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September 26, 2019

Board of Directors  
Rockville Housing Authority  
107 W. High St.  
Rockville, IN 47872

We have reviewed the audit report of the Rockville Housing Authority, which was opined upon by Velma Butler & Company, Ltd., Independent Public Accountant, for the period October 1, 2017 to September 30, 2018. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Rockville Housing Authority, as of September 30, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared 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.

  
Paul D. Joyce, CPA  
State Examiner

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ROCKVILLE HOUSING AUTHORITY  
INDEPENDENT AUDITOR'S REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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# ROCKVILLE HOUSING AUTHORITY

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**INDEPENDENT AUDITOR'S REPORT**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Rockville Housing Authority  
Rockville, IN 47872

U.S. Department of Housing and Urban  
Development, Indianapolis Office  
Minton-Capehart Federal Building  
575 North Pennsylvania, Room 655  
Indianapolis, Indiana 46204

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Rockville Housing Authority (Authority), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose for forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanied financial data schedules and the other information are presented for purpose of additional analysis and are not a required part of the basic financial statements.

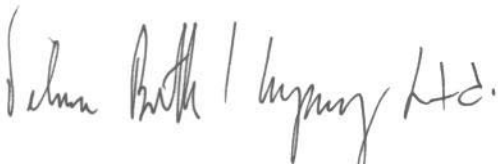
The accompanying supplementary information such as financial data schedules are the responsibility of management and was derived from the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 accompanying supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

### ***Summarized Comparative Information***

We previously audited the Authority's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements dated May 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd." The signature is written in dark ink and is positioned above the printed name of the firm.

Velma Butler & Company, Ltd.  
Chicago, Illinois

May 15, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ROCKVILLE HOUSING AUTHORITY**  
**105 West High Street**  
**Rockville, Indiana 47872**  
**Phone (765)569-3639 Fax (754) 569-3937**

To the Board of Commissioners  
Rockville Housing Authority  
Rockville, Indiana 48272

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Rockville Housing Authority (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2018. The Management's discussion and analysis section includes information on the past, present and future events that have been enacted, adopted, agreed upon, and/or contracted by the Authority. The 2018 comparative information provided in the MD&A comes from the prior-year audit report, performed by VB&C.

We are pleased to submit the financial statements of the Authority for the year ended September 30, 2018. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the basic financial statements. The purpose of the financial statements is to provide complete and accurate financial information that complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board. The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

**FINANCIAL HIGHLIGHTS**

- Assets were \$21,027 at September 30, 2018, a decrease of \$13,724, from the September 30, 2017, balance of \$34,751, the decreases occurred in cash.
- Capital assets were \$349 at September 30, 2018, a decrease of \$554, from the September 30, 2017, balance of \$903, due to depreciation.
- There were no liabilities.
- Net position was \$21,027, at September 30, 2018, with a decrease of \$13,724, resulting from operating losses.
- Revenue was \$464,147, at September 30, 2018, a decrease of \$23,024 from the September 30, 2017, balance of 487,171. The decrease was due to a reduction in HUD operating revenue.

- Expenses were \$477,872, at September 30, 2018, a decrease of \$39,767. The decrease was due to a reduction in HAP expenses.

## USING THIS REPORT

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information detailing how the Authority's net position changed during the fiscal year. All changes in the net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as a single enterprise fund whose operations include the housing choice voucher program.

*Fund Financial Statements* are groupings of accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state, local, or quasi-governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's funds only consisted of a *Proprietary Fund*.

The Authority's *Proprietary Fund* is comprised of its enterprise fund with "business-type" activities intended to recover all or a portion of their costs through fees and charges for services. Since the Authority maintains its activities in the enterprise funds, its Proprietary Fund financial statements provide information about the activities of the Authority as a whole.

*Section 8 Housing Choice Vouchers* - The Housing Choice Voucher is the federal government's programs for assisting low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The program is administered locally by public housing authorities (PHAs). The PHAs receive funds from HUD to administer the programs. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

## FINANCIAL ANALYSIS OF THE AUTHORITY

### Net Position

Net position represents the difference between total assets and total liabilities.

**Table 1**  
**Rockville Housing Authority**

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Percent of Change</u>
Current Assets	\$ 21,027	\$ 34,751	\$ (13,724)	-39.5%
<b>Total Assets</b>	<u>\$ 21,027</u>	<u>\$ 34,751</u>	<u>\$ (13,724)</u>	-39.5%
Current Liabilities	\$ -	\$ -	\$ -	
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	
Invested in Capital Assets, Net	349	903	(554)	0.0%
Unrestricted	14,170	33,290	(19,120)	-57.4%
Restricted	6,508	558	5,950	
<b>Total Net Position</b>	<u>21,027</u>	<u>34,751</u>	<u>(13,724)</u>	-39.5%
<b>Total Liab. and Net Position</b>	<u>\$ 21,027</u>	<u>\$ 34,751</u>	<u>\$ (13,724)</u>	-39.5%

As shown in Table 1, the Authority's total net position at September 30, 2018 was \$21,027, representing a decrease of 39.5 percent from the September 30, 2017 balance of \$34,752.

### CAPITAL ASSETS

	<u>9/30/2017</u>	<u>Additions / Deletions</u>	<u>9/30/2018</u>
Equipment and Furniture	\$ 2,572	\$	\$ 2,572
Less Accum. Depreciation	(1,669)	(554)	(2,223)
<b>Total Capital Assets</b>	<u>\$ 903</u>	<u>(554)</u>	<u>\$ 349</u>

There were no additions or dispositions during the fiscal year. Depreciation expense for the year totaled \$554.

## Revenues

Table 2 shows that the Authority's operating revenue decreased by \$23,024 or 4.7 percent.

**Table 2**  
**Change in Rockville Housing Authority's Net Position**

Description	2018	2017	Change	Percent of Change
Operating Revenue	\$ 464,143	\$ 487,165	\$ (23,022)	-4.7%
Non-Operating Revenue	4	6	(2)	-33.3%
<b>Total Revenue</b>	<u>464,147</u>	<u>487,171</u>	<u>(23,024)</u>	-4.7%
Operating Expenses	477,318	516,878	(39,560)	-7.7%
Depreciation	554	761	(207)	-27.2%
<b>Total Expenses</b>	<u>477,872</u>	<u>517,639</u>	<u>(39,767)</u>	-7.7%
Change in Net Position	(13,725)	(30,468)	16,743	-55.0%
Beginning Net Position	34,752	65,220	8	0.0%
<b>Ending Net Position</b>	<u>\$ 21,027</u>	<u>\$ 34,752</u>	<u>\$ 16,751</u>	48.2%

## Expenses

Total expenses, including depreciation, decreased by 7.7 percent, which was primarily a result of a decrease in HAP expenses. The changes are shown below in Table 3:

**Table 3**  
**Rockville Housing Authority's Operating Expenses**

	2018	2017	Change	Total Percent Change
Administrative Expenses	\$ 66,490	\$ 64,782	\$ 1,708	2.6%
Insurance	2,836	1,835	1,001	54.6%
Housing Assistance Payments	407,992	450,261	(42,269)	100.0%
Depreciation Expense	554	761	(207)	-27.2%
<b>Total Operating Expenses</b>	<u>\$ 477,872</u>	<u>\$ 517,639</u>	<u>\$ (39,767)</u>	-7.7%

## **Budgetary Highlights**

Management submits a proposed budget for revenues and expenses for the program based on functions, activities, or objectives for the following fiscal year. The budget is then given to the Board of Commissioners. The Commissioners approve and adopt the budget. Operating monies are determined by an estimate of housing assistance payments to landlords plus an administrative fee provided by HUD, as established by Congress. Most funding is dependent on the availability of federal funds.

## **MAJOR INITIATIVES**

The Authority continues to seek opportunities to expand subsidized housing as funding is available and the projects are feasible.

### **The Authority's Strategic Goal includes the following:**

- Expanding the supply of affordable housing with our Instrumentality.
- Improving the quality of existing affordable housing.
- Ensuring equal opportunity and affirmatively furthering fair housing.
- To seek out potential sources of revenue in order to continue operations with less dependency on federal subsidy.

It will be the Authority's continued mission to promote affordable, safe, decent, sanitary housing in good repair, economic growth opportunity and a suitable living environment free from discrimination. The Authority will also seek to provide educational opportunities through collaborations and/or partnerships with other educational sources.

## **ECONOMIC FACTORS**

The Authority is primarily dependent upon HUD for its funding of operations; therefore, operating revenues are affected more by the Federal budget than by local economic conditions.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This Authority's financial report is designed to provide a general overview of the Authority's finances for all those with an interest and to demonstrate the Authority's accountability for the money it receives. Rockville Housing Authority, questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Stacey L. Doty, Executive Director, Rockville Housing, 105 West High Street, Rockville, Indiana 48272 or call (765) 569-3639.

## **FINANCIAL STATEMENTS**

ROCKVILLE HOUSING AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2018 (WITH 2017 TOTALS)

EXHIBIT A

<b>ENTERPRISE FUND</b>		
	<b>2018 TOTAL</b>	<b>2017 TOTAL</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 20,678	\$ 33,848
Accounts Receivable (net allowances)		
Prepaid, Deposits and Escrows		
<b>TOTAL CURRENT ASSETS</b>	<u>20,678</u>	<u>33,848</u>
Furniture and Equipment	2,572	2,572
Accumulated Depreciation	<u>(2,223)</u>	<u>(1,669)</u>
<b>TOTAL CAPITAL ASSETS</b>	349	903
<b>TOTAL ASSETS</b>	<u>\$ 21,027</u>	<u>\$ 34,751</u>
<b>LIABILITIES AND NET POSITION</b>		
Accounts Payable	\$	\$
Accrued Liabilities - Current		
<b>TOTAL CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
Invested in Capital Assets	348	903
Unrestricted Net Position	14,171	19,945
Restricted Net Position	<u>6,508</u>	<u>13,903</u>
<b>TOTAL NET POSITION</b>	<u>21,027</u>	<u>34,751</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 21,027</u>	<u>\$ 34,751</u>

See accompanying notes to the financial statements.

ROCKVILLE HOUSING AUTHORITY  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018 (WITH 2017 TOTALS) EXHIBIT B

<b>ENTERPRISE FUNDS</b>		
	<b>2018</b>	<b>2017</b>
	<b>TOTAL</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>		
HUD Operating Grants	\$ 464,143	\$ 487,165
<b>TOTAL OPERATING REVENUES</b>	<u>464,143</u>	<u>487,165</u>
<b>OPERATING EXPENSES</b>		
Administrative	66,490	65,074
Insurance	2,835	1,835
HAP Payments	407,992	450,261
Depreciation Expense	554	761
<b>TOTAL OPERATING EXPENSES</b>	<u>477,871</u>	<u>517,931</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(13,728)</u>	<u>(30,766)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	<u>4</u>	<u>6</u>
<b>TOTAL NON-OPERATING REVENUES</b>	4	6
<b>CHANGE IN NET POSITION</b>	(13,724)	(30,760)
<b>NET POSITION AT BEGINNING OF PERIOD</b>	34,751	65,511
<b>NET POSITION AT END OF PERIOD</b>	<u>\$ 21,027</u>	<u>\$ 34,751</u>

See accompanying notes to the financial statements.

**ROCKVILLE HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018 (WITH 2017 TOTALS)**

**EXHIBIT C**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants and Others	\$ 464,143	\$ 487,165
Payments to Employees	(38,964)	(35,600)
Payments to Vendors and Suppliers	(438,353)	(481,570)
Net Cash Provided by/(Used for) Operating Activities	(13,174)	(30,005)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	4	6
Net Cash Provided by/(Used for) Investing Activities	4	6
<b>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</b>		
Net Cash Provided by/(Used for) Financing Activities	-	-
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(13,170)	(29,999)
<b>CASH AND CASH EQUIVALENTS AT START OF FISCAL YEAR</b>	33,848	63,847
<b>CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR</b>	\$ 20,678	\$ 33,848
<b>Reconciliation of Unrestricted and Restricted Cash and Cash Equivalents at Fiscal Year End</b>		
To Unrestricted Cash and Cash Equivalents	\$ 14,170	\$ 19,945
To Restricted Cash and Cash Equivalents	6,508	13,903
<b>CASH AND CASH EQUIVALENTS AT MARCH 31, 2016</b>	\$ 20,678	\$ 33,848
<b>Reconciliation of Operating Loss to Net Cash</b>		
<b>Used by Operating Activities</b>		
Operating Income	\$ (13,728)	\$ (30,766)
Adjustments To Reconcile:		
Depreciation	554	761
Changes in Assets and Liabilities		
Net Cash Provided by/(Used for) Operating Activities	\$ (13,174)	\$ (30,005)
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>		
None		

See accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**ROCKVILLE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

**A. Organization and Program Description**

The Rockville Housing Authority (Authority) was established by the City of Rockville pursuant to laws of the State of Indiana to transact business and to have powers as defined therein. The Authority was established to provide low income housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other applicable Federal Agencies.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities and to provide funds to assist the Public Housing Authorities (PHAs) in financing the acquisition, construction, and/or leasing of housing units; to make housing assistance payments; and to make annual contributions (subsidies) to PHAs for the purpose of maintaining the low rent character of the local housing program.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The Authority's Board elects its own chairperson and each member can only be removed for cause.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the various program activities of the Authority. The Authority's assets, liabilities and results of operations are segregated into grant programs as follows:

**Section 8 Housing Choice Voucher Program** - The Authority participates in the Housing Choice Voucher Program. This program is designed to provide privately owned, decent, safe and sanitary housing to low income families. The Authority provides assistance to low income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the program, the Authority enters into housing assistance payment contracts with eligible landlords. To fund the program, the Authority enters into annual contribution contracts with HUD for the receipt of rental subsidies. The Housing Choice Voucher program is reported as an enterprise fund.

**ROCKVILLE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**B. Reporting Entity**

The reporting entity for the Authority includes its Enterprise Funds. The Authority is a separate governmental entity created for the purpose of providing rental assistance to low income and elderly persons. Most funding is provided by the United States Department of Housing and Urban Development (HUD). All funds and programs are included in these statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Authority are organized and operated on the basis of fund accounts. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

*Enterprise Funds* - are accounted for on the flow of economic resources measurement focus and use the full accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

**D. Fund Accounting**

Accounts are organized on the basis of funds. Each fund represents a separate program with a separate set of self-balancing accounts. All funds are reported as enterprise funds and are grouped as follows:

- Section 8 Program consists of HUD payment of rents for tenants in privately owned housing and fees to the housing authority for operating the program. An individual fund is used for the Housing Choice Voucher Program.

*Proprietary Funds* - The Authority's operations are accounted for in a single Enterprise Fund. Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income are necessary for management accountability.

*Management's Use of Estimates* - The preparation of financial statements in conformity 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 at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**ROCKVILLE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**Cash, Cash Equivalents and Restricted Cash** – Cash and cash equivalents are defined as short-term, highly liquid investments that are both: readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes all demand deposits, saving accounts and certificates of deposits or short-term investments with a maturity date of three months or less. Restricted assets include cash legally restricted as to their use. The primary restricted cash is related to the housing choice voucher program for future tenants rent payments.

**Receivables** - Receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible receivables are based on historical trends and periodic aging of receivables.

**Risk Management** - The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life, and natural disasters. The Authority manages these various risks of loss with insurance coverage.

Management believes insurance coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**Capital Assets** – Capital Assets consist of assets purchased or acquired at a cost of \$5,000 or greater. All capital assets are stated at historical costs or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets depreciated using straight-line method of depreciation over their estimated useful lives as follows:

Furniture, Fixtures, & Equipment      3 - 10 years

**Federal Awards** – Federal grants for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Awards received prior to meeting revenue recognition criteria are recorded as deferred revenue. Operating grants are recorded as revenue in the year earned.

**Operating Revenue & Expenses** – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are operating grants from HUD. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the statement of revenues, expenses, and change in net position.

**ROCKVILLE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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***Fair Value*** - GASB Statement No. 72, Fair Value Measurement and Application, is effective for periods beginning after September 15, 2015, with earlier application encouraged. This Statement should improve financial reporting by clarifying the definition of fair value for financial reporting purposes. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. The disclosures should be organized by type asset or liability reported at fair value. The Authority's implementation as a result of this pronouncement did not have a material impact on the financial statements.

***Net Position*** - Net position is comprised of three categories: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. Each component of net position is reported separately on the statement of net position. Net position includes the following:

(1) Investment in capital assets, net of related debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

(2) Restricted - The component of net position that reports the amount of revenue from a federal or state award for service programs in excess of expenditures. These funds are restricted for the use of the related federal or state program.

(3) Unrestricted - The difference between the assets and liabilities that is not reported in the net position invested in capital, net of related debt or net position restricted for federal and state programs.

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

***Concentration of Risk*** -During the year ended September 30, 2018, the Authority received approximately 99 percent of its funding from HUD.

***Compliance*** - The Authority is subject to various federal, state and local laws and regulations and contractual regulations.

**Note 2 - Budget Information**

***Enterprise Funds*** - The Authority prepares annual operating budgets for its enterprise funds receiving federal expenditure awards. The Fiscal Services Director prepares the operating budgets for the year for all program activities. Budgets are submitted by the Authority's Executive Director and approved by resolutions of the Board of Commissioners and/or HUD.

**ROCKVILLE HOUSING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**Note 3 - Cash and Cash Equivalents**

Cash and cash equivalents totaled \$20,678, at September 30, 2018, and are maintained in commercial checking accounts and are readily available. Amounts up to \$250,000 are fully insured by the Federal Deposit Insurance Corporation (FDIC). Cash amounts in excess of the \$250,000, not insured by the FDIC, are required to be collateralized by United States government securities and held in the pledging financial institutions' trust departments in the Authority's name, as required by HUD regulations. All amounts were fully insured by the FDIC.

Of the cash and cash equivalents \$6,508, is restricted for future housing assistance.

**Note 4 - Capital Assets**

Capital assets totaled \$349 at September 30, 2018; there were no additions or dispositions during the fiscal year. Depreciation expense for the year totaled \$554.

**Note 5 - Administrative Fees**

The Authority receives an "Administrative Fee" as part of each of the annual contributions contract from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Housing Assistance programs. These fees are primarily paid to Fort Wayne Housing Authority for their management of the Authority's operations and finances.

**Note 6 - Federal Financial Assistance**

The Authority was awarded federal funds from HUD to operate the Section 8 Housing Choice Voucher Program. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Contract activity for the year ended September 30, 2018, was as follows:

Program Revenue	\$	464,147
Program Expenditures		<u>(477,871)</u>
Net Program Income/(Loss)	\$	<u><u>(13,724)</u></u>

**Note 7 - Subsequent Events**

Management has performed an analysis of activities and transactions subsequent to September 30, 2018, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended September 30, 2018. Management has performed their analysis through May 15, 2019, the date the financial statements were issued.

**SUPPLEMENTAL INFORMATION**

Rockville Housing Authority (IN048)

Rockville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$14,170	\$14,170	\$14,170
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$6,508	\$6,508	\$6,508
114 Cash - Tenant Security Deposits			
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$20,678	\$20,678	\$20,678
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants			
126.1 Allowance for Doubtful Accounts - Tenants			
126.2 Allowance for Doubtful Accounts - Other			
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets			
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$20,678	\$20,678	\$20,678
161 Land			
162 Buildings			
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$2,572	\$2,572	\$2,572
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$2,223	-\$2,223	-\$2,223
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$349	\$349	\$349
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$349	\$349	\$349
200 Deferred Outflow of Resources			
290 Total Assets and Deferred Outflow of Resources	\$21,027	\$21,027	\$21,027
311 Bank Overdraft			
312 Accounts Payable <= 90 Days			
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable			
322 Accrued Compensated Absences - Current Portion			
324 Accrued Contingency Liability			

Rockville Housing Authority (IN048)

Rockville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	14.871 Housing Choice Vouchers	Subtotal	Total
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government			
341 Tenant Security Deposits			
342 Unearned Revenue			
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$0	\$0	\$0
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current			
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$0	\$0	\$0
300 Total Liabilities	\$0	\$0	\$0
400 Deferred Inflow of Resources			
508.4 Net Investment in Capital Assets	\$349	\$349	\$349
511.4 Restricted Net Position	\$6,508	\$6,508	\$6,508
512.4 Unrestricted Net Position	\$14,170	\$14,170	\$14,170
513 Total Equity - Net Assets / Position	\$21,027	\$21,027	\$21,027
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$21,027	\$21,027	\$21,027

Rockville Housing Authority (IN048)  
 Rockville, IN  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue			
70400 Tenant Revenue - Other			
70500 Total Tenant Revenue	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$464,143	\$464,143	\$464,143
70610 Capital Grants			
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$5	\$5	\$5
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery			
71500 Other Revenue			
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$464,148	\$464,148	\$464,148
91100 Administrative Salaries	\$38,964	\$38,964	\$38,964
91200 Auditing Fees	\$3,600	\$3,600	\$3,600
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$2,981	\$2,981	\$2,981
91600 Office Expenses	\$12,995	\$12,995	\$12,995
91700 Legal Expense			
91800 Travel	\$355	\$355	\$355
91810 Allocated Overhead			
91900 Other	\$7,596	\$7,596	\$7,596
91000 Total Operating - Administrative	\$66,491	\$66,491	\$66,491
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other			
92500 Total Tenant Services	\$0	\$0	\$0
93100 Water			
93200 Electricity			
93300 Gas			
93400 Fuel			
93500 Labor			
93600 Sewer			
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			

Rockville Housing Authority (IN048)  
 Rockville, IN  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	14.871 Housing Choice Vouchers	Subtotal	Total
93000 Total Utilities	\$0	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor			
94200 Ordinary Maintenance and Operations - Materials and Other			
94300 Ordinary Maintenance and Operations Contracts			
94500 Employee Benefit Contributions - Ordinary Maintenance			
94000 Total Maintenance	\$0	\$0	\$0
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance			
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance	\$2,835	\$2,835	\$2,835
96100 Total insurance Premiums	\$2,835	\$2,835	\$2,835
96200 Other General Expenses			
96210 Compensated Absences			
96300 Payments in Lieu of Taxes			
96400 Bad debt - Tenant Rents			
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$0	\$0	\$0
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$69,326	\$69,326	\$69,326
97000 Excess of Operating Revenue over Operating Expenses	\$394,822	\$394,822	\$394,822
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments	\$407,992	\$407,992	\$407,992
97350 HAP Portability-In			
97400 Depreciation Expense	\$554	\$554	\$554
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$477,872	\$477,872	\$477,872
10010 Operating Transfer In			
10020 Operating transfer Out			
10030 Operating Transfers from/to Primary Government			

Rockville Housing Authority (IN048)  
 Rockville, IN  
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2018

	14.871 Housing Choice Vouchers	Subtotal	Total
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$13,724	-\$13,724	-\$13,724
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$34,751	\$34,751	\$34,751
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$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	\$14,519	\$14,519	\$14,519
11180 Housing Assistance Payments Equity	\$6,508	\$6,508	\$6,508
11190 Unit Months Available	1596	1596	1596
11210 Number of Unit Months Leased	1239	1239	1239
11270 Excess Cash			
11610 Land Purchases			
11620 Building Purchases			
11630 Furniture & Equipment - Dwelling Purchases			
11640 Furniture & Equipment - Administrative Purchases			
11650 Leasehold Improvements Purchases			
11660 Infrastructure Purchases			
13510 CFFP Debt Service Payments			
13901 Replacement Housing Factor Funds			

**GOVERNMENTAL AUDITING STANDARDS REPORT**

**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  
Rockville Housing Authority  
Fort Wayne, IN 46816

U.S. Department of Housing and Urban  
Development, Indianapolis Office  
Minton-Capehart Federal Building  
575 North Pennsylvania, Room 655  
Indianapolis, Indiana 46204

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 of the Rockville Housing Authority (“Authority”) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated May 15, 2019.

### **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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

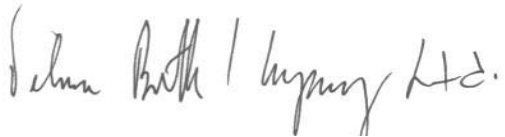
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd.".

Velma Butler & Company, Ltd.  
Chicago, Illinois

May 15, 2019