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April 1, 2020

Board of Commissioners
Fayette County Housing Authority
326 Central Avenue
Connersville, IN 47331

We have reviewed the audit report of the Fayette County Housing Authority, which was opined upon by Goldie Roberts, CPA, Independent Public Accountant, for the period October 1, 2018 to September 30, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Fayette County Housing Authority as of September 30, 2019, 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE

AUDITED FINANCIAL STATEMENTS

Connersville, Indiana
September 30, 2019

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel
Fredericksburg, IN 47120
812-472-3527

HOUSING AUTHORITY
OF THE COUNTY OF
FAYETTE

Connersville, Indiana
September 30, 2019

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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Fayette
321 W Oak St
Connersville, IN 47390

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the County of Fayette ("the Authority") which comprise the Statement of Net Position as of September 30, 2019, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of the County of Fayette's 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the County of Fayette as of September 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principals and Audit Requirements for Federal Awards, and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 17, 2020 on my consideration of the Housing Authority of the County of Fayette's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Housing Authority of the County of Fayette's internal control over financial reporting and compliance.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
March 17, 2020

**Housing Authority of the County of Fayette
Connersville, Indiana**

**Management's Discussion and Analysis
September 30, 2019**

This section of the Housing Authority of the County of Fayette's (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on September 30, 2019. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of Net Position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "Net Position" refers to the difference between assets and liabilities. The Authority's total deficit in net position as of September 30, 2019 was \$593,636. The net position deficit decreased by \$61,322, decreasing the Authority's deficit by 9.4% from the prior year.

Revenues and contributions for the Authority were \$1,562,010 for the year ended September 30, 2019. This was an increase of 13.2% from the prior year.

Expenses for the Authority were \$1,500,688 for the year ended September 30, 2019. This was an increase of 7.1% from the prior year.

HUD operating grants were \$1,547,414 for the year ended September 30, 2019. This was an increase of 12.6% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

Housing Authority of the County of Fayette
Connersville, Indiana

Management's Discussion and Analysis
September 30, 2019

OVERVIEW OF THE 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 its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authorities to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended September 30, 2019 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, liabilities exceeded assets by \$593,636 at the close of the year ended September 30, 2019, down from \$654,958 in September 30, 2018. The increase in net position of \$61,322 was due to an increase in HUD and other revenue.

The investment in capital assets was \$2,132. Net investment in capital assets decreased due to current year depreciation. The unrestricted net position was (\$634,114) as of September 30, 2019. This amount is typically used to meet the Authority's ongoing obligations. The Authority had \$38,346 classified as restricted net position that is subject to external restrictions on how they may be used. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position, except unrestricted. The same situation held true for the prior fiscal year.

Housing Authority of the County of Fayette
Connersville, Indiana

Management's Discussion and Analysis
September 30, 2019

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET POSITION
September 30,

	2019	2018	Dollar Change	Percent Change
Current and Other Assets	\$ 11,197	\$ 7,382	\$ 3,815	51.7%
Restricted Assets	38,346	471	37,875	8041.4%
Capital Assets	2,132	3,385	(1,253)	-37.0%
Total Assets	<u>51,675</u>	<u>11,238</u>	<u>40,437</u>	<u>359.8%</u>
Current Liabilities	5,045	23,930	(18,885)	-78.9%
Noncurrent Liabilities	640,266	642,266	(2,000)	-0.3%
Total Liabilities	<u>645,311</u>	<u>666,196</u>	<u>(20,885)</u>	<u>-3.1%</u>
Net Position				
Invested in Capital Assets	2,132	3,385	(1,253)	-37.0%
Restricted Net Position - HAP	38,346	471	37,875	8041.4%
Unrestricted Net Position	(634,114)	(658,814)	24,700	-3.7%
Total Net Position	<u>\$ (593,636)</u>	<u>\$ (654,958)</u>	<u>\$ 61,322</u>	<u>-9.4%</u>

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

As can be seen in the table on the following page; total revenues and contributions increased by \$182,506 due primarily to increases in HUD revenues. Other revenue increased due to administering port-in HAP vouchers. Total expenses also increased by \$99,846 because of an increase in expenses related to housing assistance payments, including port-in vouchers.

Housing Authority of the County of Fayette
Connersville, Indiana

Management's Discussion and Analysis
September 30, 2019

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
September 30,

	2019	2018	Dollar Change	Percent Change
Revenues and Contributions				
Operating - Non-Operating				
HUD Operating Grants	\$ 1,547,414	\$ 1,374,476	\$ 172,938	12.6%
Interest Income	21	22	(1)	-4.5%
Gain/Loss on Sale of Capital Assets	-	(241)	241	-100.0%
Other Revenue	14,575	5,247	9,328	177.8%
Total Revenue	<u>1,562,010</u>	<u>1,379,504</u>	<u>182,506</u>	<u>13.2%</u>
Expenses				
Administrative	134,948	139,330	(4,382)	-3.1%
Utilities	2,304	3,493	(1,189)	-34.0%
Ordinary Maintenance and Operatic	1,964	3,587	(1,623)	-45.2%
General Expense	5,227	4,016	1,211	30.2%
Housing Assistance Payments	1,354,992	1,249,327	105,665	8.5%
Depreciation	1,253	1,089	164	15.1%
Total Expenses	<u>1,500,688</u>	<u>1,400,842</u>	<u>99,846</u>	<u>7.1%</u>
Change in Net Position	61,322	(21,338)	82,660	-387.4%
Beginning Net Position	<u>(654,958)</u>	<u>(633,620)</u>	<u>(21,338)</u>	<u>3.4%</u>
Ending Net Position	<u>\$ (593,636)</u>	<u>\$ (654,958)</u>	<u>\$ 61,322</u>	<u>-9.4%</u>

Housing Authority of the County of Fayette
Connersville, Indiana

Management's Discussion and Analysis
September 30, 2019

CAPITAL ASSETS

Capital Assets – The Housing Authority of the County of Fayette's investment in capital assets, as of September 30, 2019 amounts to \$2,132 (net of accumulated depreciation).

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
September 30,**

Capital Assets	2019	2018	Dollar Change
Furniture, Equipment & Mach - Admin	\$ 22,455	\$ 22,455	\$ -
Accumulated Depreciation	20,323	19,070	1,253
Construction in Progress			-
Total Fixed Assets	<u>\$ 2,132</u>	<u>\$ 3,385</u>	<u>\$ (1,253)</u>

The total decrease in the Authority's capital assets for the current fiscal year was 37.0% in terms of net book value.

More detailed information about the capital assets is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2020 Federal budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Ms. Amanda Caldwell, Executive Director; Housing Authority of the County of Fayette; 326 Central Avenue; Connersville, Indiana 47331; (765)825-4668.

FINANCIAL STATEMENTS

Housing Authority of the County of Fayette
 Connersville, Indiana

STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$	4,198
Restricted cash and cash equivalents		38,346
Accounts receivable - net		2,289
Prepaid expenses		4,710
Total Current Assets		49,543

Capital Assets

Land and other nondepreciable assets		0
Depreciable capital assets, net		2,132
Total Capital Assets		2,132

Total Assets		51,675
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<u>Deferred outflow of resources</u>		0
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Total Assets and Deferred Outflow of Resources		51,675
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LIABILITIES

Current liabilities

Accounts payable		535
Accrued liabilities		2,510
Tenant Security Deposits		0
Current portion of notes payable		2,000
Total Current Liabilities		5,045

Noncurrent Liabilities

Notes payable		640,266
Total Noncurrent Liabilities		640,266

Total Liabilities		645,311
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<u>Deferred inflow of resources</u>		0
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NET POSITION

Net investment in capital assets		2,132
Restricted		38,346
Unrestricted		(634,114)
Total Net Position	\$	(593,636)

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

Housing Authority of the County of Fayette
Connersville, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

OPERATING REVENUES

Rental income	\$	0
Other income		14,575
		14,575

TOTAL OPERATING REVENUE		14,575
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OPERATING EXPENSES

Administrative		134,948
Utilities		2,304
Ordinary maintenance and operation		1,964
General expense		4,301
Housing assistance payments		1,354,992
Depreciation expense		1,253
		1,499,762

TOTAL OPERATING EXPENSES		1,499,762
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OPERATING INCOME (LOSS)		(1,485,187)
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NONOPERATING REVENUES

Federal operating grants		1,547,414
Interest income		21
Fraud loss		(926)
		1,546,509

TOTAL NONOPERATING REVENUES		1,546,509
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CHANGE IN NET POSITION		61,322
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TOTAL NET POSITION - BEGINNING OF YEAR		(654,958)
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TOTAL NET POSITION - END OF YEAR	\$	(593,636)
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The accompanying notes are an integral part of these financial statements.

Housing Authority of the County of Fayette
Connersville, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	13,918
Payments to vendors		(41,289)
Payments to landlords		(1,354,992)
Payments to employees		(122,313)
Net Cash Used by Operating Activities		(1,504,676)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received		1,547,414
Net Cash Flows Provided		1,547,414
by Noncapital Financing Activities		1,547,414

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Mortgage principal payments		(2,000)
Interest		21
Acquisition and construction of capital assets		0
Net Cash Flows Provided (Used)		(1,979)
by Capital and Related Financing Activities		(1,979)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		(926)
Net Cash Provided by Investing Activities		(926)

Net Increase (Decrease) in Cash and Cash Equivalents		39,833
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Cash - Beginning of year		2,711
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Cash - End of year	\$	42,544
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Reconciliation of Cash		
Unrestricted	\$	4,198
Restricted		38,346
Total Cash and Cash Equivalents	\$	42,544

Continued

Housing Authority of the County of Fayette
Connersville, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$	(1,485,187)
Adjustments to reconcile net operating income to net cash Provided by operating activities:		
Depreciation		1,253
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(657)
Prepaid expenses		(1,200)
Increase (Decrease) in:		
Accounts payable		(18,140)
Accrued liabilities		(745)
Net Cash Flows Provided		
by Operating Activities	\$	<u><u>(1,504,676)</u></u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Connersville, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE A - Summary of Significant Accounting Policies

Reporting Entity - The Housing Authority is a separate governmental entity created for the purpose of providing rental assistance to low income, disabled, and elderly persons. Most of the Housing Authority's funding is provided by the United States Department of Housing and Urban Development (HUD). All programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

Programs Administered by the Housing Authority - The programs of the Housing Authority are recorded in one enterprise fund. Each is maintained using a separate set of self-balancing accounts. The programs include Housing Choice Vouchers and Business Activities.

Basis of Accounting and Measurement Focus - The Housing Authority's basic financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Housing Authority applies all GASB pronouncements.

All activities of the Housing Authority are accounted for within one proprietary (enterprise) fund. A proprietary fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A proprietary fund distinguishes operating revenue and expenses from non-operating items. Operating revenue 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 revenue of the Housing Authority is rent collected from tenants and operating grants. Operating expenses for a proprietary fund include the cost of operating properties owned, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The accounting and financial reporting treatment applied to the Housing Authority is determined by its measurement focus. The transactions of the Housing Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, and all liabilities and deferred inflows of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into net investment in capital assets, restricted, and unrestricted. When both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Investments - For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash and Investments - Restricted - Restricted cash and investments are segregated resources for unspent housing assistance payments and tenant security deposits.

Accounts Receivable - Accounts receivable are recorded at gross amount, less an allowance for doubtful accounts. The allowance for doubtful accounts was \$0 at September 30, 2019.

Prepaid Items - Prepaid items represent payments made to vendors for services that will benefit beyond September 30, 2019.

Inventory - Inventory is valued at cost, which approximate market value, using the first-in/first-out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Connersville, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(Continued)

NOTE A - Summary of Significant Accounting Policies (continued)

Capital Assets - Purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The Housing Authority capitalized all assets with a cost of \$1,500 or greater and a useful life of one year or more. Buildings and equipment are carried at cost or fair market value and depreciated using a straight-line method of depreciation over their estimated useful lives as follows:

Maintenance and office equipment	3-7 years
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Impairment of Long-Lived Assets - The Housing Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recorded if the fair value is less than the carrying value of an asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended September 30, 2019.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Housing Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences related to future services or that are contingent on a specific event that is outside the control of the Housing Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place. The balance of accrued compensated absences as of September 30, 2019 was \$0.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then.

Net Position Classifications - Net position represents the difference between the total assets and the total liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Federal Aids - Federal aids for reimbursable programs are recognized as revenue in the year the related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenue.

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Connersville, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(Continued)

NOTE A - Summary of Significant Accounting Policies (continued)

Due To/From Other Programs - During the course of operations, numerous transactions occur between individual programs for goods provided or services rendered. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net position and have been eliminated in the basic financial statements.

Interprogram Transactions - Quasi-external transactions are accounted for as revenue or expenses. Transactions that constitute reimbursements to a program for expenses initially made from it that are properly applicable to another program, are recorded as expenses in the reimbursing program and as reductions of expenses in the program that is reimbursed.

Use of Estimates - The preparation of the basic 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through March 17, 2020 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE B - Cash and Investments

HUD requires housing authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments. HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Housing Authority or with an unaffiliated bank or trust company for the account of the Housing Authority.

Deposits made in accordance with State stature (IC 5-13), with financial institutions in the State of Indiana should be covered to the extent not covered by insurance of any federal deposit insurance agency.

No significant violations of these restrictions occurred during the year.

Fair (Market) Value of Deposits and Investments - Deposits and investments are reported at fair value. At September 30, 2019, the fair value of the Housing Authority's deposits approximated original cost; therefore, no fair value adjustments were necessary.

Determining Fair Value - Fair value of the Housing Authority's deposits are determined as follows: deposits with stated interest rates (operating accounts, savings accounts, certificates of deposit, repurchase agreements, and money market accounts) are stated at cost.

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Connersville, Indiana

NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2019
 (Continued)

NOTE B - Cash and Investments - Continued

Income Allocation - Investment income is generally allocated to the program that owns the deposit or investment.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Housing Authority's investment policy limits the Housing Authority's investment portfolio to maturities not to exceed two years at time of purchase. At September 30, 2019, the Housing Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk - This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Housing Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US government, its agencies and instrumentalities.

Custodial Credit Risk - Deposits - This is the risk that, in the event of a bank failure, the Housing Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Housing Authority's investments in securities are held in the name of the Housing Authority. The Housing Authority's custodial agreement policy prohibits counterparties holding securities not in the Housing Authority's name.

At September 30, 2019, the Housing Authority's the bank balance was \$42,544. The deposits are either covered by federal depository insurance, by collateral help by the Housing Authority's agent in the Housing Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement.

NOTE C - Capital Assets

A summary of changes in capital assets is as follows:

	BALANCE <u>10/01/2017</u>	ADDITIONS	RETIREMENTS	BALANCE <u>09/30/2018</u>
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Building and improvements	0	-		0
Furniture, Equipment, & Machinery	<u>22,455</u>	-		<u>22,455</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	22,455	-		22,455
Less accumulated depreciation	<u>19,070</u>	<u>1,089</u>	<u>164</u>	<u>20,323</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET OF ACCUMULATED DEPRECIATION	<u>3,385</u>	<u>1,089</u>	<u>164</u>	<u>2,132</u>
NET CAPITAL ASSETS	<u>\$ 3,385</u>	<u>\$ 1,089</u>	<u>\$ 164</u>	<u>\$ 2,132</u>

**HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Connersville, Indiana**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019
(Continued)

NOTE D- Long-Term Obligations

Details of the Housing Authority's long-term obligations are set forth below:

Summary of Long-Term Obligations

	<u>BALANCE</u> <u>10/1/17</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>9/30/18</u>	<u>AMOUNT</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
HUD repayment	\$ 82,586	\$ -	\$ 1,000	\$ 81,586	\$ 1,000
HUD repayment	559,680	-	1,000	558,680	1,000
	<u>\$ 642,266</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 640,266</u>	<u>\$ 2,000</u>

Repayment Agreement

On November 21, 2017, the Fayette County Housing Authority signed a repayment agreement with the Department of Housing Authority, in the amount of \$ 561,680. This Authority is required yearly repayment in equal yearly installments of \$ 1,000 over a period of 562 year(s) commencing December 1, 2017 until payment is received in full.

At November 21, 2017, the Housing Authority owed \$81,919 to the Department of Housing and Urban Development due to a review of past transactions. The Housing Authority is required to make annual installments of \$1,000 on the first day of each calendar year. If the Housing Authority fails to submit a payment within 60 days of the due date, HUD reserves the right to charge a three percent monthly interest charge. If the Housing Authority submits a payment more than 90 days late, HUD reserves the right to declare the agreement null and void.

NOTE E - Risk Management

Insured Risk - The Housing Authority purchases commercial insurance with various deductibles and coverages to cover liability, property, workers' compensation, errors, and omissions, and employee defalcation risk. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE F - Net Position

The following is a summary of individual net position restrictions at September 30, 2019:

<u>PROGRAM</u>	<u>PURPOSE/REASON</u>	<u>AMOUNT</u>
<u>Restrictions</u>		
Section 8 Choice Vouchers	Future HAP expenditures	<u>\$ 38,346</u>

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Connersville, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(Continued)

NOTE G - Economic Dependency

The Housing Authority received approximately 99 percent of its total revenue from the United States Department of Housing and Urban Development. This funding is subject to federal government budget appropriations and potential funding reductions.

SUPPLEMENTAL FINANCIAL INFORMATION

Housing Authority of the County of Fayette (IN073)
Connersville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$2,198	\$2,198	\$2,198
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$38,346	\$38,346	\$38,346
114 Cash - Tenant Security Deposits			
115 Cash - Restricted for Payment of Current Liabilities	\$2,000	\$2,000	\$2,000
100 Total Cash	\$42,544	\$42,544	\$42,544
121 Accounts Receivable - PHA Projects	\$1,798	\$1,798	\$1,798
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	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery	\$491	\$491	\$491
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,289	\$2,289	\$2,289
131 Investments - Unrestricted			
132 Investments - Restricted	\$0	\$0	\$0
135 Investments - Restricted for Payment of Current Liability	\$0	\$0	\$0
142 Prepaid Expenses and Other Assets	\$4,710	\$4,710	\$4,710
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$49,543	\$49,543	\$49,543
161 Land			
162 Buildings			
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$22,455	\$22,455	\$22,455
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$20,323	-\$20,323	-\$20,323
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,132	\$2,132	\$2,132
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	\$2,132	\$2,132	\$2,132
200 Deferred Outflow of Resources			
290 Total Assets and Deferred Outflow of Resources	\$51,675	\$51,675	\$51,675
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$535	\$535	\$535
313 Accounts Payable >90 Days Past Due			

321	Accrued Wage/Payroll Taxes Payable	\$2,291	\$2,291	\$2,291
322	Accrued Compensated Absences - Current Portion			
324	Accrued Contingency Liability			
325	Accrued Interest Payable			
331	Accounts Payable - HUD PHA Programs	\$2,000	\$2,000	\$2,000
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	\$219	\$219	\$219
346	Accrued Liabilities - Other			
347	Inter Program - Due To			
348	Loan Liability - Current			
310	Total Current Liabilities	\$5,045	\$5,045	\$5,045
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	\$640,266	\$640,266	\$640,266
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	\$640,266	\$640,266	\$640,266
300	Total Liabilities	\$645,311	\$645,311	\$645,311
400	Deferred Inflow of Resources			
508.4	Net Investment in Capital Assets	\$2,132	\$2,132	\$2,132
511.4	Restricted Net Position	\$38,346	\$38,346	\$38,346
512.4	Unrestricted Net Position	-\$634,114	-\$634,114	-\$634,114
513	Total Equity - Net Assets / Position	-\$593,636	-\$593,636	-\$593,636
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$51,675	\$51,675	\$51,675

Housing Authority of the County of Fayette (IN073)
Connersville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	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	\$1,547,414	\$1,547,414	\$1,547,414
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	\$21	\$21	\$21
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery	\$2,537	\$2,537	\$2,537
71500 Other Revenue	\$12,038	\$12,038	\$12,038
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted	\$0	\$0	\$0
70000 Total Revenue	\$1,562,010	\$1,562,010	\$1,562,010
91100 Administrative Salaries	\$86,732	\$86,732	\$86,732
91200 Auditing Fees	\$6,000	\$6,000	\$6,000
91300 Management Fee	\$0	\$0	\$0
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$6,635	\$6,635	\$6,635
91600 Office Expenses	\$22,551	\$22,551	\$22,551
91700 Legal Expense	\$1,500	\$1,500	\$1,500
91800 Travel			
91810 Allocated Overhead			
91900 Other	\$11,530	\$11,530	\$11,530
91000 Total Operating - Administrative	\$134,948	\$134,948	\$134,948
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	\$579	\$579	\$579
93200 Electricity	\$1,602	\$1,602	\$1,602
93300 Gas	\$123	\$123	\$123
93400 Fuel			
93500 Labor			
93500 Sewer			
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$2,304	\$2,304	\$2,304

94100 Ordinary Maintenance and Operations - Labor			
94200 Ordinary Maintenance and Operations - Materials and Other			
94300 Ordinary Maintenance and Operations' Contracts	\$1,964	\$1,964	\$1,964
94500 Employee Benefit Contributions - Ordinary Maintenance			
94000 Total Maintenance	\$1,964	\$1,964	\$1,964
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	\$600	\$600	\$600
96130 Workmen's Compensation	\$3,408	\$3,408	\$3,408
96140 All Other Insurance	\$293	\$293	\$293
96100 Total insurance Premiums	\$4,301	\$4,301	\$4,301
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	\$143,517	\$143,517	\$143,517
97000 Excess of Operating Revenue over Operating Expenses	\$1,418,493	\$1,418,493	\$1,418,493
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments	\$1,345,287	\$1,345,287	\$1,345,287
97350 HAP Portability-In	\$9,705	\$9,705	\$9,705
97400 Depreciation Expense	\$1,253	\$1,253	\$1,253
97500 Fraud Losses	\$926	\$926	\$926
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$1,500,688	\$1,500,688	\$1,500,688
10010 Operating Transfer In			
10020 Operating transfer Out			
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$61,322	\$61,322	\$61,322

11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	-\$654,958	-\$654,958	-\$654,958
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	-\$631,982	-\$631,982	-\$631,982
11180 Housing Assistance Payments Equity	\$38,346	\$38,346	\$38,346
11190 Unit Months Available	4186	4186	4186
11210 Number of Unit Months Leased	3961	3961	3961
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			

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Connersville, Indiana

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense and extraordinary maintenance expense from operating activities, includes investment revenue and HUD capital grants in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Connersville, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
<u>U. S. DEPARTMENT OF HUD</u>				
IN-073	Housing Voucher Cluster Section 8 Housing Choice Vouchers	14.871	<u>\$1,547,414</u>	<u>\$1,547,414</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$1,547,414</u>	<u>\$1,547,414</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Housing Authority of the County of Fayette under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Housing Authority of the County of Fayette, it is not intended to and does not present the financial position, changes in net position or cash flow of Housing Authority of the County of Fayette.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note A. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Housing Authority of the County of Fayette has not elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

OTHER REPORTS

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120

Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
Housing Authority of the County of Fayette
321 W Oak St
Connersville, IN 47390

I 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 Housing Authority of the County of Fayette, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Fayette's basic financial statements and have issued my report thereon dated March 17, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Housing Authority of the County of Fayette's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Fayette's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the County of Fayette'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 Housing Authority of the County of Fayette's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of the Housing Authority of the County of Fayette in a separate letter dated March 17, 2020.

Purpose Of This Report

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

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
March 17, 2020

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd

Fredericksburg, Indiana 47120

Report on Compliance For Each Major Federal Program; Report on Internal Control Over
Compliance Required by Uniform Guidance

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Fayette
321 W Oak St
Connersville, IN 47390

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the County of Fayette'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 Housing Authority of the County of Fayette's major federal programs for the year ended September 30, 2019. The Housing Authority of the County of Fayette's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Housing Authority of the County of Fayette's compliance.

Opinion on Each Major Federal Program

In my opinion, the Housing Authority of the County of Fayette, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
March 17, 2020

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Fayette, Indiana

SEPTEMBER 30, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

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

Unmodified

Internal control over financial reporting:

~ Material weakness(es) identified?

_____yes X no

~ Significant deficiency(s) identified?

_____yes X none reported

Noncompliance material to financial statements noted?

_____yes X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified?

_____yes X no

~ Significant deficiency(s) identified that are not considered to be material weakness(es)?

_____yes X none reported

Type of auditors' report issued on compliance for major federal 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 federal programs:

CFDA Number

Name of Federal Program

14.871

Housing Voucher Cluster
Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes _____no

HOUSING AUTHORITY OF THE COUNTY OF FAYETTE
Fayette, Indiana

SEPTEMBER 30, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

PRIOR YEAR FINDINGS

2018-001

Negative Cash Balance

Prior Condition:

We noted that the Housing Authority had a negative cash balance of (\$8,598). The admin cash account only had \$2,711 leaving the Housing Authority negative in cash (\$5,887).

Current Condition:

The Authority has a positive cash balance of 42,544 as of September 30, 2019.

THIS FINDING IS CLEARED

2018-002

Issuance of Bonuses

Prior Condition:

We noted that the Housing Authority paid out \$7,000 in bouses to employees and approved on December 19, 2017.

Current Condition:

The Authority did not pay bonuses and the board understands that it is not allowed.

THIS FINDING IS CLEARED

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.