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April 30, 2020

Board of Commissioners
St. Joseph County Housing Authority
107 W. Center St.
North Liberty, IN 46554

We have received the audit report of the St. Joseph County Housing Authority, which was opined upon by Audit Solutions, LLC, Independent Public Accountants, 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 St. Joseph 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

**ST. JOSEPH COUNTY HOUSING AUTHORITY
NORTH LIBERTY, INDIANA**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. Joseph County Housing Authority
North Liberty, Indiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the St. Joseph County Housing Authority (Authority), Indiana, as of and for the year ended September 30, 2019, 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

My responsibility is to express opinions 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 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, 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.

Opinions

In my 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, 2019, 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 i-v 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. 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 basic financial statements, and other knowledge I obtained during my audit of the basic 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.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying PHA's Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 22, 2020, on my consideration of the Authority'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 the Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

April 22, 2020

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2019

This section of the Housing Authority of the County of St. Joseph, Indiana (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 Housing 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, all deferred outflows of resources, all liabilities, and all deferred inflows of resources, 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 plus deferred outflows of resources less liabilities and deferred inflows of resources. The Authority's total net position as of September 30, 2019 was \$44,283. The net position decreased by \$7,049, a decrease of 13.7% from the prior year.
- Revenues for the Authority were \$1,120,933 for the year ended September 30, 2019. This was an increase of \$110,861 or 11.0% over the prior year.
- Expenses for the Authority were \$1,127,158 for the year ended September 30, 2019. This was an increase of \$100,957 or 9.8% over the prior year.
- Government grants and subsidy for the Authority was \$1,117,414 for the year ended September 30, 2019, an increase of \$107,345 or 10.6% 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, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations of the Authority creditors (liabilities and deferred inflows of resources). 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 ST. JOSEPH COUNTY
North Liberty, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
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 Fund 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 Data*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's 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 below, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,283 at the close of the year ended September 30, 2019 down from \$51,332 in fiscal year 2018. The decrease in net position of \$7,049 was due to the reasons noted below:

- Current assets increased \$34,660 from FY 2018 due to a \$38,610 increase in unrestricted cash which was partially offset by a \$3,964 decrease in receivables.
- Restricted assets consist of cash and decreased \$15,129 from FY 2018.
- Current liabilities increased \$26,580 due to a \$26,321 payable owed to HUD for repayment of Restricted Equity.

The unrestricted net position was \$32,430 as of September 30, 2019. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for four months. The restricted net position was \$11,853 as of September 30, 2019. This amount may only be used for housing assistance payments in the Housing Choice Voucher program. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

HOUSING AUTHORITY OF ST. JOSEPH COUNTY
North Liberty, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2019

FINANCIAL ANALYSIS – (CONTINUED)

**CONDENSED STATEMENTS OF NET POSITION
SEPTEMBER 30,**

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current assets	\$ 64,157	\$ 29,497	\$ 34,660	117.5%
Restricted assets	<u>11,853</u>	<u>26,982</u>	<u>(15,129)</u>	-56.1%
Total Assets	<u>76,010</u>	<u>56,479</u>	<u>19,531</u>	34.6%
Current liabilities	<u>31,727</u>	<u>5,147</u>	<u>26,580</u>	516.4%
Total Liabilities	<u>31,727</u>	<u>5,147</u>	<u>26,580</u>	516.4%
Net Position				
Restricted	11,853	26,982	(15,129)	-56.1%
Unrestricted	<u>32,430</u>	<u>24,350</u>	<u>8,080</u>	33.2%
Total Net Position	<u>\$ 44,283</u>	<u>\$ 51,332</u>	<u>\$ (7,049)</u>	-13.7%

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.

HOUSING AUTHORITY OF ST. JOSEPH COUNTY
North Liberty, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2019

FINANCIAL ANALYSIS – (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	FY 2019	FY 2018	Dollar Change	Percent Change
Revenues				
Operating - non-operating - capital contributions:				
Governmental grants and subsidy	1,117,414	1,010,069	107,345	10.6%
Miscellaneous revenue	3,512	-	3,512	100.0%
Investment income	7	3	4	133.3%
Total Revenues	1,120,933	1,010,072	110,861	11.0%
Expenses				
Administrative	85,974	78,186	7,788	10.0%
Insurance	3,365	3,241	124	3.8%
General expense	1,783	10,539	(8,756)	-83.1%
Housing assistance payments	1,009,715	934,235	75,480	8.1%
Special items (net loss)	26,321	-	26,321	100.0%
Total Expenses	1,127,158	1,026,201	100,957	9.8%
Changes in net position	(6,225)	(16,129)	9,904	
Net position, beginning of year	51,332	67,461	(16,129)	
Prior period adjustments	(824)	-	(824)	
Net position, end of year	\$ 44,283	\$ 51,332	\$ (7,049)	

As can be seen in the table above, total revenues increased \$110,861 due to the reasons noted below:

- Governmental grants and subsidy increased \$107,345 or 10.6% from FY 2018 due to an increase in HUD housing assistance for the housing choice voucher program of \$108,731 or 11.4%.
- Other income increased \$3,512 from FY 2018 mostly due to an increase in revenue from fraud recovery.
- Investment income increased \$4 from FY 2018.

HOUSING AUTHORITY OF ST. JOSEPH COUNTY
North Liberty, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2019

FINANCIAL ANALYSIS (CONTINUED)

Total expenses increased \$100,957 due to the reasons noted below:

- Administrative expense increased \$7,788 or 10.0% from FY 2018 primarily due to an increase in employee wages of \$3,842 or 8.2% and an increase in sundry of \$5,012 or 35.19%.
- Insurance increased \$124 or 3.8% from FY 2018 due to an increase in workers compensation insurance of \$84 or 7.0% and an increase in liability insurance of \$40 or 2.0%.
- General expense decreased \$8,756 or 83.1% from FY 2018 due to a decrease in other general expenses.
- Housing assistance payments increased \$75,480 or 8.1% mainly due an increase in average housing assistance payment per unit of \$26.19 or 5.9%. The Authority also had a 2.7% increase in voucher lease-up rate. The average housing assistance payment was \$472.54 in FY 2019, up from \$446.36 in FY 2018.
- The Authority had a special item, net loss of \$26,321 in FY 2019 for repayment to HUD of PHA-Held HAP Reserves.

The Authority is authorized to assist 224 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease-up rate for fiscal year ended September 30, 2019 was 75.2%, up from 73.2% in FY 2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority is eligible to receive continuing budget authority during FY 2020 for assisting participants in the Housing Choice Voucher program. In addition to continuing budget authority, the Authority also has \$11,853 available in HAP Reserves and \$19,239 in HUD-Held Program Reserves to be used for housing assistance payments. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2020 and adjusted for pro-ration which is estimated at 81.100%.

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 Executive Director, Housing Authority of the County of St. Joseph, 107 W. Center Street, P.O. Box 425, North Liberty, IN 46554.

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF NET POSITION
September 30, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$	39,769
Cash - restricted		11,853
Receivables - net of allowances		23,774
Prepaid expenses		<u>614</u>

Total Current Assets 76,010

Total Assets \$ 76,010

LIABILITIES

Current Liabilities:

Accounts payable	\$	<u>31,727</u>
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Total Current Liabilities 31,727

Total Liabilities 31,727

NET POSITION

Restricted		11,853
Unrestricted		<u>32,430</u>

Total Net Position 44,283

Total Liabilities and Net Position \$ 76,010

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019

OPERATING REVENUES

Governmental grants and subsidy	\$	1,117,414
Miscellaneous		<u>3,512</u>
Total operating revenue		<u>1,120,926</u>

OPERATING EXPENSES

Administrative		85,974
Insurance		3,365
General		1,783
Housing assistance payment		<u>1,009,715</u>

Total operating expenses 1,100,837

Operating income (loss) 20,089

NON-OPERATING REVENUES (EXPENSES)

Investment income		7
Special items (net gain/loss)		<u>(26,321)</u>

Net non-operating revenues (expenses) (26,314)

Income (loss) before contributions and transfers (6,225)

Change in net position (6,225)

Total net position - beginning of year		51,332
Prior period adjustments		<u>(824)</u>

Total net position - end of year \$ 44,283

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from governmental grants and subsidy	\$ 1,145,138
Received from other operating activities	5,249
Payments for goods and services	(36,101)
Payments to employees	(54,776)
Payment for housing assistance	<u>(1,036,036)</u>
Net cash provided by (used in) operating activities	<u>23,474</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest and dividends	<u>7</u>
Net cash provided by (used in) investing activities	<u>7</u>
Net increase (decrease) in cash and cash equivalents	23,481
Cash and cash equivalents at beginning of year	<u>28,141</u>
Cash and cash equivalents at end of year	\$ <u><u>51,622</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 20,089
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Receivables, net	3,140
Prepaid expenses	(14)
Accounts and other payables	346
Accrued expenses	<u>(87)</u>
Net cash provided by (used) by operating activities	\$ <u><u>23,474</u></u>

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Joseph County Housing Authority (Authority) is a public body and a body corporate and politic organized under the laws of the State of Indiana that is legally separate, fiscally independent and governed by a Board of Commissioners. The Authority administers the Section 8 Housing Choice Vouchers program which provides housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD). The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1A. Financial Reporting Entity

The Authority's financial reporting entity comprises the following:

Primary Government: Housing Authority

In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, "The Financial Reporting Entity," and includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, there are no component units which are required to be included in the Authority's financial statements.

1B. Basis of Presentation

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

Proprietary Fund Types - This fund is used to account for the Authority's ongoing activities that are similar to those often found in the private sector. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Authority's proprietary fund types:

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019

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

1B. Basis of Presentation – (Continued)

The Authority operates the following program in the enterprise fund:

Section 8 Housing Choice Vouchers - The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for the operating program which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

1E. Estimates and assumptions

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

1F. Assets, Liabilities, and Equity

Cash

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019

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

1F. Assets, Liabilities, and Equity – (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable, if any, are based upon historical trends and the periodic aging of accounts receivable. Major receivable balance consists of HUD, miscellaneous and tenant fraud recovery.

Equity Classifications

Equity is classified as net position and displayed in two components:

- 1) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 2) Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted are available, the Authority’s policy is to apply restricted assets to fund restricted costs and then unrestricted as they are needed.

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Section 8 Housing Choice Vouchers	U.S. Department of Housing and Urban Development

2B. Deposits and Investments Laws and Regulations

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority. As reflected in Note 3A, all deposits were fully insured or collateralized.

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Housing Assistance Payment Grant	For HAP purposes only

For the year ended September 30, 2019, the Authority complied, in all material respects, with these revenue restrictions.

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash

As of September 30, 2019, the Authority had the following cash deposits and investments:

Total cash deposits	\$ <u>51,622</u>
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Following is a reconciliation of the Authority's deposit balances as of September 30, 2019:

Cash – unrestricted	\$ 39,769
Cash – restricted	<u>11,853</u>
Total	\$ <u>51,622</u>

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At September 30, 2019, the Authority's bank balances of \$51,741 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

3B. Accounts Receivable

Receivables at September 30, 2019 consist of the following:

Tenants – Fraud recovery	\$ 1,809
HUD other projects	2,511
Miscellaneous	<u>19,454</u>
Total receivable	\$ <u>23,774</u>

3C. Accounts Payable

Accounts payable at September 30, 2019 consist of the following:

Vendors	\$ 1,516
Other current liabilities – HAP	3,890
HUD	<u>26,321</u>
Total Accounts Payable	\$ <u>31,727</u>

3D. Prior Period Adjustments

A/R-Misc. – To correct prior year receivable to actual	\$ <u>824</u>
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ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority does not provide pension benefits to its employees. As such, no pension contributions were made in FY 2019.

4B. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes Housing Assistance Payment (HAP) and includes investment income in operating activities, which differs from the presentation of basic financial statements.

4C. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Mt. Vernon Fire Insurance Co.
b. Injuries to employees (workers' compensation)	Purchased insurance with Auto-Owners Insurance. Claims are administered by the same company.

Management believes such 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.

4D. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4E. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were 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.

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
September 30, 2019

NOTE 4 – OTHER NOTES – (Continued)

4E. Subsequent Events – (Continued)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

4F. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the 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.

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2019

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	\$ 1,059,084
Section 8 Housing Choice Vouchers - IHEDA (pass through)	14.871	<u>58,330</u>
Total Expenditures of Federal Awards		\$ <u><u>1,117,414</u></u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the St. Joseph County Housing Authority (Authority) 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 of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. 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. The Authority has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

FINANCIAL DATA SCHEDULE
Year Ended September 30, 2019

	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$39,769	\$39,769	\$39,769
113 Cash - Other Restricted	\$11,853	\$11,853	\$11,853
100 Total Cash	\$51,622	\$51,622	\$51,622
122 Accounts Receivable - HUD Other Projects	\$2,511	\$2,511	\$2,511
125 Accounts Receivable - Miscellaneous	\$19,454	\$19,454	\$19,454
128 Fraud Recovery	\$1,809	\$1,809	\$1,809
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$23,774	\$23,774	\$23,774
142 Prepaid Expenses and Other Assets	\$614	\$614	\$614
150 Total Current Assets	\$76,010	\$76,010	\$76,010
290 Total Assets and Deferred Outflow of Resources	\$76,010	\$76,010	\$76,010
312 Accounts Payable <= 90 Days	\$1,516	\$1,516	\$1,516
331 Accounts Payable - HUD PHA Programs	\$26,321	\$26,321	\$26,321
345 Other Current Liabilities	\$3,890	\$3,890	\$3,890
310 Total Current Liabilities	\$31,727	\$31,727	\$31,727
300 Total Liabilities	\$31,727	\$31,727	\$31,727
511.4 Restricted Net Position	\$11,853	\$11,853	\$11,853
512.4 Unrestricted Net Position	\$32,430	\$32,430	\$32,430
513 Total Equity - Net Assets / Position	\$44,283	\$44,283	\$44,283
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$76,010	\$76,010	\$76,010

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended September 30, 2019

	14.871 Housing Choice Vouchers	Subtotal	Total
70600 HUD PHA Operating Grants	\$1,059,084	\$1,059,084	\$1,059,084
70800 Other Government Grants	\$58,330	\$58,330	\$58,330
71100 Investment Income - Unrestricted	\$7	\$7	\$7
71400 Fraud Recovery	\$3,422	\$3,422	\$3,422
71500 Other Revenue	\$90	\$90	\$90
70000 Total Revenue	\$1,120,933	\$1,120,933	\$1,120,933
91100 Administrative Salaries	\$50,489	\$50,489	\$50,489
91200 Auditing Fees	\$4,690	\$4,690	\$4,690
91400 Advertising and Marketing	\$45	\$45	\$45
91500 Employee Benefit contributions - Administrative	\$4,200	\$4,200	\$4,200
91600 Office Expenses	\$6,905	\$6,905	\$6,905
91800 Travel	\$389	\$389	\$389
91900 Other	\$19,256	\$19,256	\$19,256
91000 Total Operating - Administrative	\$85,974	\$85,974	\$85,974
96120 Liability Insurance	\$2,074	\$2,074	\$2,074
96130 Workmen's Compensation	\$1,291	\$1,291	\$1,291
96100 Total insurance Premiums	\$3,365	\$3,365	\$3,365
96200 Other General Expenses	\$1,783	\$1,783	\$1,783
96000 Total Other General Expenses	\$1,783	\$1,783	\$1,783
96900 Total Operating Expenses	\$91,122	\$91,122	\$91,122
97000 Excess of Operating Revenue over Operating Expenses	\$1,029,811	\$1,029,811	\$1,029,811
97300 Housing Assistance Payments	\$955,483	\$955,483	\$955,483
97350 HAP Portability-In	\$54,232	\$54,232	\$54,232
90000 Total Expenses	\$1,100,837	\$1,100,837	\$1,100,837
10080 Special Items (Net Gain/Loss)	-\$26,321	-\$26,321	-\$26,321
10100 Total Other financing Sources (Uses)	-\$26,321	-\$26,321	-\$26,321
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$6,225	-\$6,225	-\$6,225
11030 Beginning Equity	\$51,332	\$51,332	\$51,332
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$824	-\$824	-\$824
11170 Administrative Fee Equity	\$32,430	\$32,430	\$32,430
11180 Housing Assistance Payments Equity	\$11,853	\$11,853	\$11,853
11190 Unit Months Available	2688	2688	2688
11210 Number of Unit Months Leased	2022	2022	2022

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

Board of Commissioners
St. Joseph County Housing Authority
North Liberty, Indiana

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 business-type activities of the St. Joseph County Housing Authority (Authority), Indiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated April 22, 2020.

Internal Control Over Financial Reporting

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

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

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. Given these limitations, during my audit I did not identify any deficiencies in internal control 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 Authority’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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

April 22, 2020

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
St. Joseph County Housing Authority
North Liberty, Indiana

Report on Compliance for Each Major Federal Program

I have audited the St. Joseph County Housing Authority (Authority), Indiana’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended September 30, 2019. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

My responsibility is to express an opinion on compliance for each of the Authority’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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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 Authority’s compliance with those requirements and performing such other procedures as I 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 Authority’s compliance.

Opinion on Each Major Federal Program

In my opinion, the St. Joseph County Housing Authority, Indiana, 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 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Authority’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 auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority’s internal control over compliance.

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

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.

Audit Solutions, LLC

Chesterfield, Missouri

April 22, 2020

ST. JOSEPH COUNTY HOUSING AUTHORITY
North Liberty, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
<u>Identification of Major programs:</u>	
➤ CFDA #14-871 Housing Choice Vouchers	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended September 30, 2019 disclosed no Financial Statement audit findings.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended September 30, 2019 disclosed no Federal Awards audit findings and questioned costs.