 2021, the Authority's net operating expense was approximately \$1.5 million. Net nonoperating income and other special items resulted in approximately \$3.0 million in income which primarily consisted of investment income and gains on disposal of capital assets.

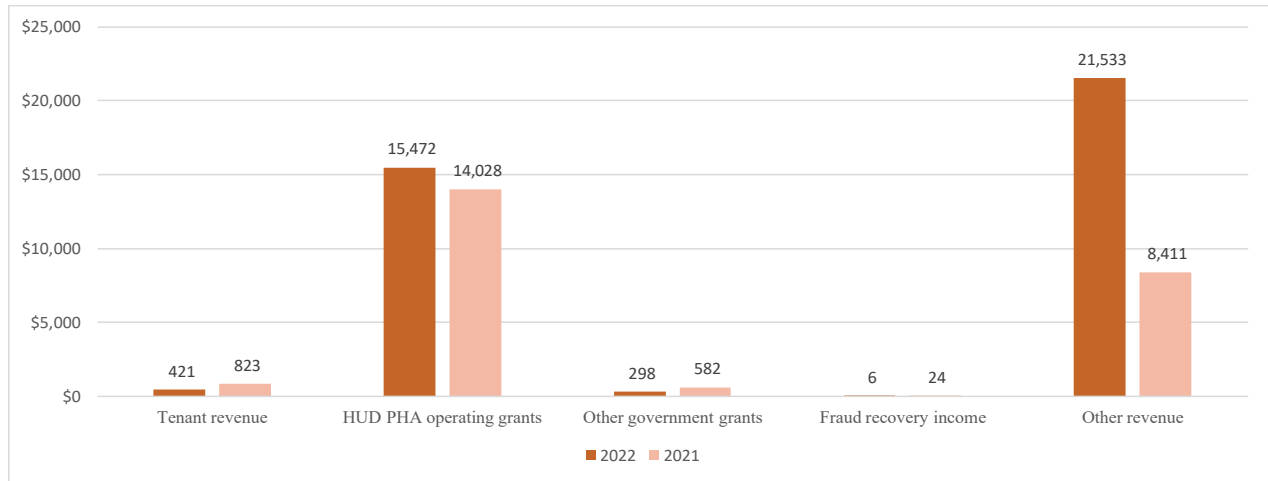
**The Housing Authority of the City of Evansville, Indiana
Management's Discussion and Analysis (Continued)
Year Ended December 31, 2022**

Major Factors Affecting the Statement of Revenues, Expenses and Changes in Net Position (Continued)

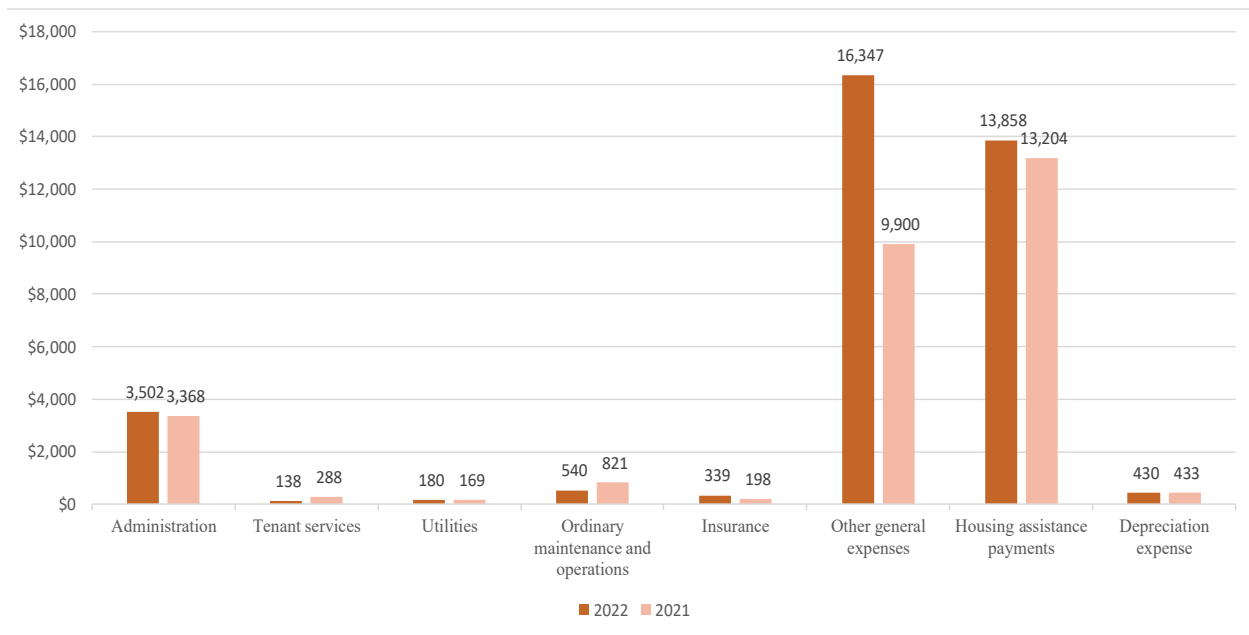
As seen in the charts below, the most important factors affecting the change in the Authority's operating income in 2022 were the increases in other revenue.

Operating revenue and expenses are shown in detail in the charts below:

Operating Revenue - 2022 and 2021 (Dollars in Thousands)



Operating Expenses - 2022 and 2021 (Dollars in Thousands)



**The Housing Authority of the City of Evansville, Indiana
Management's Discussion and Analysis (Continued)
Year Ended December 31, 2022**

Capital Assets

As of December 31, 2022 and 2021, the Authority had approximately \$3.2 and \$4.1 million, respectively, invested in a variety of capital assets as reflected in the following table:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,163,747	\$ 1,163,747
Buildings and improvements	3,550,026	7,749,188
Furniture, equipment and machinery	1,343,144	1,115,624
Construction in progress	422,703	2,238
Accumulated depreciation	<u>(3,287,229)</u>	<u>(5,940,993)</u>
Capital assets, net	<u>\$ 3,192,391</u>	<u>\$ 4,089,804</u>

In 2022, the Authority had capital expenditures of approximately \$700 thousand while recognizing depreciation expense of approximately \$430 thousand.

In 2021, the Authority had capital expenditures of approximately \$400 thousand while recognizing depreciation expense of approximately \$432 thousand.

See Note D in the *Notes to Financial Statements* for additional disclosures regarding changes in capital assets during the year ended December 31, 2022.

Long-term Debt

Long-term debt outstanding totaled \$802 thousand and \$894 thousand at December 31, 2022 and 2021, respectively. The decrease in long-term debt was due to debt payments.

Requests of Information

This financial report is designed to provide a general overview of the Authority's finances and resources. Questions concerning any of this information should be addressed to The Housing Authority of the City of Evansville, Indiana, 500 SE Tenth Street, 47713.

Requests for full financial information of the discretely presented component units should also be addressed to The Housing Authority of the City of Evansville, Indiana, 500 SE Tenth Street, 47713.

The Housing Authority of the City of Evansville, Indiana
Statement of Net Position
December 31, 2022

	Primary government	Discretely presented component units
	<u> </u>	<u> </u>
Current assets		
Cash and cash equivalents - unrestricted	\$ 11,395,448	\$ 3,277,570
Cash and cash equivalents - restricted for modernization and development	-	1,220,437
Cash and cash equivalents - other restricted	309,019	4,439,034
Cash and cash equivalents - tenant security deposits	9,205	188,441
Cash and cash equivalents - restricted for payment of current liabilities	-	15,179,822
Certificates of deposit	307,901	-
Accounts receivable - HUD	30,912	73,680
Accounts receivable - tenants	-	191,454
Accounts receivable - other government	59,825	10,027
Accounts receivable - other	5,338,156	8,642
Prepaid expense and other current assets	<u>1,189,607</u>	<u>836,023</u>
Total current assets	18,640,073	25,425,130
Noncurrent assets		
Capital assets, at cost, less accumulated depreciation	3,192,391	149,808,912
Notes receivable, net	29,147,750	-
Other investments	574,288	-
Other assets	<u>-</u>	<u>126,756</u>
Total noncurrent assets	<u>32,914,429</u>	<u>149,935,668</u>
Total assets	51,554,502	175,360,798
Deferred outflows of resources		
Deferred pension costs	<u>385,605</u>	<u>-</u>
Total assets and deferred outflows of resources	51,940,107	175,360,798
Current liabilities		
Accounts payable	1,829,274	4,903,284
Tenant security deposits	9,205	192,040
Unearned revenue	43,640	149,303
Accrued compensated absences - current portion	61,147	-
Accrued wages and payroll taxes	64,977	872
Accrued expenses and other current liabilities	140,888	1,088,759
Billings in excess of costs	7,733,124	-
Current portion of long-term debt	<u>91,231</u>	<u>323,100</u>
Total current liabilities	9,973,486	6,657,358
Noncurrent liabilities		
Other liabilities	146,002	10,778,001
Accrued compensated absences, net of current portion	26,766	42,626
Accrued interest	-	7,883,325
Accrued pension obligation	758,812	-
Mortgage and other notes payable, net of current portion	<u>710,293</u>	<u>101,920,283</u>
Total noncurrent liabilities	<u>1,641,873</u>	<u>120,624,235</u>
Total liabilities	11,615,359	127,281,593
Deferred inflows of resources		
Deferred pension revenue	<u>69,618</u>	<u>-</u>
Total liabilities and deferred inflows of resources	11,684,977	127,281,593
Net position		
Net investment in capital assets	3,192,391	47,565,529
Restricted	130,447	5,659,471
Unrestricted	<u>36,932,292</u>	<u>(5,145,795)</u>
Total net position	<u>\$ 40,255,130</u>	<u>\$ 48,079,205</u>

See accompanying notes.

The Housing Authority of the City of Evansville, Indiana
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2022

	Primary government	Discretely presented component units
	<u> </u>	<u> </u>
Operating revenues		
Tenant revenue	\$ 420,518	\$ 10,097,137
HUD PHA operating grants	15,471,545	-
Other government grants	298,310	-
Fraud recovery income	5,538	-
Management fees	528,890	-
Other revenue	<u>21,004,345</u>	<u>62,472</u>
Total operating revenues	37,729,146	10,159,609
Operating expenses		
Administration	3,501,690	2,121,286
Tenant services	137,735	-
Utilities	179,620	2,554,935
Ordinary maintenance and operations	539,860	2,632,161
Insurance	339,034	1,180,357
Other general expenses	16,347,348	112,390
Housing assistance payments	13,858,436	-
Depreciation and amortization expense	<u>430,440</u>	<u>5,478,887</u>
Total operating expenses	<u>35,334,163</u>	<u>14,080,016</u>
Net operating loss	2,394,983	(3,920,407)
Nonoperating income (expense)		
Investment income - unrestricted	155,014	68,159
Loss on impairment of capital assets	-	(4,435,741)
Interest expense and amortization cost	(20,887)	(3,136,616)
Gain on disposal of capital assets	997,284	-
Mortgage Insurance Premium	<u>-</u>	<u>(38,411)</u>
Total nonoperating income (expense)	<u>1,131,411</u>	<u>(7,542,609)</u>
Change in Net Position Before other special items	3,526,394	(11,463,016)
Other special items	<u>-</u>	<u>(638,933)</u>
Total other special item	<u>-</u>	<u>(638,933)</u>
Changes in net position	3,526,394	(12,101,949)
Net position, beginning of year	36,728,736	48,889,135
Syndication costs	-	(75,000)
Capital contributions	<u>-</u>	<u>11,367,019</u>
Net position, end of year	<u>\$ 40,255,130</u>	<u>\$ 48,079,205</u>

See accompanying notes.

The Housing Authority of the City of Evansville, Indiana
Statement of Cash Flows
Year Ended December 31, 2022

	<u>Primary government</u>
Cash flows from operating activities	
Cash received from tenants	\$ 420,193
Cash received from HUD grants	15,532,345
Cash received from other governmental grants	605,156
Cash received from other sources	19,883,999
Cash payments to employees for services	(1,991,534)
Cash payments for employee benefits	(427,732)
Cash payments to participants in the Housing Choice Voucher Program	(13,858,436)
Cash payments to other suppliers for goods and services	<u>(12,501,966)</u>
Net cash provided by operating activities	7,662,025
Cash flows from capital and related financing activities	
Purchases of capital assets	(722,342)
Proceeds from sale of capital assets	36,599
Repayment of loan payable	(92,041)
Payments received on notes receivable	8,500
Interest paid	<u>(20,887)</u>
Net cash used by capital and related financing activities	(790,171)
Cash flows from investing activities	
Loss from other investing activities	122,944
Change in certificates of deposit	(615)
Interest received	<u>155,014</u>
Net cash provided by investing activities	<u>277,343</u>
Increase in cash	7,149,197
Cash and cash equivalents	
Beginning of year	<u>4,564,475</u>
End of year	<u>\$ 11,713,672</u>
Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents - unrestricted	\$ 11,395,448
Cash and cash equivalents - other restricted	309,019
Cash and cash equivalents - tenant security deposits	<u>9,205</u>
Total cash and equivalents	<u>\$ 11,713,672</u>

See accompanying notes.

The Housing Authority of the City of Evansville, Indiana
Statement of Cash Flows (Continued)
Year Ended December 31, 2022

	<u>Primary government</u>
Operating activities net operating loss	\$ 2,394,983
Adjustments to reconcile net operating income to net cash used by operating activities	
Depreciation expense	430,440
Bad debt expense - tenant rents	391,612
Decrease (increase) in assets	
Accounts receivable - HUD	75,071
Accounts receivable - tenants	(391,612)
Accounts receivable - other government	306,846
Accounts receivable - other	(1,640,736)
Prepaid expenses and other current assets	(195,828)
Deferred outflows of resources	(164,635)
Increase (decrease) in liabilities	
Accounts payable	(313,502)
Tenant security deposits	(300)
Unearned revenue	(28,334)
Accrued wages and payroll taxes	24,606
Accrued expenses and other current liabilities	6,750,956
Accrued compensated absences	(13,362)
Other liabilities	(79,987)
Accrued pension obligation	497,748
Deferred inflows of resources	<u>(381,941)</u>
Net cash provided by operating activities	<u>\$ 7,662,025</u>
Schedule of noncash financing and investment activities	
Capital assets exchanged for notes receivable	\$ 2,150,000

See accompanying notes.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements
Year Ended December 31, 2022

Note A - Nature of Organization and Operations

Nature of Operations

The Housing Authority of the City of Evansville, Indiana (the "Authority" or the "Primary Government"), a governmental entity, is organized under the laws of the State of Indiana ("State") for the purpose of engaging in the development and administration of low-rent housing programs. The Authority owned and operated 135 public housing units through October 31, 2018, at which time all public housing units were disposed of through the Rental Assistance Demonstration Program. The Authority administers 2254 Section 8 vouchers, under an Annual Contributions Contract ("ACC") in Evansville, Indiana.

The Authority's activities include the following program:

Section 8 Housing Choice Voucher Program - Under the Section 8 Housing Choice Voucher Program, the Authority provides rental housing assistance subsidies in support of up to 2826 housing units. The purpose of the program is to provide decent affordable housing to low-income families and elderly and handicapped persons wherein rental assistance is provided by HUD. The associated units are maintained and managed by private landlords.

Reporting Entity

The Housing Authority of the City of Evansville - The Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The 7-member Board of Commissioners of the Authority is appointed to 4-year staggered terms by the Mayor of the City of Evansville, but the Authority designates its own management. The City of Evansville is not financially accountable for the Authority as it cannot impose its will on the Authority, and there is no potential for the Authority to provide financial benefits to, or impose financial burdens on the City of Evansville. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Evansville.

The following entities are reported as blended component units because the Authority has financial accountability and control over their boards of directors and management.

Advantix Development Corporation ("Advantix") - The Authority established the non-profit entity, which is legally separate from the Authority. The purpose of the entity is to foster low-income housing within the State of Indiana through ownership, development, construction, property management and RAD consultation. The board consists of 8 members, all of which are Authority board members.

ADC V1505 Inc.: ADC V1505, Inc. has 1,000 shares of common stock, 490 shares are owned by Advantix Development Corporation and 510 shares are owned by the Authority. ADC V1505, Inc. is the .008% general partner in Vision LP. Vision LP operates a 32-unit, residential supportive apartment project known as Vision 1505 located in Evansville, Indiana. Due to the limited activity in ADC V1505, Inc., all activity is incorporated into the financial information of Advantix.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note A - Nature of Organization and Operations (Continued)

Reporting Entity (Continued)

Advantix established and wholly owns the following entities:

- Corydon SSL, LLC, which is the .009% general partner in CSSL.
- Evansville RAD One, LLC, which is the .01% general partner in RAD I and RAD II. RAD I owns and operates a 438-unit apartment community. RAD II owns and operates a 121-unit apartment community. RAD I and RAD II apartment communities are both located in Evansville, Indiana.
- Evansville RAD Four, LLC, which is the .01% general partner in RAD IV. RAD IV operates a 194-unit apartment community located in Evansville, Indiana.
- ET Evansville, LLC is the .01% general partner in Evansville Townhomes, L.P.
- Trailside Townhomes GP, LC is the .01% general partner in Trailside Townhomes, LP.
- SP Kokomo, LLC is the .01% general partner in Trailside Commons, L.P.
- RVV, LLC, which is the .01% general partner in River View Vincennes, L.P.
- Erie Evansville, LLC which is the .01% general partner in Erie Pointe, L.P.
- KHA RAD One, LLC which is the .01% general partner in KHA RAD, I L.P.
- ET 2 Evansville, LLC which is the .01% general partner in Evansville Townhomes, II L.P.
- ET 3 Evansville, LLC which is the .01% general partner in Evansville Townhomes, III L.P.
- 34 East Marion, LLC is the .01% general partner in 34 East, L.P.

RAD I, RAD II, RAD IV, Evansville Townhomes, L.P., Trailside Townhomes, LP., Trailside Commons, L.P., River View Vincennes, L.P., Evansville Townhomes, II L.P., KHA RAD I, L.P., Erie Pointe, L.P., Evansville Townhomes, III L.P., and 34 East, L.P. units are rented to low-income individuals and, as a result, federal income tax credits are available to investors. The RAD I Partnership's major program is the Section 221 (d) (4) insured mortgage. As of December 31, 2022, Evansville Townhomes, III L.P. and 34 East, L.P. did not have any rental activity. The other entities have entered into a housing assistance payment contract ("HAP contract") with Evansville Housing Authority (the primary government). The contract is a rent assistance program for low-income families (or persons) as provided by the Section 8 Program of the National Housing Act.

The Authority has included, as discretely presented component units, the activity for Vision LP, RAD I, RAD II, RAD IV, CSSL, Evansville Townhomes, L.P., Trailside Townhomes, LP., Trailside Commons, L.P. River View Vincennes, L.P. Evansville Townhomes II, L.P., KHA RAD I, L.P., Erie Pointe, L.P., Evansville Townhomes III, L.P. and 34 East, L.P. These entities are shown as discretely presented component units because the Authority, through its blended component unit, Advantix, is financially accountable for them; however, they do not have full operational responsibility for the entities. ADC V1505, Inc. (which is included as a blended component of the Authority) has a .001% general partner interest in Vision LP. Vision LP operates a 32-unit, residential supportive apartment project known as Vision 1505 located in Evansville, Indiana.

Requests for full financial information of Vision LP, RAD I, RAD II, RAD IV, CSSL, Evansville Townhomes, L.P., Trailside Townhomes, L.P., Trailside Commons, L.P., River View Vincennes, L.P., Evansville Townhomes II, L.P., KHA RAD I, L.P., Erie Pointe, L.P., Evansville Townhomes III, L.P. and 34 East, L.P. (the Discretely Presented Component Units) should be addressed to The Housing Authority of the City of Evansville, Indiana, 500 SE Tenth Street, 47713.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note B - Summary of Organization and Significant Accounting Policies

This summary of significant accounting policies of the Authority is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who is responsible for their integrity and objectivity. These accounting policies are in accordance with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

1. Basis of Presentation: The Authority's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The Authority accounts for all of its activity as a proprietary fund which includes business-type activities that are financed in whole or in part by fees charged to external parties.

Effective January 1, 2022, the Authority adopted GASB No. 87, *Leases* with no material impact to the financial statements. Effective January 1, 2022, Vison 1505, L.P., CSSL, L.P., Evansville Townhomes, L.P., Trailside Townhomes, L.P., Trailside Commons, L.P., River View Vincennes, L.P., Evansville Townhomes II, LP., KHA RAD I L.P. and Erie Pointe L.P. adopted Accounting Standards Updated 2016-02, *Leases* with no impact to the financial statements.

2. Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Measurement Focus, Basis of Accounting and Financial Statement Presentation: The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred, regardless of the timing of related cash flows.
4. Revenue and Expenses: Revenue from rentals is recorded as earned over the term of the lease, and expenses are charged against such revenue as incurred without regard to the date of receipt or payment of cash. Rental agreements generally do not exceed one year but are renewable. Rental agreements are not within the scope of the lease standards.

The discretely presented component units recognize net rent revenue in the period in which the rent is earned.

The Authority has entered into annual contribution contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 programs whereby the Authority pays the owner a portion of the rent, a housing assistance payment ("HAP"), on behalf of the family. Such contributions are reflected as HUD grants in the accompanying financial statements.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, tenant services, utilities, maintenance, protective services, insurance, depreciation, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note B - Summary of Organization and Significant Accounting Policies (Continued)

4. Revenue and Expenses (Continued): Advantix receives revenue from construction contracts. Advantix recognizes revenue using a cost-based input method, which uses actual costs incurred relative to total estimated contract costs to determine, as a percentage, progress toward contract completion. Contract assets reflected on the balance sheet include costs and estimated earnings in excess of billings on uncompleted contracts. Contract liabilities consist of billings in excess of costs and estimated earnings on uncompleted contracts.

In applying the cost-based input method of revenue recognition, the Company uses actual costs incurred relative to the total estimated costs to determine progress towards contract completion and to calculate the corresponding amount of revenue and gross profit to recognize. Costs incurred towards contract completion include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. There were no provisions for losses accrued as of December 31, 2022.

5. Cash and Cash Equivalents: The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are stated at fair value.
6. Investments: Investments consist of certificates of deposit and are stated at cost, which approximates fair value given the nature of the investments.
7. Other Investments: Other investments represent general partner equity contributions by certain subsidiaries of Advantix related to certain discretely presented component units.
8. Allowance for Doubtful Accounts: The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. For the year ended December 31, 2022, management has determined the allowance for doubtful accounts to be \$12,750 for notes receivable and \$6,270,445 for accrued interest receivable.
9. Capital Assets: Capital assets are recorded at cost. Maintenance and repairs are charged to expense as incurred; renewals or betterments are capitalized. The Authority capitalizes capital asset purchases over \$5,000. Gain or loss on retirements and disposition of assets is credited or charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts. Capital assets are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	10 - 39 years
Furniture, equipment and machinery	5 - 7 years

The Authority evaluates prominent events or changes in circumstances affecting capital assets to determine when impairment of a capital asset has occurred. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage are generally measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written-off.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note B - Summary of Organization and Significant Accounting Policies (Continued)

10. Deferred Outflows of Resources: The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section on the Statement of Net Position.
11. Deferred Inflows of Resources: The Authority reports increases in net position that relate to future periods as deferred inflows of resources in a separate section on the Statement of Net Position.
12. Pension Plan: The employees of the Authority participate in the Indiana Public Retirement System ("INPRS"). The Authority recognizes its proportionate share of the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense.
13. Compensated Absences: Compensated absences are those for which employees will be paid, such as vacation. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside of the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.
14. Net Position: The Authority classifies net position for accounting and financial reporting purposes in the following net position categories:
 - Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
 - Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
 - Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".
15. Use of Restricted and Unrestricted Resources: When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.
16. Primary Government Income Taxes: Income received or generated by the Authority is not subject to federal income tax, pursuant to Internal Revenue Code Section 115. Interest paid on obligations issued by the Authority is excludable from the gross income of the recipients, pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended. Contributions to the Authority are tax deductible contributions, pursuant to Sections 170(b)(1)(A)(v) and 170(c)(1) of the Internal Revenue Code of 1986, as amended.
17. Discretely Presented Component Unit's Income Taxes: No provision for federal or state income taxes has been made in the Discretely Presented Component Unit's financial statements as the federal and state income tax effect on the Discretely Presented Component Unit's activities accrues to its partners.
18. Discretely Presented Component Units - Capital Contributions: Vision LP's limited partner made capital contributions totaling \$7,155,588 at various times, as specified in the partnership agreement. As of December 31, 2022, all investor limited partner contributions have been received. The general partner is required to contribute \$100 in capital contributions to the partnership; as of December 31, 2022, all required capital contributions have been received. The special limited partners A and B are to make capital contribution of \$100 each, of which \$100 is outstanding at December 31, 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note B - Summary of Organization and Significant Accounting Policies (Continued)

18. Discretely Presented Component Units - Capital Contributions (Continued): Evansville Townhomes' general partner has made a capital contribution of \$147,143, which was required by the partnership agreement. The limited partner is to make capital contributions totaling \$8,800,000 as specified in the partnership agreement. The total contribution is subject to adjustment based on the timing of lease-up and other factors. During 2022, the required contribution was reduced by \$26,000. The limited partner had contributions payable of \$50,000 at December 31, 2022.

Trailside Commons' general partner was required to make a capital contribution of \$76,000 which has been paid. The limited partner is required to make capital contributions totaling \$6,246,000 as specified in the partnership agreement. The total contribution is subject to adjustment based upon the timing of lease-up and other factors. The limited partner had contributions payable of \$50,000 at December 31, 2022.

River View Vincennes' general partner has made a capital contribution of \$396,957 as specified in the partnership agreement. The limited partner is to make capital contributions totaling \$6,387,000 as specified in the partnership agreement. The total contribution is subject to adjustment based upon the timing of lease-up and other factors. The limited partner had contributions payable of \$265,974 at December 31, 2022.

Evansville Townhomes II, L.P.'s general partner has made a capital contribution of \$100 as required by the partnership agreement. The administrative limited partner has made a capital contribution of \$100 as required by the partnership agreement. The limited partner is to make capital contributions totaling \$6,071,322 as specified in the partnership agreement. The total contribution is subject to adjustment based upon the timing of lease-up and other factors. The limited partner had contributions payable of \$1,214,365 at December 31, 2022.

KHA RAD I, L.P.'s investor limited partner is to make capital contributions totaling \$17,175,766, as required in the partnership agreement. The total contribution is subject to adjustment based upon the timing of lease-up and other factors. As of December 31, 2022, capital contributions totaling \$13,740,693 are outstanding. The administrative limited partner and general partner each made capital contributions totaling \$100 as specified in the partnership agreement.

Erie Pointe's investor limited partner is to make capital contributions totaling \$7,769,363, as required in the partnership agreement. The total contribution is subject to adjustment based upon the timing of lease-up and other factors. As of December 31, 2022, capital contributions totaling \$7,380,990 are outstanding. The general partner contributed land valued in the amount equal to \$233,000 as specified in the partnership agreement. The general partner is also to make a capital contribution of \$100 as specified in the partnership agreement, which remains outstanding as of December 31, 2022. The administrative limited partner made a capital contribution of \$100 as specified in the partnership agreement.

34 East's special limited partner contributed land with a fair market value of \$400,000. This contribution was treated as a capital contribution made by the special limited partner. The investor limited partner is required to make capital contributions totaling \$9,957,000. The total contribution is subject to adjustment based upon the timing of lease-up and other factors. As of December 31, 2022, capital contributions totaling \$8,463,450 are outstanding. The general partner made capital contributions totaling \$100 as specified in the partnership agreement.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note B - Summary of Organization and Significant Accounting Policies (Continued)

18. Discretely Presented Component Units - Capital Contributions (Continued): Evansville Townhomes III, L.P.'s investor limited partner is required to make capital contributions totaling \$9,639,000. The total contribution is subject to adjustment based upon the timing of lease-up and other factors. As of December 31, 2022, capital contributions totaling \$8,193,150 are outstanding. The general partner made capital contributions totaling \$100 as specified in the partnership agreement.

Discretely presented net position attributable to third party investors is 99.99% in total.

19. Syndication Costs: Syndication costs represent costs associated with capital contributions and have been netted within net position for the discretely presented component unit column.
20. Impairment: Long-lived assets are reviewed for impairment whenever events indicate that the carrying value may not be recoverable. Management measured the recoverability by comparing cash flow expected to be generated and any estimated proceeds from the eventual disposition. During the year ended December 31, 2022, Vision 1505, L.P. recognized an impairment loss of \$4,435,741. The basis of the long-lived assets has been adjusted to the estimated fair value at December 31, 2022 and all accumulated depreciation has been written off. The remaining long-lived assets will be depreciated over their remaining useful lives.
21. Subsequent Events: The Authority has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditor's Report, the date the accompanying financial statements were available for issuance.

Note C - Cash, Cash Equivalents and Investments

During the year ended December 31, 2022, the Authority held cash, cash equivalents and investments with several financial institutions. In accordance with GASB Statement No. 40 "Deposits and Investment Risk Disclosures", information related to cash, cash equivalents and investments is as follows:

1. Custodial Credit Risk: Custodial credit risk is the risk that the Authority will not be able to recover the value of its deposits that are in the possession of an outside party if the counterparty fails. Cash is exposed to risk if it is not covered by depository insurance in the pledging financial institution. The Federal Deposit Insurance Corporation ("FDIC") generally insures deposits up to \$250,000 per bank. In addition, the State of Indiana's Public Deposit Insurance Fund ("PDIF") insures public funds deposited in approved financial institutions which exceed the limits of coverage provided by any federal deposit insurance. At December 31, 2022, all of the Authority's cash was insured by FDIC or PDIF.
2. Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The Authority's investment policy limits investments to provide the optimum return on the investment consistent with the cash management program of the Authority.

Investments are made based upon prevailing market conditions at the time of the transaction. The Authority reviews its cash and investment needs in order to maintain adequate liquidity to meet its cash flow needs. Investments will typically be limited to securities maturing in periods of up to one year, or such lesser period that coincides with expected disbursements by the Authority.

3. Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely and (c) reasonable action is taken to control any adverse developments. The Authority's investment policy requires investments to be made in accordance with HUD Financial Handbook, 7475.1 Chapter 4.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note C - Cash, Cash Equivalents and Investments (Continued)

4. Concentration of Credit Risk: The Authority's investment policy does not limit the amount it may invest with one financial institution as long as all funds are secured by the FDIC or identifiable United States government securities.
5. Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect fair value of an investment or deposit. All of the Authority's deposits and investments are denominated in United States currency.

The carrying value of cash and cash equivalents owned at December 31, 2022 was \$11,713,672. The bank balance of cash and cash equivalents owned at December 31, 2022 was \$13,533,577.

Investments are carried at fair value. The financial statements reflect the accounting standard related to fair value measurements, which provides a comprehensive framework for measuring fair value and expands required disclosures concerning fair value measurements. Specifically, the standard sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs.

The standard defines levels with the hierarchy of inputs as follows:

- Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly.
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Authority's investments consist of certificates of deposit which are valued at the face amount plus any interest accrued. Fair values of the Authority's investments at December 31, 2022, are as follows:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	<u>\$ 307,901</u>	<u>\$ 307,901</u>	<u>\$ -</u>	<u>\$ -</u>

Discretely Presented Component Unit Deposits

As of December 31, 2022, the carrying value of cash and cash equivalents held by the discretely presented component units was \$24,305,304. At times, the bank balances held with financial institutions may exceed federally insured limits. However, there have been no losses in such accounts and management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Regulations of HUD require that security deposits be segregated from operating cash. Accordingly, the discretely presented component units hold all security deposits in a separate account. At December 31, 2022, amounts held for security deposits totaled \$188,441. Regulations of HUD also require that deposits for modernization and development activities be classified as restricted. As of December 31, 2022, deposits for development related obligations totaled \$1,220,437.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note C - Cash, Cash Equivalents and Investments (Continued)

Pursuant to various agreements, the discretely presented component units must hold amounts in reserves for restricted use. The following is a summary of activity in the reserve accounts for the year ended December 31, 2022:

	Operating reserve	Expense coverage reserve	Subsidy reserve	Replacement reserve	Bond service reserve	Latent defect escrow	Mortgage escrow reserve	Total
Balance - January 1, 2022	\$ 2,412,394	\$ 99,812	\$ 251,049	\$ 971,286	\$ 15,475,000	\$ 225,177	\$ 350,673	\$ 19,785,391
Additions	146,819	135,300	35	346,916	-	19,487	640	649,197
Withdrawals	(41)	(234)	(16)	(157,011)	(618,839)	(39,591)	-	(815,732)
Balance - December 31, 2022	<u>\$ 2,559,172</u>	<u>\$ 234,878</u>	<u>\$ 251,068</u>	<u>\$ 1,161,191</u>	<u>\$ 14,856,161</u>	<u>\$ 205,073</u>	<u>\$ 351,313</u>	<u>\$ 19,618,856</u>

These restricted reserves are included on the statement of net position as restricted for payment of current liabilities, other restricted and bond service reserve.

Note D - Capital Assets

The following is a summary of changes in the capital assets of the primary government for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Disposals	Transfers	Balance December 31, 2022
Land	\$ 1,163,747	\$ -	\$ -	\$ -	\$ 1,163,747
Buildings and improvements	7,749,188	-	(4,199,162)	-	3,550,026
Furniture, equipment and machinery	1,115,624	301,877	(74,357)	-	1,343,144
Construction in progress	2,238	420,465	-	-	422,703
	10,030,797	722,342	(4,273,519)	-	6,479,620
Accumulated depreciation	(5,940,993)	(430,440)	3,084,204	-	(3,287,229)
Total capital assets	<u>\$ 4,089,804</u>	<u>\$ 291,902</u>	<u>\$ (1,189,315)</u>	<u>\$ -</u>	<u>\$ 3,192,391</u>

Total depreciation expense for the year ended December 31, 2022 was \$430,440.

The following is a summary of changes in the capital assets of the discretely presented component units for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Disposals	Transfers	Balance December 31, 2022
Land	\$ 3,629,257	\$ 644,470	\$ -	\$ -	\$ 4,273,727
Buildings and improvements	117,105,897	20,478,085	-	600,602	138,184,584
Furniture, equipment and machinery	8,254,458	2,938,855	-	-	11,193,313
Construction in progress	9,237,787	3,223,594	-	(600,602)	11,860,779
	138,227,399	27,285,004	-	-	165,512,403
Accumulated depreciation	(12,549,043)	(3,154,448)	-	-	(15,703,491)
Total capital assets	<u>\$ 125,678,356</u>	<u>\$ 24,130,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,808,912</u>

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note E - Notes Receivable

Notes receivable, including related accrued interest, for the primary government consisted of the following as of December 31, 2022:

EHA RAD I, L.P. - sellers note receivable	\$ 6,690,000
EHA RAD I, L.P. - ADC note receivable	800,000
EHA RAD I, L.P. - note receivable	3,250,000
EHA RAD II, L.P. - note receivable	3,400,000
EHA RAD IV, L.P. - note receivable	6,890,000
Memorial Community Development Corporation	25,500
Trailside Townhomes - note receivable	25,000
Evansville Townhomes - note receivable	1,000,000
Trailside Commons, L.P. - note receivable	295,000
Trailside Commons, LP. - note receivable	400,000
River View Vincennes, L.P. - AHP note receivable	500,000
River View Vincennes, L.P. - sponsor note receivable	85,000
Evansville Townhomes II, L.P. - sponsor note receivable	350,000
Evansville Townhomes II, L.P. - acquisition note receivable	2,400,000
Erie Pointe, LP - note receivable	900,000
Evansville Townhomes III, - sponsor loan	<u>2,150,000</u>
 Total notes receivable	 29,160,500
 Less allowance for doubtful accounts	 (12,750)
 Less current portion	 <u>-</u>
 Notes receivable - less current portion	 <u>\$ 29,147,750</u>

EHA RAD I, L.P. - Sellers Note Receivable - On May 1, 2016, the Authority sold 4 public housing properties consisting of a combined 438 units, to EHA RAD I, L.P. Permanent financing was provided by the Authority under a loan commitment of \$6,690,000. The loan is secured by a 5th mortgage and a security agreement against the property. Interest began accruing at an annual rate of 6% commencing February 1, 2018. At December 31, 2022 an allowance has been provided for accrued interest totaling \$1,973,550. The entire principal balance, as well as accrued and unpaid interest, is due and payable on February 1, 2058.

EHA RAD I, L.P. - ADC Note Receivable - On May 1, 2016, the Authority sold 4 public housing properties consisting of a combined 438 units, to EHA RAD I, L.P. Permanent financing was provided by the Authority under a loan commitment of \$800,000. The loan is secured by a 4th mortgage and a security agreement against the property. Interest began accruing at an annual rate of 6% commencing February 1, 2018. At December 31, 2022 an allowance has been provided for accrued interest totaling \$236,000. The entire principal balance, as well as accrued and unpaid interest, is due and payable on February 1, 2058.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note E - Notes Receivable (Continued)

EHA RAD I, L.P. - Note Receivable - On May 1, 2016, the Authority sold 4 public housing properties consisting of a combined 438 units, to EHA RAD I, L.P. Permanent financing was provided by the Authority under a loan commitment of \$3,250,000. The loan is secured by a 6th mortgage and a security agreement against the property. Interest began accruing at an annual rate of 6% commencing February 1, 2018. At December 31, 2022 an allowance has been provided for accrued interest totaling \$958,750. The entire principal balance, as well as accrued and unpaid interest, is due and payable on February 1, 2058.

EHA RAD II, L.P. - Note Receivable - On May 1, 2016, the Authority sold public housing property consisting of 129 units, to EHA RAD II, L.P. Permanent financing was provided by the Authority under a loan commitment of \$3,400,000. The loan is secured by a 3rd mortgage and a security agreement against the property. Interest began accruing at an annual rate of 6% commencing July 1, 2017. At December 31, 2022 an allowance has been provided for accrued interest totaling \$1,122,000. The entire principal balance, as well as accrued and unpaid interest, is due and payable on February 1, 2058.

EHA RAD IV, L.P. - Note Receivable - On December 22, 2017, the Authority sold public housing properties consisting of 194 units, to EHA RAD IV, L.P. Permanent financing was provided by the Authority under a loan commitment of \$6,890,000. The loan is secured by a 1st mortgage and a security agreement against the property. Interest accrues at an annual rate of 6% commencing February 1, 2019. The entire principal balance, as well as accrued and unpaid interest, is due and payable on February 1, 2059. Accrued interest at December 31, 2022 totaled \$1,653,600 and is fully reserved.

Memorial Community Development Corporation - Note Receivable - On August 18, 2015, the Authority issued an \$85,000 note receivable to the Memorial Community Development Corporation ("MCDC"). The note is between Advantix and MCDC for \$85,000 interest free, to be repaid over a 10-year time period until maturity on August 1, 2025. The loan is to be repaid in the form of student sponsorships through the Youth Build Program. For each \$531 student sponsorship, Advantix will forgive \$531 of the note and credit the note for an additional \$531 cash payment, as required by the promissory note. As of December 31, 2022, the balance of the note receivable was \$25,500.

Trailside Townhomes, L.P. - Note Receivable - On February 26, 2019, the Authority issued a note receivable to Trailside Townhomes, L.P. in the amount of \$25,000. The note is between Advantix and Trailside Townhomes, L.P. Interest is to accrue at 6% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. The note matures December 31, 2049. Accrued interest on the note is \$4,250 at December 31, 2022 and is fully reserved.

Evansville Townhomes, L.P. - Note Receivable - On December 31, 2019, the Authority issued a \$1,000,000 note receivable to Evansville Townhomes, L.P. The note is between Advantix and Evansville Townhomes, L.P. Interest is to accrue at 7% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. Accrued interest on the note is \$116,667 at December 31, 2022 and is fully reserved. The note matures December 31, 2049.

Trailside Commons, L.P. - Note Receivable - On December 19, 2019, the Authority issued a \$295,000 note receivable to Trailside Commons, L.P. The note is between Advantix and Trailside Commons, L.P. Interest is to accrue at 6% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. Accrued interest on the note is \$30,975 at December 31, 2022 and is fully reserved. The note matures December 31, 2049.

Trailside Commons, L.P. - Note Receivable - Advantix received funds from IHCDA under the National Housing Trust Fund in the amount of \$400,000, which it in turned loaned to Trailside Commons, L.P. as evidenced through a promissory note dated December 19, 2019. Interest is to accrue 6% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. Accrued interest on the note is \$72,000 at December 21, 2022 and is fully reserved. The note matures December 31, 2049.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note E - Notes Receivable (Continued)

River View Vincennes, L.P. - Affordable Housing Program Note Receivable - On February 25, 2020, the Authority issued a \$500,000 note receivable to River View Vincennes, L.P. The note is between Advantix and River View Vincennes, L.P. Interest is to accrue at 2.15% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. Accrued interest on the note is \$30,458 at December 31, 2022 and is fully reserved. The note matures December 31, 2050.

River View Vincennes, L.P. - Sponsor Note Receivable - On February 25, 2020, the Authority issued a \$85,000 note receivable to River View Vincennes, L.P. The note is between Advantix and River View Vincennes, L.P. Interest is to accrue at 6% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. Accrued interest on the note is \$14,450 at December 31, 2022 and is fully reserved. The note matures December 31, 2050.

Evansville Townhomes II, L.P. - Sponsor Note Receivable - Advantix issued a \$350,000 sponsor note receivable to Evansville Townhomes II, L.P. on March 2, 2021. Interest accrues at 6% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. The note is secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. Accrued interest on the note is \$19,250 at December 31, 2022 and is fully reserved. The note matures December 31, 2051.

Evansville Townhomes II, L.P.- Acquisition Note Receivable - Advantix issued a \$2,400,000 promissory note to Evansville Townhomes II, L.P. on March 2, 2021. Interest accrues at 5.5% per annum. Payments of principal and interest are to be made based on available cash flow. The note is secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. Accrued interest on the note is \$121,000 at December 31, 2022 and is fully reserved. The note matures December 31, 2051.

Erie Point, L.P. - Note Receivable - Advantix issued a \$900,000 note receivable to Erie Pointe, L.P. on December 1, 2021. Interest accrues at 6.50% per annum. Payments of principal and interest are to be made based on available cash flow as defined. The note is secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. Accrued interest on the note is \$4,875 at December 31, 2022 and is fully reserved. The note matures on December 31, 2051.

Evansville Townhomes III, L.P. - Sponsor Note Receivable - Advantix issued a \$2,150,000 sponsor note receivable to Evansville Townhomes III, L.P. on December 23, 2022. Interest accrues at 6% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. The note is secured by a mortgage on certain real estate and other assets and an assignments of rents and leases. There was no accrued interest on the note as of December 31, 2022. The note matures December 31, 2052.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note F - Uncompleted Contracts

Costs and estimated earnings on uncompleted Advantix construction contracts at December 31, 2022 are as follows:

Costs incurred on uncompleted contracts	\$ 20,346,644
Less billings to date	<u>28,079,768</u>
	<u>\$ (7,733,124)</u>
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ -
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(7,733,124)</u>
	<u>\$ (7,733,124)</u>

Billings in excess of costs and estimated earnings are included in accrued expenses and other current liabilities on the Statement of Net Position.

Note G - Compensated Absences

Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave is not vested and is not paid to an employee upon separation. Vested or accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. Sick leave is recorded as an expense as the employee utilizes it. A liability has been recorded for compensated absences totaling \$87,913 at December 31, 2022, of which \$61,147 is considered current.

Note H - Long-term Debt and Other Long-term Obligations

Primary Government

On November 23, 2011, the Authority entered into a financing agreement to purchase energy efficient equipment for \$1,079,391. This equipment was sold to RAD IV during the year ending December 31, 2017, but the note payable remains on the Authority's books. Effective July 15, 2012, the Authority began making monthly payments of \$7,533, which include principal and interest. The loan bears interest at 4.70% annually and matures on November 15, 2026. As of December 31, 2022, the balance of the loan was \$401,524, of which \$91,231 is considered current.

On November 15, 2018, Advantix entered into an agreement with the Indiana Housing and Community Development Authority ("IHCDA") whereby Advantix was awarded \$400,000 from the Housing Trust Fund Program for the purpose of providing a loan to Trailside Commons, L.P. No funds were advanced until December 2019. This agreement remains in effect through the compliance period as set forth in 24 CFR 93.302(d), December 31, 2049, of Trailside Commons, L.P. at which time the loan will be considered forgiven. No principal or interest is due until such time as the compliance period ends, or the project is not deemed to be out of compliance.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Debt service requirements of the Primary Government as of December 31, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>
Payable in		
2023	\$ 91,231	\$ 16,886
2024	100,543	12,279
2025	105,372	7,450
2026	104,378	2,390
2027	-	-
Thereafter	<u>400,000</u>	<u>-</u>
 Total requirements	 <u>\$ 801,524</u>	 <u>\$ 39,005</u>

A summary of changes in long-term debt and other long-term obligations of the primary government for the year ended December 31, 2022 is presented below:

	<u>Balance at December 31, 2021</u>	<u>Additions/ transfers</u>	<u>Retirements</u>	<u>Balance at December 31, 2022</u>	<u>Due within one year</u>
Other liabilities - noncurrent	\$ 225,989	\$ -	\$ (79,987)	\$ 146,002	\$ -
IHCDA loan	400,000	-	-	400,000	-
Accrued compensated absences	101,275	-	(13,362)	87,913	61,147
Loan payable to bank	<u>493,565</u>	<u>-</u>	<u>(92,041)</u>	<u>401,524</u>	<u>91,231</u>
 Total long-term obligations	 <u>\$ 1,220,829</u>	 <u>\$ -</u>	 <u>\$ (185,390)</u>	 <u>\$ 1,035,439</u>	 <u>\$ 152,378</u>

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units

Long-term debt for the discretely presented component units consisted of the following:

Vision LP - IHCDCA loan	\$ 500,000
EHA RAD I, LP - Merchants Capital Corporation loan	4,718,476
EHA RAD I, LP - IHCDCA loan	1,000,000
EHA RAD I, LP - Evansville Housing Authority loan	800,000
EHA RAD I, LP - Evansville Housing Authority loan	6,690,000
EHA RAD I, LP - Evansville Housing Authority loan	3,250,000
EHA RAD II, LP - Merchants Capital Corporation loan	2,168,442
EHA RAD II, LP - IHCDCA loan	500,000
EHA RAD II, LP - Evansville Housing Authority loan	3,400,000
EHA RAD IV, LP - Evansville Housing Authority loan	6,890,000
EHA RAD IV, LP - Merchants Capital Corporation loan	3,935,374
EHA RAD IV, LP - IHCDCA loan	727,476
CSSL - IHCDCA HOME loan	400,000
CSSL - IHCDCA Development Fund loan	463,606
Evansville Townhomes - Advantix Development Corporation loan	1,000,000
Evansville Townhomes - IHDCDA loan	489,490
Trailside Townhomes - Merchants Bank Corporation loan	893,436
Trailside Townhomes - HOME IHCDCA loan	391,592
Trailside Townhomes - Development Fund loan	489,490
Trailside Townhomes - Advantix Development Corporation loan	25,000
Trailside Commons - HOME IHCDCA loan	400,000
Trailside Commons - Development Fund loan	489,490
Trailside Commons - Advantix Development Corporation loan	295,000
Trailside Commons - Advantix Development Corporation loan	400,000
River View Vincennes - Merchants Bank of Indiana	264,079
River View Vincennes - HOME IHCDCA loan	400,000
River View Vincennes - Development fund loan	500,000
River View Vincennes - Advantix Development Corporation loan	500,000
River View Vincennes - Advantix Development Corporation loan	85,000
Evansville Townhomes II, LP - Merchants Bank of Indiana loan	516,669
Evansville Townhomes II, LP - Development Fund loan	500,000
Evansville Townhomes II, LP - Advantix Development Corporation loan	2,400,000
Evansville Townhomes II, LP - Advantix Development Corporation loan	350,000
KHA RAD I, LP - City of Kokomo	3,685,355
KHA RAD I, LP - City of Kokomo	15,475,000
KHA RAD I, LP - Merchants Capital	14,913,984
KHA RAD I, LP - Housing Authority of the City of Kokomo	12,700,000
Erie Pointe, LP - Advantix Development Corporation loan	900,000
Erie Pointe, LP - Construction loan	6,072,108
Erie Pointe, LP - Development fund loan	500,000
Erie Pointe, LP IHCDCA loan	500,000
Evansville Townhomes III, LP - Advantix Development Corporation loan	<u>2,150,000</u>
	102,729,067
Less: debt issuance cost	<u>(485,684)</u>
Total debt net of debt issuance cost	102,243,383
Less: current portion of long term debt	<u>(323,100)</u>
Total long-term debt	<u>\$ 101,920,283</u>

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units (Continued)

Vision L.P.

In October 2011, Vision LP obtained a loan from the Indiana Housing and Community Development Authority ("IHCDA"), in the amount of \$500,000. The loan originally bore interest at 3%. Payments were deferred during construction. The loan was converted and amended on December 18, 2014, prior to any required principal payments. Interest accrues at 4.167% per annum with an annual principal and interest payment of the lesser of \$29,504 subject to available cash flow. The loan matures on January 1, 2030. The loan is secured by a mortgage on certain real estate. At December 31, 2022, the balance of the loan was \$500,000 and the balance of accrued interest was \$208,965.

EHA RAD I, L.P.

On May 1, 2016, RAD I obtained a loan from Merchants Capital Corp. (formally P/R Mortgage & Investment, Corp) in the amount of \$5,022,700. The loan bears an annual interest rate of 3.65%. The loan requires monthly interest only through December 1, 2017. Monthly principal and interest payments of \$19,912 began September 1, 2018. The note matures on December 1, 2057. The loan is secured by a mortgage, security agreement, and assignment of rents and is insured by HUD under Section 221(d)4 of the National Housing Act. The note is subject to a prepayment penalty of 10% in 2017, decreasing by 1% each year thereafter. As of December 31, 2022, the note had an outstanding balance of \$4,718,476 and the balance of accrued interest was \$14,351.

On May 1, 2016, RAD I obtained two loans from Indiana Housing and Community Development Authority in the amount of \$500,000 each for a total of \$1,000,000. The notes bear an annual interest rate of 3% and a maturity date of November 30, 2058. Annual payments for each loan in the amount of \$21,631 are to be made subject to surplus cash as defined by HUD. The loans stipulate payments are to be no greater than 75% of available surplus cash as defined by the regulatory agreement. The loans are secured by a mortgage, security agreement, and assignment of rents. No surplus cash was available for payments in 2022. As of December 31, 2022, the notes had an outstanding balance of \$1,000,000 and the balance of accrued interest was \$120,000.

On May 1, 2016, RAD I obtained a loan from The Housing Authority of the City of Evansville in the amount of \$800,000. The note bears an annual interest rate of 6% and a maturity date of February 1, 2058. Payments are to be made annually commencing February 1, 2018 from surplus cash as defined by the regulatory agreement, but in no event greater than 75% of the total amount of surplus cash. No surplus cash was available for payments in 2022. The loan is secured by a mortgage, security agreement, and assignment of rents. As of December 31, 2022, \$800,000 remains outstanding and the balance of accrued interest was \$236,000.

On May 1, 2016, RAD I obtained a loan from The Housing Authority of the City of Evansville in the amount of \$6,690,000. The note bears an annual interest rate of 6% and a maturity date of February 1, 2058. Payments are to be made annually commencing February 1, 2018 from surplus cash as defined by the regulatory agreement, but in no event greater than 75% of the total amount of surplus cash. The loan is secured by a security instrument. As of December 31, 2022, \$6,690,000 remains outstanding and the balance of accrued interest was \$1,973,550. No surplus cash was available for payments in 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units (Continued)

EHA RAD I, L.P. (Continued)

On May 1, 2016, RAD I obtained a loan from The Housing Authority of the City of Evansville in the amount of \$3,250,000. The note bears an annual interest rate of 6% and a maturity date of February 1, 2058. Payments are to be made annually commencing February 1, 2018 from surplus cash as defined by the regulatory agreement, but in no event greater than 75% of the total amount of surplus cash. No cash was available for payments in 2022. The loan is secured by a mortgage, security agreement, and assignment of rents. As of December 31, 2022, \$3,250,000 remains outstanding and the balance of accrued interest was \$958,750.

EHA RAD II, L.P.

On May 1, 2016, RAD II obtained a loan from HUD through Merchants Capital Corp. (formally P/R Mortgage & Investment, Corp) in the amount of \$2,319,400. The loan bears an annual interest rate of 3.65%. The loan required monthly interest only payments through August 1, 2017. Monthly principal and interest payments of \$9,195 began September 1, 2017. The note matures on August 1, 2057. The loan is secured by a mortgage, security agreement, and assignment of rents and is insured by HUD under Section 221(d)4 of the National Housing Act. The note is subject to a prepayment penalty of 10% in 2017, decreasing by 1% each year thereafter. As of December 31, 2022, \$2,168,442 was outstanding and the balance of accrued interest on the loan was \$6,596.

On May 31, 2016, RAD II obtained a loan from Indiana Housing and Community Development Authority in the amount of \$500,000. The note bears an annual interest rate of 3% and a maturity date of November 30, 2058. The loan stipulates payments are to be made only from 75% of available surplus cash as defined by the regulatory agreement. No surplus cash was available for payment in 2022. The loan is secured by a mortgage, security agreement, and assignment of rents. No payments are due until maturity. As of December 31, 2022, \$500,000 remains outstanding and the balance of accrued interest was \$68,542.

In May 2016, RAD II obtained a loan from The Housing Authority of the City of Evansville in the amount of \$3,400,000. The note bears an annual interest rate of 6% and a maturity date of February 1, 2058. The loan stipulates payments are to be made only from 75% of available surplus cash as defined by the regulatory agreement. No payments are due until maturity. The loan is secured by a security instrument. As of December 31, 2022, \$3,400,000 remains outstanding and the balance of accrued interest was \$1,122,000.

EHA RAD IV, L.P.

On December 22, 2017, RAD IV obtained a surplus cash loan from The Housing Authority of the City of Evansville in the amount of \$6,890,000. The note bears interest at an annual interest rate of 6%. The entire principal balance, as well as accrued and unpaid interest, is due and payable on February 1, 2059. The loan stipulates payments are to be made only from 75% of available surplus cash as defined by the regulatory agreement. The loan is secured by a mortgage and a security agreement against the property. As of December 31, 2022, \$6,890,000 remains outstanding and the balance of accrued interest was \$1,653,600.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units (Continued)

EHA RAD IV, L.P. (Continued)

On December 1, 2017, RAD IV obtained a loan through Merchants Capital Corp. (Formerly P/R Mortgage & Investment Corp) in the amount of \$4,100,000. The loan bears an annual interest rate of 3.77%. The loan requires monthly interest only payments through May 1, 2019. Monthly principal and interest payments of \$16,553 began June 1, 2019. The note matures on June 1, 2059. The loan is secured by a mortgage, security agreement and assignment of rents and is insured by HUD under Section 221(d)4 of the National Housing Act. The note is subject to a prepayment penalty of 10% in 2019, decreasing by 1% each year thereafter. As of December 31, 2022, \$3,935,374 remains outstanding and the balance of accrued interest was \$12,364.

On December 22, 2017, RAD IV obtained a Development Fund loan from IHCDA in the amount of \$727,476. The note bears an annual interest rate of 3% and has a maturity date of December 31, 2058. The loan is to convert to a permanent loan no later than December 31, 2019. Commencing on the first day of the twelfth month following conversion, annual payments for the loan in the amount of \$31,472 are to be made subject to surplus cash as defined by HUD. The loan stipulates payments are to be no greater than 75% of available surplus cash as defined by the regulatory agreement. The loan is secured by a mortgage, security agreement, and assignment of rents. No payments have been made through December 31, 2021. The outstanding balance on the loan at December 31, 2022 is \$727,476 and the balance of accrued interest was \$53,529.

CSSL, L.P.

On December 28, 2017, CSSL obtained a HOME convertible loan from IHCDA in the amount of \$400,000. Interest is to accrue at the rate of 3% per annum until the conversion date, at which time accrued interest is due and payable. The loan matures October 31, 2021 at which time the note may be converted to a 15-year term loan. Upon conversion, annual payments of principal and interest of \$20,408 are required. The loan converted in 2022. The note is secured by a mortgage on certain real estate and assignment of rents and leases. The outstanding balance on the loan at December 31, 2022 is \$400,000.

On December 28, 2017, CSSL obtained a Development Fund convertible loan from IHCDA in the amount of \$500,000. Interest is to accrue at the rate of 3% per annum until the conversion date, at which time accrued interest is due and payable. The loan matured December 31, 2019 at which time the note was converted to a 15-year term loan. Upon conversion annual payments of principal and interest of the lesser of \$25,510 or 100% of available cash flow, as defined are required. The note is secured by a mortgage on certain real estate and assignments of rents and leases. The outstanding balance on the loan at December 31, 2022 is \$463,606.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units (Continued)

Evansville Townhomes, L.P.

On December 30, 2019, Evansville Townhomes obtained a promissory note from Advantix Development Corporation in the amount of \$1,000,000. Interest is to accrue 7% per annum. Payments of principal and interest are to be made based on available cash flow. The note matures December 31, 2049. The outstanding balance on the loan at December 31, 2022 is \$1,000,000.

On December 30, 2019, Evansville Townhomes obtained a loan in the amount of \$6,300,000 from Merchants Bank of Indiana for construction. Interest was to accrue at the 30-day LIBOR plus 2.50% per annum. Payments of interest were due monthly, with the entire principal balance due January 1, 2023. The loan was secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. The loan was repaid as of December 31, 2022.

On December 30, 2019, IHCDA made a loan of \$500,000 of Affordable Housing and Community Development Fund monies available through a convertible promissory note. Interest is to accrue at 3% per annum until conversion, at which time accrued interest is due and payable. The note matured December 31, 2021 at which time the note was converted to a 15-year term loan. Any accrued interest was due at the time of conversion. Commencing on the twelfth month following conversion, annual payments of principal and interest of the \$25,510 are required. The note is secured by a mortgage on certain real estate and an assignment of rents and leases. The outstanding balance on the loan at December 31, 2021 is \$489,490.

Trailside Townhomes, L.P.

On February 26, 2019, Trailside Townhomes obtained a construction loan in the amount of \$5,100,000 from Merchants Bank of Indiana that bears interest at 30-day LIBOR plus 2.50% per annum (2.65% at December 31, 2020). Payments are due monthly, with the entire principal balance due August 1, 2021 at which time the loan may be converted to a permanent mortgage of up to \$900,000 with interest at the rate of 6.25%. The loan converted to a permanent loan in December 2021 with a maturity date of December 10, 2036. Monthly principal and interest payments of \$5,284 are required. The loan is secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. The outstanding balance on the loan at December 31, 2022 is \$893,436.

On February 26, 2019, Trailside Townhomes obtained a HOME convertible loan from IHCDA in the amount of \$400,000 that bears interest at 3% per annum until conversion. The note matured August 16, 2021, at which time the loan converted to a 30-year term loan maturing on September 1, 2051. Any accrued interest was due at the time of conversion. Commencing on the twelfth month following conversion, annual payments of principal and interest of \$20,408 are required. The loan is secured by a mortgage on certain real estate and an assignment of rents and leases. The outstanding balance of the loan as of December 31, 2022 is \$391,592.

IHCDA also made \$500,000 of Affordable Housing and Community Development Fund monies available through a convertible promissory note dated February 26, 2019. Interest is to accrue at the rate of 3% per annum until the conversion date, at which time interest is due and payable. The loan matured February 28, 2021, at which time the note was converted to a 15-year term loan maturing on March 1, 2036. Commencing on the twelfth month following conversion, annual payments of principal and interest of \$25,510 are required. The note is secured by a mortgage on certain real estate and assignment of rents and leases. The outstanding balance of the loan as of December 31, 2022 is \$489,490.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units (Continued)

Trailside Townhomes, L.P. (Continued)

On February 26, 2019, Trailside Townhomes obtained a promissory note from Advantix Development Corporation in the amount of \$25,000 that bears interest at 6% per annum. The note matures December 31, 2049. Payments of principal and interest are to be made based on the financial performance of the Partnership. The outstanding balance on the loan at December 31, 2022 is \$25,000.

Trailside Commons, L.P.

On December 19, 2019, Trailside Commons obtained a loan in the amount of \$4,500,000 from Merchants Bank of Indiana for construction. Interest was to accrue at the 30-day LIBOR plus 2.50% per annum. Payments of interest were due monthly, with the entire principal balance due on July 10, 2022. The loan was secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. The loan was repaid as of December 31, 2022.

On December 19, 2019, Trailside Commons obtained a HOME convertible loan from IHCDA in the amount of \$400,000 that bears interest at 3% per annum until conversion. The note matures December 31, 2021, at which time the note may be converted to a 30-year term loan. Any accrued interest is due at the time of conversion. Commencing on the twelfth month following conversion annual payments of principal and interest of \$20,408 are required. The loan converted in May 2022. The loan is secured by a mortgage on certain real estate and an assignment of rents and leases. The outstanding balance of the loan as of December 31, 2022 is \$400,000.

IHCDA has also made \$500,000 of Affordable Housing and Community Development Fund monies available through a convertible promissory note dated December 19, 2019. Interest is to accrue at the rate of 3% per annum until the conversion date, at which time accrued interest is due and payable. The loan matures December 31, 2021 at which time the note may be converted to a 15-year term loan. Commencing on the twelfth month following conversion, annual payments of principal and interest of \$25,510 are required. The loan converted in January 2022. The note is secured by a mortgage on certain real estate and assignments of rents and leases. The outstanding balance of the loan at December 31, 2022 is \$489,490.

On December 19, 2019, Trailside Commons obtained a promissory note from Advantix Development Corporation in the amount of \$295,000 that bears interest at 6% per annum. The note matures December 31, 2049. Payments of principal and interest are to be made based on available cash flow, as defined. The outstanding balance on the loan at December 31, 2022 is \$295,000.

On December 19, 2019, Trailside Commons obtained a promissory note from Advantix Development Corporation under the National Housing Trust in the amount of \$400,000 that bears interest at 6% per annum. The note matures December 31, 2049. Payments of principal and interest are to be made based on available cash flow, as defined. The outstanding balance on the loan at December 31, 2022 is \$400,000.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units (Continued)

River View Vincennes, L.P.

On February 25, 2020, River View Vincennes obtained a loan in the amount of \$5,910,000 from Merchants Bank of Indiana for construction. Interest was to accrue at the 30-day LIBOR plus 2.50% per annum. The note matures on August 10, 2022, at which time the loan was converted to a permanent mortgage of up to \$265,000 with interest at the rate of 6.25%. Monthly principal and interest payments of \$1,632 are required. The permanent loan will mature August 10, 2037, at which time the remaining balance must be paid in full. The loan is secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. The outstanding balance on the loan at December 31, 2022 is \$264,079.

On February 25, 2020, River View Vincennes obtained a HOME convertible loan from IHCD in the amount of \$400,000 that bears interest at 1% per annum until conversion. The note matures February 28, 2022, at which time the note was converted to a 30-year term loan. All accrued interest was due at the time of conversion. The loan is secured by a mortgage on certain real estate and an assignment of rents and leases. Commencing on the 12th month following conversion, annual principal and interest payments of \$15,499 are required. The outstanding balance of the loan as of December 31, 2022 is \$400,000.

IHCD has also made \$500,000 of Affordable Housing and Community Development Fund monies available through a convertible promissory note dated February 25, 2020. Interest is to accrue at the rate of 3% per annum until the conversion date, at which time accrued interest is due and payable. The loan matured February 28, 2022 at which time the note was converted to a 15-year term loan. Commencing on the twelfth month following the conversion, annual payments of principal and interest of \$25,510 are required. The outstanding balance of the loan as of December 31, 2022 is \$500,000.

On February 25, 2020, River View Vincennes obtained a promissory note from Advantix Development Corporation in the amount of \$500,000 of Affordable Housing Program ("AHP") funds that bears interest at 2.15% per annum. The note matures December 31, 2050. No payments of principal or interest are due until maturity. The outstanding balance on the loan at December 31, 2022 is \$500,000.

On February 25, 2020, River View Vincennes obtained a promissory note from Advantix Development Corporation in the amount of \$85,000 that bears interest at 6% per annum. The note is a sponsor loan which matures December 31, 2050. Payments of principal and interest are to be made based on available cash flow, as defined. The outstanding balance of the loan at December 31, 2021 is \$85,000.

Evansville Townhomes II, L.P.

Evansville Townhomes II, L.P. obtained a loan in the original amount of \$4,000,000 dated March 2, 2021 from Merchants Bank of Indiana for construction. Interest is to accrue at the 30-day LIBOR plus 4% per annum (8.33% at December 31, 2022). Payments of interest are due monthly, with the entire principal balance due March 10, 2024. The loan is secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. Accrued interest on the loan was \$3,964 at December 31, 2022. The outstanding balance of the loan at December 31, 2022 is \$516,669.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units (Continued)

Evansville Townhomes II, L.P. (Continued)

IHCDA has made up to \$500,000 of Affordable Housing and Community Development Fund monies available through a convertible promissory note dated March 2, 2021. Interest is to accrue at the rate of 3% per annum until conversion, at which time accrued interest is due and payable. The note matures March 31, 2024 at which time the note may be converted to a 15-year term loan. The accrued interest is due at the time of conversion. Commencing on the twelfth month following conversion, annual payments of principal and interest of \$25,510 are required. The note is secured by a mortgage on certain real estate. Accrued interest on the loan was \$17,855 at December 31, 2022. The outstanding balance of the loan at December 31, 2022 is \$500,000.

Evansville Townhomes II, L.P. obtained a loan in the amount of \$2,400,000 (acquisition loan) from Advantix on March 2, 2021. Interest is to accrue at 5.50% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. The loan is secured by a mortgage on certain real estate and other assets and assignments of rents and leases. The note matures December 31, 2051. Accrued interest on the loan was \$121,000 at December 31, 2022. The outstanding balance of the loan at December 31, 2022 was \$2,400,000.

Evansville Townhomes II, L.P. obtained a loan in the amount of \$350,000 (sponsor loan) from Advantix on March 2, 2021. Interest is to accrue at 6% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. The loan is secured by a mortgage on certain real estate and other assets and assignments of rents and leases. The note matures December 31, 2051. Accrued interest on the loan was \$19,250 at December 31, 2022. The outstanding balance of the loan was \$350,000 at December 31, 2022.

KHA RAD I, L.P.

On October 27, 2021, KHA RAD I, L.P. obtained a loan from the City of Kokomo, Indiana in the amount of \$5,725,000. The loan bears an annual interest rate at the secured overnight financing rate plus 2.75% (6.50% at December 31, 2022), with interest payments due monthly. A principal payment in the amount of the outstanding principal balance is due within ten days of the limited partner's payment of its second capital contribution, with the entire unpaid principal balance and all accrued interest due on November 10, 2024. Accrued interest at December 31, 2022 was \$21,041. The amount drawn on this loan as of December 31, 2022 was \$3,685,355.

On October 29, 2021, KHA RAD I, L.P. obtained a loan from the City of Kokomo, Indiana, backed by Series A tax exempt bonds in the amount of \$15,475,000. KHA RAD I, L.P. is responsible for repayment of the bonds. The maturity date of the bonds is February 1, 2025, and the first coupon is February 1, 2022. Tax exempt bond interest rate is 0.56% sold at par. Accrued interest at December 31, 2022 was \$14,443. As of December 31, 2022, the City of Kokomo has loaned the \$15,475,000 of the bond proceeds to KHA RAD I, L.P. which is holding these proceeds in bond reserve investment accounts.

On October 29, 2021, KHA RAD I, L.P. obtained a loan through Merchants Capital in the amount of \$15,364,300. The loan bears an annual interest rate of 2.88%. The loan requires monthly interest only payments through August 1, 2023. Monthly principal and interest payments of \$53,945 are to begin September 1, 2023. The note matures on August 1, 2063. The loan is secured by a mortgage, security agreement and assignment of rents and is insured by HUD under Section 221(d)4 of the National Housing Act. The note is subject to a prepayment penalty of 10% in 2023 decreasing by 1% each year thereafter. Accrued interest at December 31, 2022 was \$36,979. The amount drawn on this loan as of December 31, 2022 was \$14,913,984.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units (Continued)

KHA RAD I, L.P. (Continued)

On October 1, 2021, KHA RAD I, L.P. obtained a loan from the Housing Authority of the City of Kokomo, Indiana (KHA) in the amount of \$12,700,000. The loan bears interest at 6%, payable annually beginning December 1, 2063. Accrued interest at December 31, 2022, was \$889,000. The outstanding balance of the loan was \$12,700,000 at December 31, 2022.

Erie Pointe, L.P.

Advantix Development Corporation has issued a loan in the amount of \$900,000 (sponsor loan) as evidenced through a promissory note dated December 1, 2021. Interest is to accrue at 6.5% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. The loan is secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. The note matures December 31, 2051. Accrued interest on the loan was \$4,875 at December 31, 2022. The outstanding balance of the loan was \$900,000 at December 31, 2022.

On December 1, 2021, Erie Pointe, L.P. obtained a construction loan in the original amount of \$7,000,000 from Merchants Bank of Indiana. The loan accrues interest at the rate equal to the Secured Overnight Financing Rate, as published on the website of the Federal Reserve Bank of New York plus 2.50% (6.30% at December 31, 2022). Interest payments are due monthly with all unpaid interest and principal due on December 10, 2024. The loan is secured by a mortgage on certain real estate and other assets, and as assignment of rents and leases. Accrued interest on the loan was \$32,751 at December 31, 2022. The outstanding balance of the loan was \$6,072,108 at December 31, 2022.

Erie Pointe, L.P. obtained funds from IHCDA as administrator of funding through the Affordable Housing Community Development Fund ("DFL") for construction. The loan is evidenced by a promissory note dated December 1, 2021 in the original amount of \$500,000. Through the construction term and loan term, as defined, the note bears interest of 3%. The loan will convert on the earlier of notification from IHCDA or December 31, 2023. A payment of accrued interest is due on the conversion date. Commencing on the first day of the twelfth month after conversion, the loan requires annual payments of principal and interest equal to \$25,510. The loan is due on the first day of the one hundred eighty-first month after the conversion date. The loan is secured by a subordinated mortgage on certain real estate and an assignment of rents and leases. Accrued interest on the loan was \$5,000 at December 31, 2022. The outstanding balance of the loan was \$500,000 at December 31, 2022.

Erie Pointe, L.P. obtained funds from the Indiana Housing and Community Development Authority ("IHCDA") as administrator of funding through the Tax Credit Assistance Program ("TCAP"). The loan is evidenced by a promissory note dated December 1, 2021 in the amount of \$500,000. Through the construction term and loan term, as defined, the note bears interest of 0%. The loan will convert on the earlier of notification from IHCDA or December 31, 2023. Commencing on the first day of the twelfth month after conversion, the loan requires annual payments of principal and interest equal to \$16,667. The loan is due on the first day of the one hundred eighty-first month after the conversion date. The loan is secured by a subordinated mortgage on certain real estate and an assignment of rents and leases. The outstanding balance of the loan was \$500,000 at December 31, 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note H - Long-term Debt and Other Long-term Obligations (Continued)

Discretely Presented Component Units (Continued)

Evansville Townhomes III, L.P.

Advantix Development Corporation has issued a loan in the amount of \$2,150,000 (sponsor loan) as evidenced through a promissory note dated December 23, 2022. Interest is to accrue 6.00% per annum. Payments of principal and interest are to be made based on available cash flow, as defined. The loan is secured by a mortgage on certain real estate and other assets and an assignment of rents and leases. The note matures December 31, 2052. The outstanding balance of the loan was \$2,150,000 at December 31, 2022.

On December 23, 2022, Evansville Townhomes III, L.P. obtained a construction loan in the original amount of \$8,800,000 from Merchants Bank of Indiana. No draws were made on the loan as of December 31, 2022.

34 East, L.P.

On December 29, 2022, 34 East, L.P. obtained a construction loan in the original amount of \$9,650,000 from Merchants Bank of Indiana. No draws were made on the loan as of December 31, 2022.

Debt service requirements of the discretely presented component units as of December 31, 2022, net of \$485,684 of debt issuance costs, are estimated as follows based on annual net cash flow:

	<u>Principal</u>
Payable in	
2023	\$ 323,100
2024	11,257,122
2025	30,362,847
2026	279,264
2027	289,329
Thereafter	<u>59,731,721</u>
Total requirements	<u>\$ 102,243,383</u>

A summary of changes in long-term debt and other long-term obligations of the discretely presented component units for the year ended December 31, 2022 is presented below:

	<u>Balance at December 31, 2021</u>	<u>Additions/ transfers</u>	<u>Retirements</u>	<u>Balance at December 31, 2022</u>	<u>Due within one year</u>
Other liabilities - noncurrent	\$ 8,337,240	\$ 3,390,198	\$ (949,437)	\$ 10,778,001	\$ -
Long-term debt	82,071,905	-	20,657,162	102,729,067	323,100
Total long-term obligations	<u>\$ 90,409,145</u>	<u>\$ 3,390,198</u>	<u>\$ 19,707,725</u>	<u>\$ 113,507,068</u>	<u>\$ 323,100</u>

Other liabilities are related to developer fees payable and are payable as specified in related developer agreements.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note I - Retirement Plan

Plan Description

The Authority contributed to the Public Employees' Defined Benefit Account ("PERF DB") which is administered by the Indiana Public Retirement System ("INPRS") as a cost-sharing, multiple-employer defined benefit plan. The account provides retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan and those political subdivisions that elect to participate in the retirement fund. PERF DB is a component of the Public Employees' Hybrid plan ("PERF Hybrid").

PERF Hybrid consists of two components: PERF DB, the monthly employer-funded defined benefit component, along with the Public Employees' Hybrid Members Defined Contribution Account ("PERF DC"), a member-funded account. First time new employees hired by a participating subdivision have a one-time election to join either the PERF Hybrid plan or PERF My Choice: Retirement Savings Plan for Public Employees ("PERF MC DC"). Contribution Account, the defined contribution component. The PERF Hybrid option is grandfathered to employees hired before July 1, 2016.

Retirement Benefits - Defined Benefit Pension

Pension benefits vest after 10 years of creditable service. A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. The early retirement benefit is the accrued retirement benefit determined as of the early retirement date and payable commencing at the normal retirement date. A member may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date. The minimum monthly benefit is \$180 if the member has at least 10 years of credible service.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments ("COLA"). Such increases are not guaranteed by statute and will only be provided by legislative action. The legislature via HEA no. 1001 authorized a 1% COLA effective January 1, 2022.

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five years of creditable service and qualified for Social Security disability benefits or federal Civil Service disability benefits may retire. The disability benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following disability date without reduction for early commencement. The minimum benefit is \$180 per month, or the actuarial equivalent.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note I - Retirement Plan (Continued)

Retirement Benefits - Defined benefit Pension (Continued)

Upon the death in service of a member with 10 or more years of creditable service the spouse or dependent beneficiary receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.inprs.in.gov/>

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note I - Retirement Plan (Continued)

Significant Actuarial Assumptions

The total pension liability is determined by INPRS actuaries as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Asset valuation date:	June 30, 2022
Liability valuation date and method:	June 30, 2021 - The TPL as of June 30, 2022 was determined based on an actuarial valuation prepared as of June 30, 2021 rolled forward one year to June 30, 2022, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	The most recent comprehensive experience study, based on member experience between June 30, 2014 and June 30, 2019, was completed in February 2020. The demographic assumptions were approved by the Board in June 2020 and were used beginning with the June 30, 2020 actuarial valuation. Economic assumptions were updated and approved by the Board in May 2021 following the completion of an Asset-Liability study and first used in the June 30, 2021 actuarial valuation.
COLA:	As of June 30, 2022: Members were granted a 1.00% COLA on January 1, 2022 and no COLA on January 1, 2023. Thereafter, the following COLAs, compounded annually were assumed: 0.4% beginning on January 1, 2024; 0.5% beginning on January 1, 2034; and, 0.6% beginning on January 1, 2039.
Future salary increases, including inflation:	2.65%-8.65% based on service
Inflation:	2.00%
Discount rate:	6.25%, net of investment expenses. The discount rate is equal to the expected long-term rate of return on plan investments, net of investment expense and including price inflation. There was no change in the discount rate from the prior measurement date.
Mortality assumption:	Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. General Employee table with a 3-year set forward for males and a 1 year set forward for females is used for healthy members. The General Retiree table with a 3-year set forward for males and a 1 year set forward for females is used for retirees. The Contingent Survivor table with no set forward for males and a 2-year set forward for females is used for beneficiaries. The General Disabled table with a 140% load is used for disabled members.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note I - Retirement Plan (Continued)

Significant Actuarial Assumptions (Continued)

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. This range ultimately supports the long-term expected rate of return assumption of 6.25% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs but may change with a fundamental shift in the underlying market factors or significant asset allocation change.

	<u>Target allocation</u>	<u>Geometric basis long-term expected real rate of return</u>
Public equity	20.0%	3.6%
Private markets	15.0%	7.7%
Fixed income - ex inflation-linked	20.0%	1.4%
Fixed income - inflation-linked	15.0%	(0.3)%
Commodities	10.0%	0.9%
Real assets	10.0%	3.7%
Absolute return	5.0%	2.1%
Risk parity	20.0%	3.8%
Cash & Cash Overlay	N/A	(1.7)%

Total pension liability for the Plan was calculated using the discount rate of 6.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State of Indiana

(the non-employer contributing entity) would be made as stipulated by Indiana statute. Projected inflows from investment earnings were calculated using the 6.25% long-term assumed investment rate of return. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the Plan.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of the Plan calculated using the discount rate of 6.25 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%), or one percentage point higher (7.25%) than the current rate:

<u>1% decrease</u>	<u>Current discount rate</u>	<u>1% increase</u>
\$ 1,281,911	\$ 758,812	\$ 322,509

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note I - Retirement Plan (Continued)

Investment Valuation and Benefit Payment Policies

The pooled and non-pooled investments are reported at fair value by INPRS.

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' annuity savings accounts. These distributions may be requested by members or automatically distributed by the fund when certain criteria are met.

Funding Policy

The Authority is obligated by statute to make contributions to the PERF Hybrid Plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During fiscal year 2022, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State.

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

At December 31, 2022, the Authority reported a liability of \$758,812 for its proportionate share of the net pension liability. The Authority's proportionate share of the net pension liability was based on the Authority's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2022 measurement date was 0.0002406.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note I - Retirement Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2022, the Authority recognized pension income of \$97,457 which is net of income from the net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$128,898. At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 16,363	\$ 2,886
Net differences between project and actual earnings on pension plan investments	93,645	-
Changes of assumptions	102,777	32,465
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>93,912</u>	<u>34,267</u>
Total that will be recognized in pension expense (income) based on table below	306,697	69,618
Pension contribution subsequent to measurement date	<u>78,908</u>	<u>-</u>
Total	<u>\$ 385,605</u>	<u>\$ 69,618</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2023	\$ (48,718)
2024	(86,763)
2025	(2,539)
2026	<u>(99,059)</u>
	<u>\$ (237,079)</u>

Public Employees Defined Contribution Account ("PERF DC")

PERF DC is a multiple-employer defined contribution fund that provides supplemental retirement benefits to PERF DB members and serves as the primary retirement benefit for the My Choice: Retirement Savings Plan for Public Employees (My Choice) members.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note I - Retirement Plan (Continued)

Public Employees Defined Contribution Account ("PERF DC") (Continued)

PERF DC consists of two tiers:

- The Public Employees' Hybrid Members Defined Contribution Account ("PERF Hybrid DC") is the defined contribution component of the Public Employees' Hybrid Plan. The PERF DB is the other component of the Public Employees' Hybrid Plan. Member contributions are set by statute at 3% of compensation, and the employer may choose to make contributions on behalf of the member. Members are 100% vested in their account balance, which includes all contributions and earnings.
- My Choice: Retirement Savings Plan for Public Employees ("My Choice") is for members who are full-time employees of the State of Indiana or a participating political subdivision that elected to become members of My Choice. Member contributions are set by statute at 3% of compensation, plus these members may receive additional employer contributions in lieu of the Public Employees' Defined Benefit Account. Members are 100% vested in all member contributions and are vested in employer contributions based on years of service.

Retirement, Disability and Survivor Benefits

Members may withdraw their account balance upon retirement, termination, disability, or death.

Retirement & Termination Benefit - After a 30-day separation from employment, the member is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF DC members are 100 percent vested in their account balance.

Disability Benefit - Upon providing proof of the member's qualification for social security disability benefits, the member is entitled to the sum total of vested contributions plus earnings. The amount may be paid in a full or partial withdrawal as a lump sum, direct rollover to another eligible retirement plan, or a monthly annuity.

Survivor Benefit - The beneficiary is entitled to the sum total of contributions plus earnings. The amount may be paid in a lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. The amount a beneficiary is entitled to if a member dies after having selected an annuity or having withdrawn from the account depends upon the annuity option selected by the member and the amount of benefits the member received.

DC Investment Options

The DC plans are structured to provide members with a choice of diverse investment options that offer a range of risk and return characteristics appropriate for members. Members can self-direct their investment options or leave their contributions invested in a default target date retirement fund. The offered investment options undergo periodic reviews by the INPRS Board.

Note J - Concentrations

The Authority is substantially funded by federal awards. The Authority received 41% of its total operating revenue from a single Federal Agency during the year ended December 31, 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note K - Risk Management and Contingencies

The Authority is exposed to various risks of loss from torts, theft of, damages to, or destruction of assets, business interruption, errors or omissions, job related illnesses or injuries to employees, and natural disasters. The Authority has purchased commercial insurance to mitigate its exposure to such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductible and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of such uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Settled claims have not exceeded coverage levels for the past three years, and insurance coverage levels, and insurance coverage, by major categories of risk, is consistent with coverage in the prior year.

The Authority is party to various legal proceedings, which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several federal grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

Discretely Presented Component Units

Operating Deficit Guaranty

Vision L.P.

Upon reduction of the operating reserve to zero, the General Partner, Class B Limited Partner and other specified guarantors, pursuant to the guaranty agreement, are obligated to provide funds, up to \$1,200,000, to Vision LP to cover operating deficits during the operating deficit guaranty period. The operating deficit guaranty period begins the month in which stabilized operations are achieved and continues for a period of 60 months thereafter; provided, however, that both of the following conditions are satisfied (1) the Property has operated at or above a debt coverage ratio at least equal to 1.20:1.00 for the preceding 12-month period and (2) the operating reserve has been restored to its original amount of \$100,000. The operating deficit guaranty period shall be extended until such conditions are met. Funds made available under this guaranty agreement shall be treated as non-interest bearing loans to the Partnership, repayable as provided in the distribution of cash flow, as defined.

EHA RAD I, L.P.

Operating deficits for the period prior to the expiration of five years from the date RAD I achieves rental achievement, which was met on November 29, 2018, are to be paid from the operating deficit reserve account. The general partner is to advance funds to RAD I if the operating deficit reserve account is not sufficient to cover the deficits. Such advances are not to exceed \$1,010,000 and are to be treated as unsecured loans bearing interest at an annual rate equal to the prime rate. No funds have been advanced as of December 31, 2022.

The operating deficit guaranty period shall not terminate unless RAD I has achieved a debt service coverage ratio of at least 1.15 to 1.0 for the immediately preceding 12 months; there are no material defaults under the partnership agreement; the asset management fee has been fully paid; all reports required by the partnership agreement have been delivered to the administrative limited partner and the operating reserve is not less than \$1,010,000.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note K - Risk Management and Contingencies (Continued)

Discretely Presented Component Units (Continued)

EHA RAD II, L.P.

Operating deficits for the period prior to the expiration of five years from the date RAD II achieves rental achievement, which was June 28, 2018, are to be paid from the operating deficit reserve account. The general partner is to advance funds to RAD II if the operating deficit reserve account is not sufficient to cover the deficits. Such advances are not to exceed \$365,000 and are to be treated as unsecured loans bearing interest at an annual rate equal to the prime rate. No funds have been advanced as of December 31, 2022.

EHA RAD IV, L.P.

Operating deficits for the period prior to the expiration of five years from the date RAD IV achieves rental achievement, which was met in August 2019, are to be paid from the operating deficit reserve account. The general partner is to advance funds to RAD IV if the operating deficit reserve account is not sufficient to cover the deficits. Such advances are not to exceed \$571,438 and are to be treated as unsecured loans bearing interest at an annual rate equal to the greater of 12% or the prime rate plus 2%. No funds have been advanced as of December 31, 2022.

The operating deficit guaranty period shall not terminate unless RAD IV has achieved a debt service coverage ratio of at least 1.15 to 1.0 for the immediately preceding 12 months; there are no material defaults under the partnership agreement; the asset management fee has been fully paid; all reports required by the partnership agreement have been delivered to the administrative limited partner and the operating reserve is not less than \$571,438.

CSSL, L.P.

Upon reduction of the operating reserve to zero, the general partner, is obligated to provide funds to the CSSL to cover operating deficits during the operating deficits guaranty period. The operating deficit guaranty period begins at rental achievement and ends at the later of the last day of the 60th month following rental achievement or the project achieving an income to expense ratio of at least 1.15 to 1.0 during any consecutive twelve-month period ending no earlier than the end of the 60th month following rental achievement. Advances are not to exceed \$124,087, amended in 2020 to \$134,587, and are to be treated as non-interest-bearing loans to the Partnership. No funds have been advanced as of December 31, 2022.

Evansville Townhomes, L.P.

Upon reduction of the operating reserve to zero, the general partner, is obligated to provide funds to the Evansville Townhomes to cover operating deficit guaranty period begins at rental achievement and ends at the later of the last day of the 60th month following rental achievement or the project achieving a debt service coverage ratio of at least 1.15 to 1.0 during any consecutive twelve-month period ending no earlier than the end of the 60th month following rental achievement. Advances are not to exceed \$241,289 and are to be treated as non-interest-bearing loans to the Partnership. No funds were advanced under this guaranty in 2022.

Trailside Townhomes, L.P.

Upon reduction of the operating reserve to zero, the general partner, are obligated to provide funds to the Trailside Townhomes to cover operating deficits during the operating deficits during the operating deficit guaranty period. The operating deficit guaranty period begins at rental achievement and ends at the later of the last day of the 60th month following rental achievement or the project achieving an income to expense ratio of at least 1.15 to 1.0 during any consecutive twelve-month period ending no earlier than the end of the 60th month following rental achievement. Advances are not to exceed \$223,172 and are to be treated as non-interest-bearing loans to the Partnership. No funds have been advanced as of December 31, 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note K - Risk Management and Contingencies (Continued)

Discretely Presented Component Units (Continued)

Trailside Townhomes, L.P. (Continued)

During the period commencing upon the expiration of the operating deficit guaranty period and terminating upon the end of the compliance period, if the Partnership requires funds to cover any deficits in order to maintain at least breakeven operations the general partner is to make operating deficit loans sufficient to cover such deficits up to the extended operating deficit amount of \$70,000.

Trailside Commons, L.P.

Upon reduction of the operating reserve to zero, the general partner is obligated to provide funds to Trailside Commons to cover operating deficits during the operating deficit guaranty period. The operating deficit guaranty period begins with the stabilization of operations and ends on the fifth anniversary of the stabilization date provided, however, that a minimum debt service coverage of 1.15 to 1.00 to be achieved for the 12-month period ending no earlier than the end of the 60th month following rental achievement. Advances are not to exceed \$200,277 and are to be treated as non-interest-bearing loans. No funds have been advanced as of December 31, 2022.

River View Vincennes, L.P.

Upon reduction of the operating reserve to zero, the general partner is obligated to provide funds to River View Vincennes, LP, to cover operating deficits during the operating deficit guaranty period. The operating deficit guaranty period begins at rental achievement and ends at the later of the last day of the 60th month following rental achievement or the project achieving an income to expense ratio of at least 1.15 to 1 during any consecutive twelve-month period ending no earlier than the end of the 60th month following rental achievement. Advances are not to exceed \$186,533 and are to be treated as non-interest-bearing loans. No funds have been advanced as of December 31, 2022.

Evansville Townhomes II, L.P.

Upon reduction of the operating reserve to zero, the general partner is obligated to provide funds to the Evansville Townhomes II, LP to cover operating deficits during the operating deficit guaranty period. The operating deficit guaranty period begins at rental achievement and ends at the later of the last day of the 60th month following rental achievement or the project achieving a debt service coverage ratio of at least 1.15 to 1 during a consecutive twelve-month period ending no earlier than the end of the 60th month following rental achievement. Advances are not to exceed the greater of \$239,217 or 7 months of expenses and are to be treated as loans bearing interest at the greater of 12% or 2% over the prime rate. No funds were advanced under this guaranty in 2022.

KHA RAD I, L.P.

Operating deficits for the period prior to the expiration of five years from the date KHA RAD I, LP achieves rental achievement, which has not yet been met, are to be paid from the operating deficit reserve account. The general partner is to advance funds to the entity if the operating deficit reserve account is not sufficient to cover the deficits. Such advances are not to exceed the greater of \$1,960,000 or seven months of expenditures and are to be treated as unsecured loans bearing interest an annual rate equal to the greater of 12% or the prime rate plus 2%. No funds have been advanced as of December 31, 2022.

The operating deficit guaranty period shall not terminate unless the entity has achieved a debt service coverage ratio of at least 1.15 or 1.0 for the immediately preceding 12 months; there are no material defaults under the partnership agreement; the asset management fee has been fully paid; all reports required by the partnership agreement have been delivered to the administrative limited partner and the operating reserve is not less than \$850,000.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note K - Risk Management and Contingencies (Continued)

Discretely Presented Component Units (Continued)

Erie Pointe, L.P.

Upon reduction of the operating reserve to zero, the general partner is obligated to provide funds to the Partnership to cover operating deficits during the operating deficit guaranty period. The operating deficit guaranty period begins at rental achievement and ends at the later of the last day of the 60th month following rental achievement or the project achieving a debt service coverage ratio of at least 1.15 to 1 during any consecutive twelve-month period ending no earlier than the end of the 60th month following rental achievement. Advances are not to exceed the greater of \$225,000 or 8 months of expenses and are to be treated as loans to the Partnership bearing interest at the greater of 18% or highest rate permitted by law. No funds were advanced under the guaranty as of December 31, 2022.

Note L - Related Party Information

Primary Government

During 2022 Advantix Development Corporation sold property with a net book value of \$1,189,316 to Evansville Townhomes III, L.P for \$2,150,000. Advantix recognized a gain related to this transaction of \$960,684 which is included in "gain on disposal of capital assets" on the Statement of Revenues, Expenses and Changes in Net Position.

Discretely Presented Component Units

Vision L.P.

City Real Estate Advisors, Inc. ("CREA") is entitled to a compliance monitoring and consulting service fee. During construction, a prepayment of the monitoring fee was made in the amount of \$60,000 which will be amortized over 15 years. The prepaid balance as of December 31, 2022 was \$15,000.

The general partner is entitled to receive an annual incentive partnership management fee of 85% of remaining cash flow, not to exceed 12% of the gross revenues of the Partnership on a noncumulative basis. The fee does not accrue if net cash is not available to be paid and will be expensed when paid. No fee was earned in 2022.

Flaherty & Collins Inc. serves as the property manager. The property management fee is calculated as 7% of all income collected from any source exclusive of security deposits not chargeable as rent. Fees totaling \$24,222 were earned for the year ended December 31, 2022. Total management fees payable at December 31, 2022 were \$50,057.

The Authority, its blended component unit Advantix Development, Inc., and Flaherty & Collins Development, LLC served as co-developers for the project. As compensation for their services, the developers are to receive \$1,200,000, which is to be paid at various times, as specified in the development agreement. If any developer fee remains outstanding as of December 31, 2027, the general partner is to make a capital contribution in the amount of the unpaid fee in order for Vision LP to pay the entire unpaid amount. As of December 31, 2022, \$542,795 remains unpaid.

Affiliates of the Class B Limited Partner have made advances to the Property to fund various operating expenses. As of December 31, 2022, advances of \$113,020 were made and \$85,000 was repaid. Repayments of the advances are due on demand and do not accrue interest. As of December 31, 2022, outstanding advances of \$28,020 remained unpaid.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note L - Related Party Information (Continued)

Discretely Presented Component Units (Continued)

EHA RAD I, L.P.

The investor limited partner is entitled to an annual asset management fee of \$3,750, increasing 3% per year payable out of available cash flow as defined. If there is no available cash flow, the fee accrues without interest. The fee earned for 2022 of \$4,348 is included in accounts payable at December 31, 2022. Total asset management fees included in accounts payable at December 31, 2022 is \$24,257.

Advantix Development Corporation served as developer for the project. As compensation for their services, the developer is to receive \$3,843,000, which is to be paid at various times, as specified in the development agreement. As of December 31, 2022, the full amount has been earned and a total of \$1,859,027 is outstanding.

Advantix Development Corporation advanced funds during 2022 to cover various operating expenses. The total amount of funds owed at December 31, 2022 is \$694,059.

Beginning in 2021, Advantix Development Corporation serves as property manager. The property management fee is calculated as 5% of gross rental receipts. Fees totaling \$122,081 were earned in 2022 and a total of \$10,427 is outstanding.

EHA RAD II, L.P.

The investor limited partner is entitled to an annual asset management fee of \$3,750 once completion occurs, increasing 3% per year out of available cash flow as defined. If there is no available cash flow, the fee accrues without interest. The fee earned for 2022 is \$4,347. Accrued asset management fees of \$18,575 are included in accounts payable at December 31, 2022.

Advantix Development Corporation served as the developer for the project. As compensation for their services, the developer is to receive \$1,361,000, which is to be paid at various times, as specified in the development agreement. If the developer fee has not been paid by the thirteenth anniversary of completion, the general partner is to make a capital contribution in an amount sufficient to pay any unpaid balance. As of December 31, 2022, \$844,199 remains outstanding.

Advantix Development Corp advanced funds during 2022 to cover various operating expenses. The total amount of funds owed at December 31, 2022 is \$287,461 and is included in accounts payable - related parties at December 31, 2022.

Beginning in 2021, Advantix Development Corporation serves as the property manager. The property management fee is calculated at 5% of gross rental receipts. Fees totaling \$46,064 were earned in 2022 and a total of \$46,401 is outstanding.

EHA RAD IV, L.P.

Advantix Development Corporation, sole member of the general partner, served as the developer for the project. As compensation for its services, the developer is to receive \$1,876,500, which is to be paid at various times, as specified in the development agreement. As of December 31, 2022, \$573,490 remains unpaid.

Commencing in the year completion occurs, the investor limited partner is entitled to an annual asset management fee of \$7,500, increasing 3% a year payable out of available cash flow as defined. If there is no available cash flow, the fee accrues without interest. A fee of \$8,652 was earned for the year ended December 31, 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note L - Related Party Information (Continued)

Discretely Presented Component Units (Continued)

EHA RAD IV, L.P. (Continued)

Advantix Development Corporation advanced funds to the Partnership for various operating expenses during 2022. The total amount of funds owed at December 31, 2022 is \$192 and is included in accounts payable - related parties at December 31, 2022.

Beginning in February 2021, Advantix Development Corporation serves as the property manager. The property management fee is calculated at 5% of gross rental receipts. Fees totaling \$59,950 were earned in 2022. There were no unpaid fees as of December 31, 2022.

CSSL, L.P.

Advantix Development Corporation, and Myszak & Palmer Development, LLC served as co-developers for the project. As compensation for their services, the developers are to receive \$710,000, which is to be paid at various times, as specified in the development agreement. A portion of the developers' fee totaling \$585,986 is to be deferred and is payable out of available cash flows. Any unpaid amounts at the end of the compliance period are to be paid from the proceeds of a capital contribution from the general partner. Any unpaid developer fee is to bear interest commencing upon the final installment payment date at the applicable federal rate in effect on the placed-in-service date. As of December 31, 2022, \$570,437 remains unpaid. Accrued interest on the developer fee was \$23,984 at December 31, 2022.

The investor limited partner is entitled to receive an annual local administrative fee in the amount of \$5,000 per year increasing by 3% per year commencing in 2018. The fee is payable out of available cash flows as defined. Fees of \$5,628 were expensed in 2022. The total amount of unpaid fees in accounts payable at December 31, 2022 is \$20,296.

Advantix Development Corporation advanced CSSL \$23,263 in 2022 for operating expenses: this amount remains unpaid and is included in accounts payable at December 31, 2022.

Advantix Development Corporation serves as property manager beginning in March 2021. The property management fee is calculated as 6% of gross rental receipts. Fees totaling \$18,950 were earned in 2022. Unpaid management fees of \$1,608 are included in accounts payable at December 31, 2022.

Evansville Townhomes, L.P.

Advantix Development Corporation served as developer for the project. As compensation for its services, the developer is to receive \$1,090,000 which is to be paid at various times as specified in the development agreement. A portion of the developer fee of \$281,465 is to be deferred and is payable out of available cash flows. Any deferred amount shall bear interest at 6% per annum, commencing upon the fourth equity installment payment date. The outstanding balance and accrued interest shall be due in full on the expiration of the compliance period and are to be paid from the proceeds of a general partner contribution. At December 31, 2022, \$685,732 remains unpaid.

The investor limited partner is entitled to receive an annual local administrative fee in the amount of \$5,000 per year increasing by 3% per year commencing in 2019. The fee is payable out of available cash flows, as defined. Fees of \$5,463 were earned in 2022. There were no unpaid fees as of December 31, 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note L - Related Party Information (Continued)

Discretely Presented Component Units (Continued)

Evansville Townhomes, L.P. (Continued)

The general partner is entitled to receive a one-time lease-up fee based on actual receipts and expenditures during the lease-up period through the date of rental achievement. The fee is projected to be \$47,330. No payment of the fee is to be made until rental achievement has occurred. The fee was earned in 2022 and included in accounts payable - related party as of December 31, 2022.

Advantix Development Corporation advanced funds for operating and development expenses. At December 31, 2022 \$52,020 of operating advances are included in accounts payable. At December 31, 2022, \$44,064 of development advances are included in accounts payable.

Beginning in February 2021, Advantix Development Corporation serves as the property manager. The property management fee is calculated at 6% of gross rental receipts. Fees totaling \$31,499 were earned in 2022. Unpaid fees of \$2,481 are included in accounts payable at December 31, 2022.

Trailside Townhomes, L.P.

Advantix Development Corporation served as developer for the project. As compensation for its services, the developer is to receive \$662,500 which is to be paid at various times as specified in the development agreement. A portion of the developer's fee totaling \$64,861 is to be deferred and is payable out of available cash flows, as defined. Any deferred amount shall bear interest at 6% per annum commencing upon the final installment payment date. The outstanding balance and accrued interest shall be due in full on the expiration of the compliance period and are to be paid from the proceeds of a general partner contribution. At December 31, 2022 \$186,082 remains unpaid.

The investor limited partner is entitled to receive an annual local administrative fee in the amount of \$5,000 per year increasing by 3% per year commencing in 2019. The fee is payable out of available cash flows. Fees of \$5,464 were earned in 2022. A total of \$20,919 is included in accounts payable as of December 31, 2022.

The general partner is entitled to receive a one-time lease-up fee based on actual receipts and expenditures during the lease-up period through the date of rental achievement. The fee is projected to be \$24,649. The full fee of \$24,649 was earned in 2021 and included in accounts payable at December 31, 2022.

During 2022, Advantix Development Corporation advanced funds to cover operating costs. A total of \$3,585 remains outstanding as of December 31, 2022 and is included in accounts payable.

Advantix Development Corporation serves as property manager beginning in 2021. The property management fee is calculated as 5% of gross rental receipts. Fees totaling \$29,471 were earned in 2022. There were no unpaid management fees as of December 31, 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note L - Related Party Information (Continued)

Discretely Presented Component Units (Continued)

Trailside Commons, L.P.

Advantix Development Corporation served as developer for the project. As compensation for its services, the developer is to receive \$557,500 which is to be paid at various times as specified in the development agreement. A portion of the developer's fee totaling \$30,364 is to be deferred and is payable out of available cash flows, as defined. Any deferred amount shall bear interest at 6% per annum commencing upon the fourth installment payment date. The outstanding balance and accrued interest shall be due in full on the expiration of the compliance period and are to be paid from the proceeds of a general partner contribution. At December 31, 2022, \$325,142 remains unpaid.

The investor limited partner is entitled to receive an annual local administrative fee in the amount of \$5,000 per year increasing by 3% per year commencing in 2019. The fee is payable out of available cash flows. Fees of \$5,464, which included prior year fees were recorded in 2022. \$16,097 of fees are included in accounts payable at December 31, 2022.

Advantix Development Corporation advanced funds to cover operating costs. A total of \$84,693 is included in accounts payable at December 31, 2022.

Beginning in 2021, Advantix Development Corporation serves as the property manager. The property management fee is calculated at 6% of gross rental receipts. Fees totaling \$20,998 were earned in 2022.

River View Vincennes, L.P.

Advantix Development Corporation, and Myszak & Palmer Development, LLC, an unrelated entity, served as co-developers for the project. As compensation for their services, the developers are to receive \$647,000, which is to be paid at various times, as specified in the development agreement. A portion of the developers' fee totaling \$111,000 is to be deferred and is payable out of available cash flows. Any deferred amount shall bear interest at 6% per annum commencing upon the final installment payment date. The outstanding balance and accrued interest shall be due in full on the expiration of the compliance period and are to be paid from the proceeds of a general partner contribution. As of December 31, 2022, \$379,000 remains unpaid.

The investor limited partner is entitled to receive an annual local administrative fee in the amount of \$5,000 per year increasing by 3% per year commencing in 2020. The fee is payable out of available cash flows. Fees of \$5,305 were earned in 2022. Fees totaling \$15,455 are included in accounts payable at December 31, 2022.

The general partner is entitled to receive a one-time lease-up fee based on actual receipts and expenditures during the lease-up period through the date of rental achievement. The fee is projected to be \$11,698. No payment of the fee is to be made until rental achievement has occurred.

Advantix Development Corporation advanced funds during 2022 to cover various operating expenses. A total of \$156,147 is included in accounts payable at December 31, 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note L - Related Party Information (Continued)

Discretely Presented Component Units (Continued)

River View Vincennes, L.P. (Continued)

Advantix Development Corporation serves as property manager beginning in February 2021. The property management fee is calculated as 5% of gross receipts. Fees totaling \$18,460 were earned in 2022. Unpaid management fees of \$9,796 are included in accounts payable related parties at December 31, 2022.

Evansville Townhomes II, L.P.

Advantix Development Corporation served as developer for the project. As compensation for its services, the developer is to receive \$1,198,625 which is to be paid at various times as specified in the development agreement. A portion of the developer fee of \$300,841 is to be deferred and is payable out of available cash flows, as defined. In the event that the developer fee has not been paid in full by the 13th anniversary following completion, the general partner is required to make a capital contribution sufficient to pay off the unpaid balance of the developer fee. At December 31, 2022, \$1,198,625 has been earned of which \$839,038 remains unpaid at December 31, 2022.

The investor limited partner is entitled to receive a cumulative annual asset management fee the in the amount of \$5,000 per year increasing by 3% per year commencing in the year in which completion occurs. The fee is payable out of available cash flows as defined. As of December 31, 2022, fees of \$5,000 were earned.

The general partner is entitled to receive an incentive management fee in an amount equal to 49.98% of remaining cash flow, as defined, commencing in the year in which rental achievement occurs. No fees were earned or paid as of December 31, 2022.

During 2021, Advantix Development Corporation advanced funds to cover operating and construction costs. A total of \$107,994 remains outstanding as of December 31, 2022 and is included in accounts payable - related parties at December 31, 2022.

Advantix Development Corporation serves as property manager. The property management fee is calculated as 6% of gross rental receipts. Fees totaling \$30,445 were earned and paid in 2022.

KHA RAD I, L.P.

Commencing in the year completion occurs, the investor limited partner is entitled to an annual asset management fee of \$7,500, increasing 3% a year payable out of available cash flow, as defined. If there is not available cash flow, the fee accrues without interest. No fee was earned in 2022.

Commencing in the year rental achievement occurs, the general partner is entitled to receive a noncumulative incentive management fee in an amount equal to 50% of remaining cash flow, as defined. No fee was earned in 2022.

Commencing in the year rental achievement occurs, the general partner is entitled to receive a noncumulative supervisory management fee in an amount equal to 39.98% of remaining cash flow, as defined. No fee was earned in 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note L - Related Party Information (Continued)

Discretely Presented Component Units (Continued)

KHA RAD I, L.P. (Continued)

Advantix Development Corporation, a member of the general partner, serves as the property manager. The property management fee is calculated as 5% of gross rental receipts. Fees totaling \$99,879 were earned in 2022.

Erie Pointe, L.P.

Advantix Development Corporation, the sole member of the general partner, served as developer for the project. As compensation for its services, the developer is to receive \$705,850 which is to be paid at various times as specified in the development agreement. A portion of the developer fee of \$435,053 is to be deferred and is payable out of available cash flows, as defined. In the event that the developer fee has not been paid in full by the 13th anniversary following completion, the general partner is required to make a capital contribution sufficient to pay off the unpaid balance of the developer fee. As of December 31, 2022, the entire fee has been earned and \$624,611 remains unpaid.

In the year completion occurs, the investor limited partner is entitled to an annual asset management fee of \$5,000, increasing 3% a year payable out of available cash flow as defined. If there is not available cash flow, the fee accrues without interest. No fee was earned as of December 31, 2022.

Commencing in the year rental achievement occurs, the general partner is entitled to receive a noncumulative incentive management fee in an amount equal to 50% of remaining cash flow, as defined. No fee was earned as of December 31, 2022.

Commencing in the year rental achievement occurs, the general partner is entitled to receive a noncumulative supervisory management fee in the amount equal to 39.98% of remaining cash flow, as defined. No fee was earned as of December 31, 2022.

Advantix Development Corporation, a member of the general partner, serves as the property manager. The property management fee is calculated as 6% of accrued gross revenue. No fee was earned as of December 31, 2022.

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note M - Condensed Financial Statements - Blended Component Units

Statement of Net Position
December 31, 2022

	Primary government	Blended component units		
	Housing Authority of the City of Evansville	Advantix Development Corporation	Eliminations	Total
Assets				
Current assets	\$ 2,909,328	\$ 15,730,745	\$ -	\$ 18,640,073
Capital assets, net	977,747	2,214,644	-	3,192,391
Noncurrent assets	<u>21,030,000</u>	<u>8,692,038</u>	<u>-</u>	<u>29,722,038</u>
Total assets	24,917,075	26,637,427	-	51,554,502
Deferred outflows of resources	<u>385,605</u>	<u>-</u>	<u>-</u>	<u>385,605</u>
Total assets and deferred outflows of resources	25,302,680	26,637,427	-	51,940,107
Liabilities				
Current liabilities	464,219	9,509,267	-	9,973,486
Noncurrent liabilities	<u>1,238,251</u>	<u>403,622</u>	<u>-</u>	<u>1,641,873</u>
Total liabilities	1,702,470	9,912,889	-	11,615,359
Deferred inflows of resources	<u>69,618</u>	<u>-</u>	<u>-</u>	<u>69,618</u>
Total liabilities and deferred inflows of resources	1,772,088	9,912,889	-	11,684,977
Net position				
Net investment in capital assets	977,747	2,214,644	-	3,192,391
Restricted net position	130,447	-	-	130,447
Unrestricted net position	<u>22,422,398</u>	<u>14,509,894</u>	<u>-</u>	<u>36,932,292</u>
Total net position	<u>\$ 23,530,592</u>	<u>\$ 16,724,538</u>	<u>\$ -</u>	<u>\$ 40,255,130</u>

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note M - Condensed Financial Statements - Blended Component Units (Continued)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2022

	Primary government	Blended component units		
	Housing Authority of the City of Evansville	Advantix Development Corporation	Eliminations	Total
Operating revenues				
Tenant revenue	\$ 67,524	\$ 352,994	\$ -	\$ 420,518
HUD PHA operating grants	15,469,452	2,093	-	15,471,545
Other government grants	248,310	50,000	-	298,310
Fraud recovery income	5,538	-	-	5,538
Management fees	1,600	527,290	-	528,890
Other revenue	2,348,629	19,274,476	(618,760)	21,004,345
Total operating revenues	18,141,053	20,206,853	(618,760)	37,729,146
Operating expenses				
Administration	1,866,114	2,254,336	(618,760)	3,501,690
Tenant services	137,735	-	-	137,735
Utilities	-	179,620	-	179,620
Ordinary maintenance and operations	94,011	445,849	-	539,860
Insurance	76,811	262,223	-	339,034
Other general expenses	362,116	15,985,232	-	16,347,348
Housing assistance payments	13,858,436	-	-	13,858,436
Depreciation expense	3,884	426,556	-	430,440
Total operating expenses	16,399,107	19,553,816	(618,760)	35,334,163
Total operating income (expense)	1,741,946	653,037	-	2,394,983
Nonoperating income (expense)				
Investment income - unrestricted	3,794	151,220	-	155,014
Interest expense and amortization cost	(20,401)	(486)	-	(20,887)
Net gain on disposal of capital assets	-	997,284	-	997,284
Total nonoperating income	(16,607)	1,148,018	-	1,131,411
Change in net position before capital grants and other special items	1,725,339	1,801,055	-	3,526,394
Transfers to/from component unit	(541,000)	541,000	-	-
Changes in net position	1,184,339	2,342,055	-	3,526,394
Net position, beginning of year	22,346,253	14,382,483	-	36,728,736
Net position, end of year	\$ 23,530,592	\$ 16,724,538	\$ -	\$ 40,255,130

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note M - Condensed Financial Statements - Blended Component Units (Continued)

Statement of Cash Flows
Year Ended December 31, 2022

	<u>Primary government</u>	<u>Blended component units</u>		
	Housing Authority of the City of Evansville	Advantix Development Corporation	Eliminations	Total
Net cash provided by operating activities	\$ 1,627,626	\$ 6,034,399	\$ -	\$ 7,662,025
Net cash used by capital and related financing activities	(653,928)	(136,243)	-	(790,171)
Net cash provided by investing activities	<u>3,794</u>	<u>273,549</u>	<u>-</u>	<u>277,343</u>
Net increase in cash and cash equivalents	977,492	6,171,705	-	7,149,197
Cash and cash equivalents, beginning of year	<u>1,418,954</u>	<u>3,145,521</u>	<u>-</u>	<u>4,564,475</u>
Cash and cash equivalents, end of year	<u>\$ 2,396,446</u>	<u>\$ 9,317,226</u>	<u>\$ -</u>	<u>\$ 11,713,672</u>

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note N - Condensed Financial Statements - Discretely Presented Component Units

Statement of Net Position
December 31, 2022

	Discretely presented component units														Total
	Vision 1505, L.P.	EHA RAD I, L.P.	EHA RAD II, L.P.	EHA RAD IV	CSSL L.P.	Trailside Townhomes	Evansville Townhomes	Evansville Townhomes II	Eric Pointe	Trailside Commons	Kokomo RAD I	Vincennes Riverview	34 East	Evansville Townhomes III	
Assets															
Current assets	\$ 505,581	\$ 2,154,820	\$ 712,976	\$ 1,549,082	\$ 410,091	\$ 522,445	\$ 1,054,975	\$ 679,919	\$ 59,880	\$ 671,854	\$ 16,234,604	\$ 374,410	\$ 365,039	\$ 129,454	\$ 25,425,130
Capital assets, net	696,000	24,312,437	8,390,018	15,278,714	8,092,121	6,745,445	9,321,884	8,548,884	9,678,142	6,853,988	39,533,409	7,362,763	1,528,611	3,466,496	149,808,912
Noncurrent assets	33,079	46,562	-	-	-	-	-	-	-	47,115	-	-	-	-	126,756
Total assets	1,234,660	26,513,819	9,102,994	16,827,796	8,502,212	7,267,890	10,376,859	9,228,803	9,738,022	7,572,957	55,768,013	7,737,173	1,893,650	3,595,950	175,360,798
Deferred outflows of resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	1,234,660	26,513,819	9,102,994	16,827,796	8,502,212	7,267,890	10,376,859	9,228,803	9,738,022	7,572,957	55,768,013	7,737,173	1,893,650	3,595,950	175,360,798
Liabilities															
Current liabilities	103,988	1,113,355	458,183	193,716	656,816	177,936	190,646	132,243	560,335	188,322	2,188,410	692,536	-	872	6,657,358
Noncurrent liabilities	1,251,760	21,552,296	8,078,060	13,787,126	888,440	1,949,491	2,286,897	4,858,027	8,639,345	1,986,215	51,436,834	1,759,744	-	2,150,000	120,624,235
Total liabilities	1,355,748	22,665,651	8,536,243	13,980,842	1,545,256	2,127,427	2,477,543	4,990,270	9,199,680	2,174,537	53,625,244	2,452,280	-	2,150,872	127,281,593
Deferred inflows of resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	1,355,748	22,665,651	8,536,243	13,980,842	1,545,256	2,127,427	2,477,543	4,990,270	9,199,680	2,174,537	53,625,244	2,452,280	-	2,150,872	127,281,593
Net position															
Net investment in capital assets	196,000	7,853,961	2,321,576	3,725,864	7,228,515	4,987,414	7,832,394	4,782,215	1,706,034	5,269,498	(6,807,142)	5,624,093	1,528,611	1,316,496	47,565,529
Restricted net position	436,376	1,798,488	519,901	815,508	152,525	222,326	677,125	390,976	-	310,069	38,532	297,645	-	-	5,659,471
Unrestricted net position (deficit)	(753,464)	(5,804,281)	(2,274,726)	(1,694,418)	(424,084)	(69,277)	(610,203)	(934,658)	(1,167,692)	(181,147)	8,911,379	(636,845)	365,039	128,582	(5,145,795)
Total net position	\$ (121,088)	\$ 3,848,168	\$ 566,751	\$ 2,846,954	\$ 6,956,956	\$ 5,140,463	\$ 7,899,316	\$ 4,238,533	\$ 538,342	\$ 5,398,420	\$ 2,142,769	\$ 5,284,893	\$ 1,893,650	\$ 1,445,078	\$ 48,079,205

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note N - Condensed Financial Statements - Discretely Presented Component Units (Continued)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2022

	Discretely presented component units														Total
	Vision 1505, L.P.	EHA RAD I, L.P.	EHA RAD II, L.P.	EHA RAD IV	CSSL L.P.	Traikside Townhomes	Evansville Townhomes	Evansville Townhomes II	Eric Pointe	Traikside Commons	Kokomo RAD I	Vincennes Riverview	34 East	Evansville Townhomes III	
Operating revenues															
Tenant revenue	\$ 387,169	\$ 2,705,621	\$ 958,498	\$ 1,336,609	\$ 316,101	\$ 531,339	\$ 520,862	\$ 502,716	\$ -	\$ 331,010	\$ 2,177,473	\$ 329,739	\$ -	\$ -	\$ 10,097,137
Other revenue	-	-	-	62,472	-	-	-	-	-	-	-	-	-	-	62,472
Total operating revenues	387,169	2,705,621	958,498	1,399,081	316,101	531,339	520,862	502,716	-	331,010	2,177,473	329,739	-	-	10,159,609
Operating expenses															
Administration	124,983	610,411	185,086	207,477	87,723	121,660	132,314	78,981	8,039	94,046	362,943	107,623	-	-	2,121,286
Utilities	115,752	917,897	320,147	440,895	25,315	21,594	45,993	28,509	-	60,833	548,785	28,343	-	872	2,554,935
Ordinary maintenance and operations	153,088	1,042,876	283,778	391,470	54,046	74,017	63,240	64,055	-	76,860	375,662	53,069	-	-	2,632,161
Insurance	33,274	236,172	82,706	158,202	37,572	81,794	62,682	80,925	92	74,070	144,814	188,054	-	-	1,180,357
Other general expenses	4,000	24,055	8,730	17,778	5,628	8,427	27,706	5,000	-	5,464	-	5,602	-	-	112,390
Depreciation expense	234,698	803,245	257,757	497,522	637,963	492,932	461,879	418,987	-	403,961	837,562	432,381	-	-	5,478,887
Total operating expenses	665,795	3,634,656	1,138,204	1,713,344	848,247	800,424	793,814	676,457	8,131	715,234	2,269,766	815,072	-	872	14,080,016
Net operating loss	(278,626)	(929,035)	(179,706)	(314,263)	(532,146)	(269,085)	(272,952)	(173,741)	(8,131)	(384,224)	(92,293)	(485,333)	-	(872)	(3,920,407)
Nonoperating income (expense)															
Investment income - unrestricted	323	22,921	10,087	10,652	295	44	12	13	-	51	20,104	3,657	-	-	68,159
Loss on impairment of Capital Asset	(4,435,741)	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,435,741)
Interest expense and amortization cost	(24,394)	(847,928)	(298,663)	(584,445)	(43,658)	(80,496)	(147,364)	(345,381)	-	(94,909)	(608,310)	(61,068)	-	-	(3,136,616)
Organization costs	-	-	-	-	-	-	-	-	-	-	(38,411)	-	-	-	(38,411)
Total nonoperating income (expense)	(4,459,812)	(825,007)	(288,576)	(573,793)	(43,363)	(80,452)	(147,352)	(345,368)	-	(94,858)	(626,617)	(57,411)	-	-	(7,542,609)
Changes in net position before other special items	(4,738,438)	(1,754,042)	(468,282)	(888,056)	(575,509)	(349,537)	(420,304)	(519,109)	(8,131)	(479,082)	(718,910)	(542,744)	-	(872)	(11,463,016)
Other special items	-	-	-	-	-	-	-	-	-	-	(638,933)	-	-	-	(638,933)
Net position, beginning of year	4,617,350	5,602,210	1,035,033	3,735,010	7,532,465	5,440,000	6,195,620	1,114,849	621,473	4,678,302	3,500,612	4,816,211	-	-	48,889,135
Syndication costs	-	-	-	-	-	-	-	-	(75,000)	-	-	-	-	-	(75,000)
Capital contributions	-	-	-	-	-	50,000	2,124,000	3,642,793	-	1,199,200	-	1,011,426	1,893,650	1,445,950	11,367,019
Net position, end of year	\$ (121,088)	\$ 3,848,168	\$ 566,751	\$ 2,846,954	\$ 6,956,956	\$ 5,140,463	\$ 7,899,316	\$ 4,238,533	\$ 538,342	\$ 5,398,420	\$ 2,142,769	\$ 5,284,893	\$ 1,893,650	\$ 1,445,078	\$ 48,079,205

The Housing Authority of the City of Evansville, Indiana
Notes to Financial Statements (Continued)
Year Ended December 31, 2022

Note O - Recent Accounting Pronouncements

In May 2020, the GASB issued *Statement No. 96, Subscription-Based Information Technology Arrangements*. The provisions of the statement are effective for fiscal years beginning after June 15, 2022. This Statement requires recognition of certain subscription-based technology arrangements to establish a single model to prevent inconsistencies in financial reporting similar to how GASB 87 addresses leases. Under this Statement, government entities are required to recognize the right-of-use subscription assets and a corresponding subscription liability as a specified contract.

In June 2022, the GASB issued *Statement No. 101, Compensated Absences*. The provisions of the statement are effective for fiscal years beginning after December 15, 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means.

The Authority is currently evaluating these standards and at this time cannot quantify any impact implementation may have on net position.

Required Supplementary Information

The Housing Authority of the City of Evansville, Indiana
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employee's Retirement Fund
Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's proportion of the net position liability	0.02406%	0.01984%	0.01907%	0.02017%	0.02152%	0.02375%	0.03484%	0.03905%	0.04691%	0.05236%
Authority's proportionate share of the net pension liability	\$ 758,812	\$ 261,064	\$ 575,959	\$ 666,631	\$ 731,044	\$ 1,059,617	\$ 1,581,195	\$ 1,590,468	\$ 1,232,760	\$ 1,793,371
Authority's covered-employee payroll	\$ 1,384,508	\$ 1,093,588	\$ 1,029,449	\$ 1,051,000	\$ 1,098,000	\$ 1,178,339	\$ 1,669,728	\$ 1,870,301	\$ 2,290,295	\$ 2,514,014
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.8%	23.9%	55.9%	63.4%	66.6%	89.9%	94.7%	85.0%	53.8%	71.3%
Plan fiduciary net position as a percentage of the total pension liability	82.5%	92.5%	81.4%	80.1%	78.9%	76.6%	75.3%	77.3%	84.3%	78.8%

*Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The Housing Authority of the City of Evansville, Indiana
Schedule of the Authority's Contributions
Public Employee's Retirement Fund
Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 128,898	\$ 108,180	\$ 105,754	\$ 107,945	\$ 121,223	\$ 131,573	\$ 185,291	\$ 191,630	\$ 198,731	\$ 181,661
Contributions in relation to the contractually required contribution	<u>128,898</u>	<u>108,180</u>	<u>105,754</u>	<u>107,945</u>	<u>121,223</u>	<u>131,573</u>	<u>185,291</u>	<u>191,630</u>	<u>198,731</u>	<u>181,661</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,384,508	\$ 1,093,588	\$ 1,029,449	\$ 1,051,000	\$ 1,098,000	\$ 1,178,339	\$ 1,669,728	\$ 1,870,301	\$ 2,290,295	\$ 2,514,014
Contributions as a percentage of covered-employee payroll	9.3%	9.9%	11.2%	10.3%	11.0%	11.2%	11.1%	10.2%	8.7%	7.2%

*Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The Housing Authority of the City of Evansville, Indiana
Notes to the Required Supplementary Information
Year Ended December 31, 2022

Actuarial valuation date:	June 30, 2022
Actuarial cost method:	Entry age normal - level percent of payroll
Asset valuation method:	Five-year smoothed market
Inflation:	2.00% per year
Projected salary increases:	2.65%-8.65% based on service
Investment rate of return:	6.25% (net of administrative and investment expenses)
Cost-of-Living Adjustment ("COLA")	Members in pay were granted a 1.00% COLA effective January 1, 2022 for the next biennium. Thereafter, the following COLAs, compounded annually, were assumed: 0.4% beginning on January 1, 2024 0.5% beginning on January 1, 2034 0.6% beginning on January 1, 2039
Mortality:	PUB-201 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. Healthy Employees - General Employee table with a 3 year set forward for males and a 1 year set forward for females Retirees - General Retiree table with a 3 year set forward for males and a 1 year set forward for females. Beneficiaries - Contingent Survivor table with no set forward for males and a 2 year set forward for females. Disableds - General Disabled table with a 140% load.

Supplementary Information

**The Housing Authority of the City of Evansville, Indiana
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022**

Federal grantor/pass through entity	Federal assistance listing	Pass-through entity identifying number	Total federal expenditures	Passed-through to subrecipients
U.S. Department of Housing and Urban Development				
Direct Awards:				
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871		\$ 15,308,085	\$ -
Emergency Housing Vouchers	14.EHV		<u>21,470</u>	<u>-</u>
			15,329,555	-
Family Self-Sufficiency Program	14.896		<u>139,897</u>	<u>-</u>
Community Development Block Grant	14.218		<u>2,093</u>	<u>-</u>
			15,471,545	-
Passed through the City of Evansville:				
Community Development Block Grants/States Program	14.228	B-18-MC-18-002	<u>50,000</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			15,521,545	-
U.S. Department of Labor				
Direct Awards:				
YouthBuild	17.274		<u>248,310</u>	<u>-</u>
Total U.S. Department of Labor			<u>248,310</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 15,769,855</u>	<u>\$ -</u>

The Housing Authority of the City of Evansville
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Indirect Cost Rate

The Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C - Reconciliation of Schedule of Federal Expenditures to the Statement of Revenues, Expenses and Changes in Net Position

HUD operating grants	\$ 15,471,545
Other government grants	<u>298,310</u>
Total federal expenditures	<u>\$ 15,769,855</u>

Other Reports



Independent Auditor's 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*

Board of Commissioners
The Housing Authority of the City of Evansville, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Evansville, Indiana (the "Authority") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 20, 2023. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units listed in our audit report of Vison 1505, L.P., CSSL, L.P., Evansville Townhomes, L.P., Trailside Townhomes, L.P., Trailside Commons, L.P., River View Vincennes, L.P., Evansville Townhomes II, L.P., KHA RAD I and Erie Pointe, L.P. as described in our report of the Authority's financial statements. The financial statements of the entities audited by other auditors were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

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

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

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

**Independent Auditor's 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* (Continued)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lexington, Kentucky
September 20, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance

Board of Commissioners
The Housing Authority of the City of Evansville, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of the City of Evansville, Indiana's (the "Authority's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2022. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

**Independent Auditor's Report on Compliance for Each Major Federal Program and on
Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

MCM CPAs & Advisors LLP

Lexington, Kentucky
September 20, 2023

**The Housing Authority of the City of Evansville, Indiana
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2022**

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting
 Material weakness(es) identified? __yes x no
 Significant deficiency(ies) identified not considered to
 be material weaknesses? __yes x none reported

Noncompliance material to financial statements noted? __yes x no

Federal Awards

Internal Control over major programs
 Material weakness(es) identified? __yes x no
 Significant deficiency(ies) identified not considered to
 be material weaknesses? __yes x none reported

Type of auditor's report issued on compliance for
 major programs Unmodified

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

Identification of major programs

<u>ALN</u>	<u>Name of Federal Program or Cluster</u>	
14.871, 14.EHV	Housing Voucher Cluster Section 8 Housing Choice Vouchers	\$15,329,555

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

Auditee qualified as low-risk auditee? Xyes _no

Section II - Findings - Financial Statement Audit

None.

Section III - Findings - Major Federal Award Programs

None.

The Housing Authority of the City of Evansville, Indiana
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2022

2021-1: Financial records of Advantix Development Corporation Required Material Adjusting Entries

Condition: During the course of our engagement, material adjusting entries were identified and proposed related to the Advantix Development Corporation (a blended component unit of the Authority). These entries were required to record interest and notes receivable from discretely presented component units that were not recorded in the Advantix Development Corporation's general ledger. Significant adjusting entries were proposed to properly record the contribution of land and sale of property to two discretely presented component units. Additionally, an entry was proposed to correct cash balances due to errors in bank reconciliations.

Recommendation: We recommend that Advantix Development Corporation develop and implement policies and procedures to ensure that all transactions related to the discretely presented component units and any related inter-company transactions are appropriately recorded and reviewed. Additionally, we recommend that management assess the staffing requirements of the accounting department and take steps to ensure that the department is appropriately staffed to manage the volume and complexity of transactions that are required.

Status: This finding has been cleared for the year ended December 31, 2022.

Housing Authority of the City of Evansville (IN016)

Evansville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	17.274 YouthBuild Program	1 Business Activities	14.896 PIH Family Self-Sufficiency Program	14.EHV Emergency Housing Voucher	14.218 Community Development Block Grants/Entitlement Grants	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	0	380	3,277,570	9,244,006	40	724,540		1,379,810		0		46,673	14,673,019		14,673,019
112 Cash - Restricted - Modernization and Development	0		1,220,437							0			1,220,437		1,220,437
113 Cash - Other Restricted	0	0	4,439,034	130,000		152,668				26,350			4,748,052		4,748,052
114 Cash - Tenant Security Deposits	0		188,441	9,205								0	197,646		197,646
115 Cash - Restricted for Payment of Current Liabilities	0		15,179,822			0							15,179,822		15,179,822
100 Total Cash	0	380	24,305,304	9,383,211	40	877,208	0	1,379,810	0	26,350	0	46,673	36,018,976	0	36,018,976
121 Accounts Receivable - PHA Projects	0												0		0
122 Accounts Receivable - HUD Other Projects			73,680			15,219			11,427	4,266			104,592		104,592
124 Accounts Receivable - Other Government	0		10,027				57,732				2,093		69,852		69,852
125 Accounts Receivable - Miscellaneous			8,642	5,238,309		0		2,494				97,353	5,346,798		5,346,798
126 Accounts Receivable - Tenants	0		191,454	3,157	0			0				0	194,611		194,611
126.1 Allowance for Doubtful Accounts - Tenants	0		0	-2,043	0	0					0	0	-2,043		-2,043
126.2 Allowance for Doubtful Accounts - Other	0	0	0	0	0	-1,181	0	0	0	0	0	0	-1,181		-1,181
127 Notes, Loans, & Mortgages Receivable - Current	0			0									0		0
128 Fraud Recovery	0												0		0
128.1 Allowance for Doubtful Accounts - Fraud	0												0		0
129 Accrued Interest Receivable	0												0		0
120 Total Receivables, Net of Allowances for Doubtful Accounts	0	0	283,803	5,239,423	0	14,038	57,732	2,494	11,427	4,266	2,093	97,353	5,712,629	0	5,712,629
131 Investments - Unrestricted	0			307,901									307,901		307,901
132 Investments - Restricted	0												0		0
135 Investments - Restricted for Payment of Current Liability	0												0		0
142 Prepaid Expenses and Other Assets	0		836,023	1,091,024		43,115	3,687					51,781	2,025,630		2,025,630
143 Inventories	0												0		0
143.1 Allowance for Obsolete Inventories	0												0		0
144 Inter Program Due From			0	0		0				0		0	0		0
145 Assets Held for Sale	0												0		0
150 Total Current Assets	0	380	25,425,130	16,021,559	40	934,361	61,419	1,382,304	11,427	30,616	2,093	195,807	44,065,136	0	44,065,136
161 Land	0		4,353,349	200,747				962,535					5,516,631		5,516,631
162 Buildings	0		147,580,081	3,550,026									151,130,107		151,130,107
163 Furniture, Equipment & Machinery - Dwellings	0		6,644,560	9,444									6,654,004		6,654,004
164 Furniture, Equipment & Machinery - Administration	0		18,561	1,270,386		19,420	43,893						1,352,260	-43,893	1,308,367
165 Leasehold Improvements	0		1,197,659										1,197,659		1,197,659
166 Accumulated Depreciation	0		-9,985,298	-3,238,664		-4,207	-43,893						-13,272,062	43,893	-13,228,169
167 Construction in Progress	0			422,703									422,703		422,703
168 Infrastructure	0												0		0
160 Total Capital Assets, Net of Accumulated Depreciation	0	0	149,808,912	2,214,642	0	15,213	0	962,535	0	0	0	0	153,001,302	0	153,001,302
171 Notes, Loans and Mortgages Receivable - Non-Current				8,117,750				21,030,000					29,147,750		29,147,750
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due													0		0
173 Grants Receivable - Non Current	0												0		0
174 Other Assets			126,756	0				216,530				0	343,286	-216,461	126,825
176 Investments in Joint Ventures			0	574,288									574,288		574,288
180 Total Non-Current Assets	0	0	149,935,668	10,906,680	0	15,213	0	22,209,065	0	0	0	0	183,066,626	-216,461	182,850,165
200 Deferred Outflow of Resources	0					137,452						248,152	385,604		385,604
290 Total Assets and Deferred Outflow of Resources	0	380	175,360,798	26,928,239	40	1,087,026	61,419	23,591,369	11,427	30,616	2,093	443,959	227,517,366	-216,461	227,300,905

Housing Authority of the City of Evansville (IN016)

Evansville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	17.274 YouthBuild Program	1 Business Activities	14.896 PIH Family Self-Sufficiency Program	14.EHV Emergency Housing Voucher	14.218 Community Development Block Grants/Entitlement Grants	COCC	Subtotal	ELIM	Total
311 Bank Overdraft	0												0		0
312 Accounts Payable <= 90 Days	0		4,903,284	1,736,978	74,071	15,585	194,124		11,427	1,637		11,916	6,949,022	-216,461	6,732,561
313 Accounts Payable >90 Days Past Due	0		0										0		0
321 Accrued Wage/Payroll Taxes Payable	0		872	31,930		13,629						19,418	65,849		65,849
322 Accrued Compensated Absences - Current Portion	0		0	18,459		12,315						30,373	61,147		61,147
324 Accrued Contingency Liability	0												0		0
325 Accrued Interest Payable	0		0										0		0
331 Accounts Payable - HUD PHA Programs	0					0							0		0
332 Account Payable - PHA Projects	0												0		0
333 Accounts Payable - Other Government	0												0		0
341 Tenant Security Deposits	0		192,040	9,205									201,245		201,245
342 Unearned Revenue	0		149,303	15,473				0		28,167			192,943		192,943
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	0		323,100					91,230					414,330		414,330
344 Current Portion of Long-term Debt - Operating Borrowings	0												0		0
345 Other Current Liabilities	0		0	7,832,183		29,849				0	8,043	3,937	7,874,012		7,874,012
346 Accrued Liabilities - Other	0		1,088,759			0							1,088,759		1,088,759
347 Inter Program - Due To	0		0										0	0	0
348 Loan Liability - Current	0												0		0
310 Total Current Liabilities	0	0	6,657,358	9,644,228	74,071	71,378	194,124	91,230	11,427	29,804	8,043	65,644	16,847,307	-216,461	16,630,846
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	0		101,920,283	400,000				310,295					102,630,578		102,630,578
352 Long-term Debt, Net of Current - Operating Borrowings	0												0		0
353 Non-current Liabilities - Other	0		18,661,326			145,044				958			18,807,328		18,807,328
354 Accrued Compensated Absences - Non Current	0		42,626	3,622		10,423						12,720	69,391		69,391
355 Loan Liability - Non Current	0												0		0
356 FASB 5 Liabilities	0												0		0
357 Accrued Pension and OPEB Liabilities	0					263,182						495,630	758,812		758,812
350 Total Non-Current Liabilities	0	0	120,624,235	403,622	0	418,649	0	310,295	0	958	0	508,350	122,266,109	0	122,266,109
300 Total Liabilities	0	0	127,281,593	10,047,850	74,071	490,027	194,124	401,525	11,427	30,762	8,043	573,994	139,113,416	-216,461	138,896,955
400 Deferred Inflow of Resources	0			0								69,618	69,618		69,618
508.4 Net Investment in Capital Assets	0	0	47,565,529	2,214,642	0	15,213	0	962,535	0	0		0	50,757,919		50,757,919
511.4 Restricted Net Position	0	0	5,659,471	117,512	0	12,935	0	0	0	0		0	5,789,918		5,789,918
512.4 Unrestricted Net Position	0	380	-5,145,795	14,548,235	-74,031	568,851	-132,705	22,227,309	0	-146	-5,950	-199,653	31,786,495		31,786,495
513 Total Equity - Net Assets / Position	0	380	48,079,205	16,880,389	-74,031	596,999	-132,705	23,189,844	0	-146	-5,950	-199,653	88,334,332	0	88,334,332
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	0	380	175,360,798	26,928,239	40	1,087,026	61,419	23,591,369	11,427	30,616	2,093	443,959	227,517,366	-216,461	227,300,905

Housing Authority of the City of Evansville (IN016)

Evansville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	17.274 YouthBuild Program	1 Business Activities	14.896 PIH Family Self-Sufficiency Program	14.EHV Emergency Housing Voucher	14.218 Community Development Block Grants/Entitlement Grants	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	0		10,097,137	415,195						0			10,512,332		10,512,332
70400 Tenant Revenue - Other	0		0	5,315						0			5,315		5,315
70500 Total Tenant Revenue	0	0	10,097,137	420,510	0	0	0	0	0	0	0	0	10,517,647	0	10,517,647
70600 HUD PHA Operating Grants		0				15,308,085			139,897	21,470	2,093		15,471,545		15,471,545
70610 Capital Grants											0		0		0
70710 Management Fee												200,925	200,925	-200,925	0
70720 Asset Management Fee													0	0	0
70730 Book Keeping Fee												200,925	200,925	-200,925	0
70740 Front Line Service Fee															
70750 Other Fees															
70700 Total Fee Revenue												401,850	401,850	-401,850	0
70800 Other Government Grants					50,000		248,310						298,310		298,310
71100 Investment Income - Unrestricted			68,159	151,220		97		3,646				50	223,172		223,172
71200 Mortgage Interest Income															
71300 Proceeds from Disposition of Assets Held for Sale															
71310 Cost of Sale of Assets															
71400 Fraud Recovery	0					5,538							5,538		5,538
71500 Other Revenue	0	380	11,354,491	19,801,769		41,499		1,689,590				619,103	33,506,832	-619,101	32,887,731
71600 Gain or Loss on Sale of Capital Assets			0	997,284									997,284		997,284
72000 Investment Income - Restricted	0												0		0
70000 Total Revenue	0	380	21,519,787	21,370,783	50,000	15,355,219	248,310	1,693,236	139,897	21,470	2,093	1,021,003	61,422,178	-1,020,951	60,401,227
91100 Administrative Salaries	0		2,121,286	745,600	46,848	413,606	163,448		1,230		5,950	595,085	4,093,053		4,093,053
91200 Auditing Fees	0		0	28,217		18,233						3,005	49,455		49,455
91300 Management Fee			0	0		200,925							200,925	-200,925	0
91310 Book-keeping Fee	0		0	9,641		200,925							210,566	-200,925	9,641
91400 Advertising and Marketing	0		0	-50									-50		-50
91500 Employee Benefit contributions - Administrative	0		0	161,764	30,819	197,320	81,896					197,151	668,950		668,950
91600 Office Expenses	0		0	401,626	269	217,046	42,575	1	932		2,093	62,021	726,563	-341	726,222
91700 Legal Expense	0		0	22,296		499						14,500	37,295		37,295
91800 Travel	0												0		0
91810 Allocated Overhead	0												0		0
91900 Other	0		38,411	618,759									657,170	-618,760	38,410
91000 Total Operating - Administrative	0	0	2,159,697	1,987,853	77,936	1,248,554	287,919	1	2,162	0	8,043	871,762	6,643,927	-1,020,951	5,622,976
92000 Asset Management Fee	0		0										0		0
92100 Tenant Services - Salaries	0		0	0					104,755				104,755		104,755
92200 Relocation Costs	0												0		0
92300 Employee Benefit Contributions - Tenant Services	0								32,980				32,980		32,980
92400 Tenant Services - Other	0		0										0		0
92500 Total Tenant Services	0	0	0	0	0	0	0	0	137,735	0	0	0	137,735	0	137,735
93100 Water	0		0	68,089									68,089		68,089
93200 Electricity	0		2,554,935	96,298									2,651,233		2,651,233
93300 Gas	0		0	15,232									15,232		15,232
93400 Fuel	0												0		0
93500 Labor	0												0		0
93600 Sewer	0												0		0
93700 Employee Benefit Contributions - Utilities	0												0		0
93800 Other Utilities Expense															

Housing Authority of the City of Evansville (IN016)

Evansville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	17.274 YouthBuild Program	1 Business Activities	14.896 PIH Family Self-Sufficiency Program	14.EHV Emergency Housing Voucher	14.218 Community Development Block Grants/Entitlement Grants	COCC	Subtotal	ELIM	Total
93000 Total Utilities	0	0	2,554,935	179,619	0	0	0	0	0	0	0	0	2,734,554	0	2,734,554
94100 Ordinary Maintenance and Operations - Labor	0		2,632,161	36,532									2,668,693		2,668,693
94200 Ordinary Maintenance and Operations - Materials and Other	0		0	244,637	105	2,748	4,743						252,233		252,233
94300 Ordinary Maintenance and Operations Contracts	0		0	209,385		25,843						7,016	242,244		242,244
94500 Employee Benefit Contributions - Ordinary Maintenance	0		0	8,851									8,851		8,851
94000 Total Maintenance	0	0	2,632,161	499,405	105	28,591	4,743	0	0	0	0	7,016	3,172,021	0	3,172,021
95100 Protective Services - Labor	0												0		0
95200 Protective Services - Other Contract Costs	0												0		0
95300 Protective Services - Other	0												0		0
95500 Employee Benefit Contributions - Protective Services	0												0		0
95000 Total Protective Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
96110 Property Insurance	0		1,180,357	235,755			5,415					41,880	1,463,407		1,463,407
96120 Liability Insurance	0		0	5,989								2,566	8,555		8,555
96130 Workmen's Compensation	0		0	10,927	172	7,640						9,932	28,671		28,671
96140 All Other Insurance	0		0	9,379								9,379	18,758		18,758
96100 Total insurance Premiums	0	0	1,180,357	262,050	172	7,640	5,415	0	0	0	0	63,757	1,519,391	0	1,519,391
96200 Other General Expenses	0		112,390	16,020,230		822	64,943			22,052		300	16,220,737		16,220,737
96210 Compensated Absences	0		0	95,878		74,982						104,901	275,761		275,761
96300 Payments in Lieu of Taxes	0		0	-5,463									-5,463		-5,463
96400 Bad debt - Tenant Rents	0		0	2,043		5,554							7,597		7,597
96500 Bad debt - Mortgages	0												0		0
96600 Bad debt - Other	0												0		0
96800 Severance Expense	0												0		0
96000 Total Other General Expenses	0	0	112,390	16,112,688	0	81,358	64,943	0	0	22,052	0	105,201	16,498,632	0	16,498,632
96710 Interest of Mortgage (or Bonds) Payable	0		3,136,616	0				20,401					3,157,017		3,157,017
96720 Interest on Notes Payable (Short and Long Term)	0		0										0		0
96730 Amortization of Bond Issue Costs	0												0		0
96700 Total Interest Expense and Amortization Cost	0	0	3,136,616	0	0	0	0	20,401	0	0	0	0	3,157,017	0	3,157,017
96900 Total Operating Expenses	0	0	11,776,156	19,041,615	78,213	1,366,143	363,020	20,402	139,897	22,052	8,043	1,047,736	33,863,277	-1,020,951	32,842,326
97000 Excess of Operating Revenue over Operating Expenses	0	380	9,743,631	2,329,168	-28,213	13,989,076	-114,710	1,672,834	0	-582	-5,950	-26,733	27,558,901	0	27,558,901
97100 Extraordinary Maintenance	0												0		0
97200 Casualty Losses - Non-capitalized	0												0		0
97300 Housing Assistance Payments	0					13,792,500				65,936			13,858,436		13,858,436
97350 HAP Portability-In	0												0		0
97400 Depreciation Expense	0		5,478,887	426,556		3,884							5,909,327		5,909,327
97500 Fraud Losses	0												0		0
97600 Capital Outlays - Governmental Funds	0														
97700 Debt Principal Payment - Governmental Funds	0														
97800 Dwelling Units Rent Expense	0												0		0
90000 Total Expenses	0	0	17,255,043	19,468,171	78,213	15,162,527	363,020	20,402	139,897	87,988	8,043	1,047,736	53,631,040	-1,020,951	52,610,089
10010 Operating Transfer In	0												0		0
10020 Operating transfer Out	0			0							0		0		0
10030 Operating Transfers from/to Primary Government	0										0		0		0

Housing Authority of the City of Evansville (IN016)

Evansville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2022

	Project Total	14.EFA FSS Escrow Forfeiture Account	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	17.274 YouthBuild Program	1 Business Activities	14.896 PIH Family Self-Sufficiency Program	14.EHV Emergency Housing Voucher	14.218 Community Development Block Grants/Entitlement Grants	COCC	Subtotal	ELIM	Total
10040 Operating Transfers from/to Component Unit	0			541,000				-541,000					0		0
10050 Proceeds from Notes, Loans and Bonds															
10060 Proceeds from Property Sales															
10070 Extraordinary Items, Net Gain/Loss	0		-4,435,741										-4,435,741		-4,435,741
10080 Special Items (Net Gain/Loss)	0		-638,933	0									-638,933		-638,933
10091 Inter Project Excess Cash Transfer In	0												0		0
10092 Inter Project Excess Cash Transfer Out	0												0		0
10093 Transfers between Program and Project - In	0												0		0
10094 Transfers between Project and Program - Out	0												0		0
10100 Total Other financing Sources (Uses)	0	0	-5,074,674	541,000	0	0	0	-541,000	0	0	0	0	-5,074,674	0	-5,074,674
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	0	380	-809,930	2,443,612	-28,213	192,692	-114,710	1,131,834	0	-66,518	-5,950	-26,733	2,716,464	0	2,716,464
11020 Required Annual Debt Principal Payments	0	0	0	25,125	0	0	0	0	0	0	0	0	25,125		25,125
11030 Beginning Equity	0	0	48,889,135	14,436,777	-45,818	404,307	-17,995	22,058,010	0	66,372	0	-172,920	85,617,868		85,617,868
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			0	0		0		0					0		0
11050 Changes in Compensated Absence Balance															
11060 Changes in Contingent Liability Balance															
11070 Changes in Unrecognized Pension Transition Liability															
11080 Changes in Special Term/Severance Benefits Liability															
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents															
11100 Changes in Allowance for Doubtful Accounts - Other															
11170 Administrative Fee Equity						584,064							584,064		584,064
11180 Housing Assistance Payments Equity													12,935		12,935
11190 Unit Months Available	0		17003	373		33948		0		312			51636		51636
11210 Number of Unit Months Leased	0		13837	349		26659		0		117			40962		40962
11270 Excess Cash	0												0		0
11610 Land Purchases	0											0	0		0
11620 Building Purchases	0											0	0		0
11630 Furniture & Equipment - Dwelling Purchases	0											0	0		0
11640 Furniture & Equipment - Administrative Purchases	0											0	0		0
11650 Leasehold Improvements Purchases	0											0	0		0
11660 Infrastructure Purchases	0											0	0		0
13510 CFFP Debt Service Payments	0											0	0		0
13901 Replacement Housing Factor Funds	0											0	0		0