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July 1, 2020

Board of Commissioners  
Brazil Housing Authority  
122 West Jackson Street  
Brazil, IN 47834

We have reviewed the audit report of Brazil Housing Authority, which was opined upon by Audit Solutions, LLC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Brazil Housing Authority as of December 31, 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 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 CITY OF BRAZIL  
BRAZIL, INDIANA**

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

**FOR THE YEAR ENDED DECEMBER 31, 2019**

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City Brazil  
Brazil, Indiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Brazil (Authority), Indiana, as of and for the year ended December 31, 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 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 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.

### ***Opinion***

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 December 31, 2019, and the respective 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-vii 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 opinion on the financial statements that collectively comprise the Housing Authority of the City of Brazil, Indiana’s basic financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards 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 June 11, 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

June 11, 2020

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
December 31, 2019

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As management of the Housing Authority of the City of Brazil (Authority), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Executive Director, Housing Authority of the City of Brazil.

**Overview of the Financial Statements**

The financial statements included in this annual audit report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

The Statement of Net Position

This statement reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities, equals "Net Position", formerly known as Net Assets or Equity.

Statement of Revenue, Expenses, and Change in Net Position

This statement reports the Authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions.

Statement of Cash Flows

Presents information on the effects changes in assets and liabilities have on cash during the course of the Fiscal Year.

Notes to the Financial Statements

Provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

**Analysis of the Housing Authority**

Our analysis of the Authority as a whole begins on the next page. The most important question asked about the Authority's finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of entity wide net position, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net position and changes in them. One can think of the Authority's net position as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net position analysis will assist the reader with measuring the health or financial position of the Authority. To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)  
December 31, 2019

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**Analysis of the Housing Authority – (Continued)**

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of the City of Brazil:

**Low Income Public Housing (LIPH)**

The Housing Authority has 288 units at 4 sites in its Public Housing inventory. The Authority is responsible for the management, maintenance, and utilities for all units. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy.

The basic concept of the Calculation of Operating Subsidy is that the Authority has an allowable and an allowable utility expense level. HUD funds the difference between allowable costs as incurred for all leased units and the actual tenant revenue generated.

**Section 8 Housing Choice Vouchers (HCV)**

HUD has contracted with the Housing Authority to manage the Housing Choice Voucher Program. The Authority pays a Housing Assistance Payments to Landlords for Low Income tenants.

The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

**Capital Fund Program**

These grant programs are award by HUD on an annual basis. The purpose of these grants is to improve the sites and units of the Authority requisitions funds from HUD as needed to meet funds the Authority expends funds

**State and Local Grants (Kruzan Street Rental Properties)**

The Housing Authority was given two properties (516 and 522 W. Kruzan St., Brazil IN) by the City of Brazil in January 2011. The two homes were newly constructed under the Neighborhood Stabilization Program (NSP).

The Housing Authority assumed all rights and responsibilities of these properties and must ensure the units are rented to families that meet the income qualifications of NSP Round 1 (at or below fifty percent of the area median income). The Authority also agrees to:

- (1) ensure units meet standards set forth in 24CFR 92.251;
- (2) ensure that families who rent the units meet the affordability requirements;
- (3) comply with NSP published rent limits; and
- (4) comply with annual reporting requirements.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2019

**Condensed Comparative Financial Statements**

*Analysis of Entity Wide Net Position (Statement of Net Position)*

**Total Net Position** for FY 2019 was \$4,159,202 and for FY 2018 the amount was \$4,425,529. This represents an overall decrease of \$266,327, or 6.4%. Details are as follows:

**Cash, including short term investments**, increased by \$31,614 from FY 2018 to FY 2019 or 4.5%. The change in the Authority's cash balance is due primarily to the results of current year operations.

**Other Current Assets** increased by \$17,175. Receivables increased from the prior year due to the recognition of a receivable from a vendor.

**Capital Assets** decreased to \$5,043,821 in FY 2019 from \$5,417,282 in FY 2018, or by \$373,461, or 7.4%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Non-Current Liabilities** decreased \$56,456. The Authority made debt payments for financing energy improvements which was adjusted based on the remaining future payments schedule.

The table below illustrates our analysis:

	2019	2018	Net Change	Percent Variance
Cash and Investments	\$ 696,008	\$ 664,394	\$ 31,614	4.5%
Other Current Assets	64,532	47,357	17,175	26.6%
Capital Assets	<u>5,043,821</u>	<u>5,417,282</u>	<u>(373,461)</u>	<u>-7.4%</u>
<b>Total Assets</b>	<b><u>5,804,361</u></b>	<b><u>6,129,033</u></b>	<b><u>(324,672)</u></b>	<b><u>-5.6%</u></b>
Current Liabilities	207,845	209,734	(1,889)	-0.9%
Non Current Liabilities	<u>1,437,314</u>	<u>1,493,770</u>	<u>(56,456)</u>	<u>-3.9%</u>
<b>Total Liabilities</b>	<b><u>1,645,159</u></b>	<b><u>1,703,504</u></b>	<b><u>(58,345)</u></b>	<b><u>-3.5%</u></b>
Net Assets in Capital Assets	3,550,051	3,872,643	(322,592)	-9.1%
Unrestricted Net Assets	<u>609,151</u>	<u>552,886</u>	<u>56,265</u>	<u>9.2%</u>
<b>Total Net Position</b>	<b><u>4,159,202</u></b>	<b><u>4,425,529</u></b>	<b><u>(266,327)</u></b>	<b><u>-6.4%</u></b>
<b>Total Liabilities, Deferred Inflow, &amp; Net Position</b>	<b><u>\$ 5,804,361</u></b>	<b><u>\$ 6,129,033</u></b>	<b><u>\$ (324,672)</u></b>	<b><u>-5.6%</u></b>

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)  
December 31, 2019

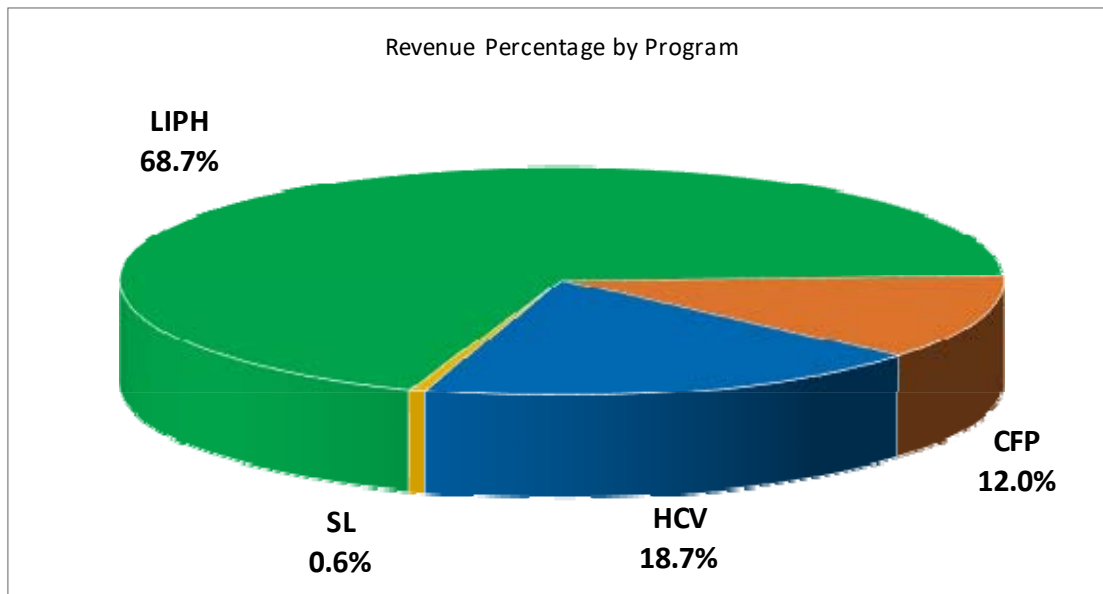
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**Analysis of Entity Wide Revenues (Statement of Activities)**

The Authority administers the following programs and the operating revenues generated from these programs during Fiscal Year 2019 were as follows:

<b>Program</b>	<b>Revenues Generated</b>
Low Income Public Housing (LIPH)	\$ 1,563,922
Capital Fund Program (CFP)	274,206
Section 8 Housing Choice Vouchers (HCV)	426,662
State and Local (SL)	<u>12,588</u>
<b>Total Revenue</b>	<b><u>\$ 2,277,378</u></b>

The diagram below illustrates the percentage of revenues generated by the programs as presented on the previous page for Fiscal Year Ending December 31, 2019:



HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2019

**Analysis of Entity Wide Revenues (Statement of Activities) – (Continued)**

Total revenues for FY 2019 were \$2,277,378, as compared to \$2,623,578 of total revenues for FY 2018. Comparatively, revenues decreased by \$346,200 or 13.2% from FY 2018. In FY 2018, the Authority received insurance proceeds for fire damage repairs at Meridian Towers.

	2019	2018	Net Change	Percentage Change
Total Tenant Revenue	\$ 933,804	\$ 894,218	\$ 39,586	4.4%
HUD Grants	1,296,172	1,288,237	7,935	0.6%
Other Revenue	47,402	441,123	(393,721)	-89.3%
Total Revenue	<u>\$ 2,277,378</u>	<u>\$ 2,623,578</u>	<u>\$ (346,200)</u>	<u>-13.2%</u>

**Analysis of Entity Wide Expenditures**

**Total Operating Expenditures** for FY 2019 were \$2,483,207, as compared to \$2,735,485 for FY 2018. This reflects a decrease of \$252,278, or 9.2%.

**Administrative** expenditures for FY 2019 were \$373,377 as compared to \$407,303 in FY 2018. This represents a decrease of \$33,926, or 8.3%. This net change is primarily due to decreases in benefits contributions.

**Tenant** expenditures increased by of \$3,353, or 5.0%. The major cause for this change is due to increases in costs of the services provided to tenants.

**Utilities** expenditures decreased by of \$26,210, or 9.2%. The expenses paid for electricity decreased as compared to the prior year. The utility contract for monitoring and verification of the energy performance contract also decreased as compared to the prior year.

**Maintenance** expenditures increased by \$31,307, or 6.4%. The main cause for this change was an increase in maintenance contract costs.

**Protective services** expenditures increased by \$11,112. The Authority began paying for patrol services for a portion of the prior fiscal year. The expenditures in 2019 represents an entire year of expenses.

**General** expenditures, including insurance increased by \$19,454, or 9.8%. The main reason for this change is due to increases in insurance costs.

**Casualty losses** decreased by \$345,448 to \$27,264. The Authority completed paying for repairs to fire damages at Meridian Towers during the fiscal. The expenditures were offset by insurance proceeds received.

**Housing Assistance Payments** increased by \$51,627 or 15.3%. The Section 8 Housing Choice Voucher program leasing increased as compared to FY 2018.

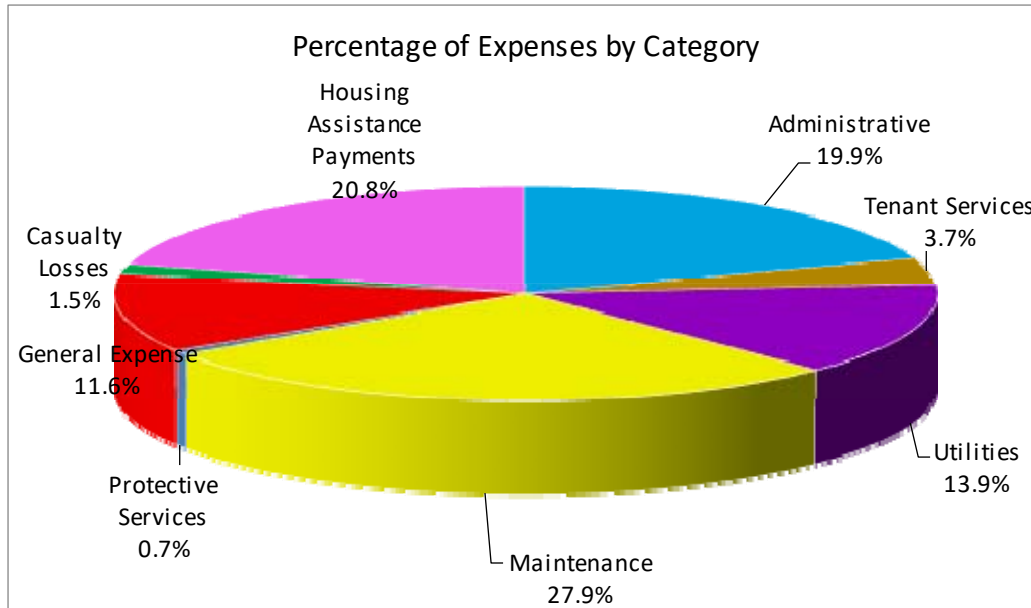
HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2019

**Analysis of Entity Wide Expenditures – (Continued)**

The table below illustrates our analysis:

	2019	2018	Net Change	Percent Variances
Administrative	\$ 373,377	\$ 407,303	\$ (33,926)	-8.3%
Tenant Services	69,953	66,600	3,353	5.0%
Utilities	260,069	286,279	(26,210)	-9.2%
Maintenance	522,127	490,820	31,307	6.4%
Protective Services	12,537	1,425	11,112	779.8%
General Expense	218,195	198,741	19,454	9.8%
Casualty Losses	27,264	372,712	(345,448)	-92.7%
Housing Assistance Payments	389,715	338,088	51,627	15.3%
Depreciation Expense	609,970	573,517	36,453	6.4%
<b>Total Expenditures</b>	<b>\$ 2,483,207</b>	<b>\$ 2,735,485</b>	<b>\$ (252,278)</b>	<b>-9.2%</b>



HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - (Continued)**  
December 31, 2019

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**Analysis of Capital Asset Activity**

The table below illustrates the changes in Capital Assets throughout the fiscal year:

	2019	2018	Net Change	Percent Variance
Land	\$ 198,125	\$ 198,125	\$ -	0.0%
Buildings	17,463,307	17,257,279	206,028	1.2%
Furniture, Equip., & Machinery	1,600,209	1,589,848	10,361	0.7%
Construction in Process	20,120	-	20,120	100.0%
<b>Total Capital Assets</b>	<b>19,281,761</b>	<b>19,045,252</b>	<b>236,509</b>	<b>1.2%</b>
Accumulated Depreciation	14,237,940	13,627,970	609,970	4.5%
<b>Net Capital Assets</b>	<b>\$ 5,043,821</b>	<b>\$ 5,417,282</b>	<b>\$ (373,461)</b>	<b>-6.9%</b>

During FY 2019, Total Capital Assets increased by \$236,509. The increase to Total Capital Assets included roof repairs and replacements, elevator improvements and architecture & engineering costs related to construction. After applying the depreciation expense for the year in the amount of \$609,970, Net Capital Assets decreased \$373,461, or 6.9%.

Additional information on capital assets of the Authority may be found in the notes to the financial statements accompanying the audit report.

**Special Conditions and Economic Factors**

The spread of a novel strain of coronavirus (COVID-19) in the first half of fiscal year 2020 has significantly disrupted the normal business activities of the Housing Authority. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on many factors outside of the Authority's control. The full effects cannot be determined at this time. The U.S. Congress has provided additional funding to offset the Authority's anticipated expenses.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**STATEMENT OF NET POSITION**  
December 31, 2019

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**ASSETS**

Current Assets:

Cash and cash equivalents	\$	289,787
Cash - restricted		47,821
Investments		358,400
Receivables - net of allowances		31,908
Inventory - net of allowances		7,939
Prepaid expenses		<u>24,685</u>

Total Current Assets 760,540

Non-current Assets:

Capital assets:

Land and construction in progress		218,245
Other capital assets, net of depreciation		<u>4,825,576</u>

Total capital assets - net 5,043,821

Total Non-current Assets 5,043,821

Total Assets and Deferred Outflow of Resources \$ 5,804,361

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**STATEMENT OF NET POSITION - (Continued)**  
December 31, 2019

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**LIABILITIES**

Current Liabilities:

Accounts payable	\$	82,506
Accrued salaries and benefits		179
Tenant security deposit liability		47,821
Accrued interest payable		3,575
Current portion of long-term debt		56,456
Unearned revenues		<u>17,308</u>

Total Current Liabilities 207,845

Non-current Liabilities:

Long-term debt, net of current portion		<u>1,437,314</u>
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Total Non-current Liabilities 1,437,314

Total Liabilities 1,645,159

Net investment in capital assets 3,550,051

Unrestricted 609,151

Total Net Position 4,159,202

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 5,804,361

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Year Ended December 31, 2019

<b>OPERATING REVENUES</b>	
Tenant revenue	\$ 933,804
Governmental grants and subsidy	1,101,966
Miscellaneous	<u>44,644</u>
Total operating revenue	<u>2,080,414</u>
<b>OPERATING EXPENSES</b>	
Administrative	373,377
Tenant services	69,953
Utilities	260,069
Ordinary maintenance and operations	522,127
Protective services	12,537
Insurance	112,312
General	105,883
Non routine maintenance	27,264
Housing assistance payment	389,715
Depreciation expense	<u>609,970</u>
Total operating expenses	<u>2,483,207</u>
Operating income (loss)	<u>(402,793)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	2,758
Interest expense	<u>(60,498)</u>
Net non-operating revenues (expenses)	<u>(57,740)</u>
Income (loss) before contributions and transfers	<u>(460,533)</u>
Capital contributions	<u>194,206</u>
Change in net position	(266,327)
Total net position - beginning of year	<u>4,425,529</u>
Total net position - end of year	<u>\$ <u>4,159,202</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2019

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from tenants	\$	907,869
Received from governmental grants and subsidy		1,101,966
Received from other operating activities		37,646
Payments for goods and services		(875,973)
Payments to employees		(553,356)
Payment in lieu of taxes		(53,795)
Payment for housing assistance		<u>(389,715)</u>

Net cash provided by (used in) operating activities 174,642

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from capital contributions		202,208
Purchases of capital assets		(236,509)
Principal paid on capital debt		(50,869)
Interest paid on capital debt		<u>(60,616)</u>

Net cash provided by (used in) capital and related financing activities (145,786)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds (payments) from sale (purchase) of investments		(2,240)
Receipts of interest and dividends		<u>2,758</u>

Net cash provided by (used in) investing activities 518

Net increase (decrease) in cash and cash equivalents 29,374  
Cash and cash equivalents at beginning of year 308,234

Cash and cash equivalents at end of year \$ 337,608

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**STATEMENT OF CASH FLOWS - (Continued)**  
For the Year Ended December 31, 2019

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<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (402,793)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	609,970
Change in assets and liabilities:	
Receivables, net	(12,434)
Inventories, net	176
Prepaid expenses	(5,087)
Accounts and other payables	(5,522)
Tenant security deposit	493
Unearned revenues	(3,510)
Accrued expenses	<u>(6,651)</u>
Net cash provided by (used) by operating activities	\$ <u><u>174,642</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2019

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Housing Authority of the City of Brazil (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 was established to provide Low-Rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other applicable federal agencies. Additionally, HUD has entered into Annual Contributions Contract with the Authority for the purpose of administering housing and housing relating programs described herein. 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.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2019

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

**1B. Basis of Presentation - (Continued)**

The Authority operates the following programs in the enterprise fund:

**Public and Indian Housing** - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

**Public Housing Capital Fund** - The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

**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.

**State & Local** – The Authority manages two properties received from the City of Brazil in January 2011. The two homes were constructed under the Neighborhood Stabilization Program (NSP). The Authority assumed all rights and responsibilities of these properties and must ensure the units are rented to families that meet the income qualifications of NSP round 1 (at or below 50% of area median income).

**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 all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2019

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

**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 and Investments

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.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

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

Inventories

Inventories are valued at lower of cost or market on an average cost basis. Inventories consist primarily of maintenance materials and supplies held for consumption. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as assets when purchased and expenses when used.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$500 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2019

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

**1F. Assets, Liabilities and Equity - (Continued)**

Fixed Assets - (Continued)

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	15-40 years
Furniture, equipment and machinery - dwelling	10 years
Furniture, equipment and machinery - administrative	5-10 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the security deposit fund under the Low Rent and State & Local program.

Compensated Absences

The Authority's policies regarding vacation time does not permit employees to carry forward unused vacation leave. As such, no liability is recorded at year end.

Equity Classifications

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

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**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.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2019

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**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:

<b><u>Program</u></b>	<b><u>Required By</u></b>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Public Housing Capital Fund	U.S. Department of Housing and Urban Development
Section 8 Housing Choice Vouchers	U.S. Department of Housing and Urban Development
State & Local	Housing Authority

**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. 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:

<b><u>Revenue Source</u></b>	<b><u>Legal Restrictions of Use</u></b>
Public Housing Capital Fund	Modernization
Section 8 Housing Choice Vouchers	Housing assistance payment

For the year ended December 31, 2019, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
December 31, 2019

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**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 and Investments**

As of December 31, 2019, the Authority had the following cash deposits:

Cash deposits	\$	337,408
Petty cash		200
Certificate of deposit		<u>358,400</u>
Total	\$	<u><u>696,008</u></u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2019:

Cash and cash equivalents	\$	289,787
Restricted assets		47,821
Investments		<u>358,400</u>
Total	\$	<u><u>696,008</u></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 December 31, 2019, the Authority's bank balances of \$383,060 were entirely covered by FDIC insurance and by the Public Deposit Insurance Fund (PDIF) which was created in 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions in the state of Indiana. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by federal deposit insurance. The fund is administered by the Indiana Board for Depositories.

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2019, the Authority's investment balance of \$358,400 was entirely covered by FDIC and PDIF insurance.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2019

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3A. Cash and Investments - (Continued)**

**Deposits – (Continued)**

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2019, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 178,008	5/3/2020
Certificate of Deposit	28,121	9/16/2020
Certificate of Deposit	<u>152,271</u>	1/17/2020
Total	<u>\$ 358,400</u>	

**3B. Restricted Assets**

Restricted assets at December 31, 2019 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Security deposit	<u>\$ 47,821</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 47,821</u>

**3C. Accounts Receivable - Current**

Receivables at December 31, 2019 consist of the following:

Accounts receivable – tenants	\$ 18,555	
Less: Allowance for doubtful account	<u>(3,500)</u>	
Tenants - net of allowance		\$ 15,055
Accounts receivable – fraud recovery	10,151	
Less: Allowance for doubtful account	<u>(9,985)</u>	
Fraud recovery - net of allowance		166
Miscellaneous - other		<u>16,687</u>
Total		<u>\$ 31,908</u>

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2019

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3D. Inventory**

Inventory at December 31, 2019 comprised of the following:

Inventories	\$	8,991
Less: Allowance for obsolete inventories		<u>(1,052)</u>
Total	\$	<u><u>7,939</u></u>

**3E. Capital Assets**

A summary of capital asset activity for the year ended December 31, 2019 is as follows:

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Balance December 31, 2019</u>
<b>Non-depreciable assets:</b>				
Land	\$ 198,125	\$ -	\$ -	\$ 198,125
Construction in progress	<u>-</u>	<u>20,120</u>	<u>-</u>	<u>20,120</u>
<b>Total non-depreciable assets</b>	<u>198,125</u>	<u>20,120</u>	<u>-</u>	<u>218,245</u>
<b>Depreciable assets:</b>				
Building	17,257,279	206,028	-	17,463,307
Equipment - dwelling	965,983	580	-	966,563
Equipment - administration	<u>623,865</u>	<u>9,781</u>	<u>-</u>	<u>633,646</u>
<b>Total depreciable assets</b>	18,847,127	216,389	-	19,063,516
<b>Accumulated depreciation</b>	<u>(13,627,970)</u>	<u>(609,970)</u>	<u>-</u>	<u>(14,237,940)</u>
<b>Total depreciable assets, net</b>	<u>5,219,157</u>	<u>(393,581)</u>	<u>-</u>	<u>4,825,576</u>
<b>Capital assets, net</b>	<u>\$ 5,417,282</u>	<u>\$ (373,461)</u>	<u>\$ -</u>	<u>\$ 5,043,821</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 586,733
CFP	17,404
State & Local	<u>5,833</u>
Total depreciation expense	<u>\$ 609,970</u>

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2019

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3F. Accounts Payable**

Accounts payable at December 31, 2019 consist of the following:

Vendors & contractors	\$	4,603
Accrued liabilities		19,287
PILOT		<u>58,616</u>
Total	\$	<u>82,506</u>

**3G. Non-Current Liabilities**

Non-current liabilities at December 31, 2019 consist of the following:

Energy Performance Contract	\$	<u>1,437,314</u>
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The following is the summary of changes in non-current liabilities:

	<u>Balance</u> <u>Jan 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>Dec 31, 2019</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Energy Performance Contract	\$ <u>1,493,770</u>	\$ <u>---</u>	\$ <u>56,456</u>	\$ <u>1,437,314</u>	\$ <u>56,456</u>

The Authority received HUD approval for an Energy Performance Contract (EPC) in September 2016 in the amount of \$1,591,510 at an interest rate of 3.84%. Balance as of December 31, 2019 is \$1,493,770 (including current portion of \$56,456). Interest expense for FY 2019 was \$60,498. Payments are made using utility savings generated by energy-saving projects completed in 2016. Projects include: low-flow commodes, high efficiency boilers, installation of LED lighting, and updated PTAC units. Utility savings are guaranteed by the Energy Performance Contractor, Johnson Controls, Inc. The payments are to be made on a semi-annual basis. The annual debt service requirements to maturity for long-term debts as of December 31, 2019 are as follows:

<u>Maturity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 56,456	\$ 58,610	\$ 115,066
2021	62,220	56,390	118,610
2022	68,463	53,943	122,406
2023	74,548	51,258	125,806
2024-2028	469,008	207,130	676,138
2029-2033	650,227	103,149	753,376
2034	<u>112,848</u>	<u>52,354</u>	<u>165,202</u>
	\$ <u>1,493,770</u>	\$ <u>582,834</u>	\$ <u>2,076,604</u>

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2019

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**NOTE 4 – OTHER NOTES**

**4A. Employee Pension Plan**

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan (401a) with Billings & Company. The Plan administrator has complete control of the administration of the plan, including complete discretions to interpret or construe the provisions of the Plan and under which contributions are established or may be amended.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Authority to contribute 7.5% and employees 5.5% of covered wages. Benefits are fully vested at the end of 5 years of service.

The following information related to the defined contribution plan at December 31, 2019:

Total payroll	\$	414,055
Total payroll for eligible participants	\$	339,614
Employer contributions made	\$	25,471

**4B. 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 Housing Authority Property Insurance, A Mutual Co.
b. Injuries to employees (workers' compensation)	Purchased insurance with Eastern Alliance Insurance Group. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$10,000 deductible.
d. Health and Life	Health insurance is provided by Anthem Blue Cross Blue Shield; Life insurance is provided by Anthem Life and Guardian Inc.

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.

**4C. 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.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
December 31, 2019

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**NOTE 4 – OTHER NOTES - (Continued)**

**4D. Commitments - Construction**

At December 31, 2019, the Authority had the following pending Capital Fund project in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-18	\$ 513,407	\$ 472,464
CFP 501-19	<u>536,851</u>	<u>80,000</u>
Total	<u>\$ 1,050,258</u>	<u>\$ 552,464</u>

**4E. 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 depreciation, casualty losses and HAP expense and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

**4F. 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.

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.

**4G. 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.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended December 31, 2019

<b>Federal Grantor</b>	<b>Federal CFDA #</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Public and Indian Housing	14.850	\$ 597,679
Public Housing Capital Fund	14.872	274,206
Voucher Cluster: Section 8 Housing Choice Vouchers	14.871	<u>424,287</u>
<b>Total Expenditures of Federal Awards</b>		<b>\$ <u><u>1,296,172</u></u></b>

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Brazil, Indiana (Authority) under programs of the federal government for the year ended December 31, 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 not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**FINANCIAL DATA SCHEDULE**  
Year Ended December 31, 2019

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$267,115	\$10,766	\$11,906	\$289,787		\$289,787
114 Cash - Tenant Security Deposits	\$47,421		\$400	\$47,821		\$47,821
100 Total Cash	\$314,536	\$10,766	\$12,306	\$337,608	\$0	\$337,608
125 Accounts Receivable - Miscellaneous	\$165		\$16,522	\$16,687		\$16,687
126 Accounts Receivable - Tenants	\$18,555		\$0	\$18,555		\$18,555
126.1 Allowance for Doubtful Accounts - Tenants	-\$3,500		\$0	-\$3,500		-\$3,500
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0		\$0
128 Fraud Recovery		\$10,151		\$10,151		\$10,151
128.1 Allowance for Doubtful Accounts - Fraud		-\$9,985		-\$9,985		-\$9,985
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$15,220	\$166	\$16,522	\$31,908	\$0	\$31,908
131 Investments - Unrestricted	\$358,400			\$358,400		\$358,400
142 Prepaid Expenses and Other Assets	\$24,019	\$357	\$309	\$24,685		\$24,685
143 Inventories	\$8,991			\$8,991		\$8,991
143.1 Allowance for Obsolete Inventories	-\$1,052			-\$1,052		-\$1,052
144 Inter Program Due From	\$0			\$0		\$0
150 Total Current Assets	\$720,114	\$11,289	\$29,137	\$760,540	\$0	\$760,540
161 Land	\$173,525		\$24,600	\$198,125		\$198,125
162 Buildings	\$17,237,909		\$225,398	\$17,463,307		\$17,463,307
163 Furniture, Equipment & Machinery - Dwellings	\$966,563			\$966,563		\$966,563
164 Furniture, Equipment & Machinery - Administration	\$633,646			\$633,646		\$633,646
166 Accumulated Depreciation	-\$14,186,907		-\$51,033	\$14,237,940		-\$14,237,940
167 Construction in Progress	\$20,120			\$20,120		\$20,120
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,844,856	\$0	\$198,965	\$5,043,821	\$0	\$5,043,821
180 Total Non-Current Assets	\$4,844,856	\$0	\$198,965	\$5,043,821	\$0	\$5,043,821
290 Total Assets and Deferred Outflow of Resources	\$5,564,970	\$11,289	\$228,102	\$5,804,361	\$0	\$5,804,361

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2019

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$4,603			\$4,603		\$4,603
321 Accrued Wage/Payroll Taxes Payable	\$179			\$179		\$179
325 Accrued Interest Payable	\$3,575			\$3,575		\$3,575
333 Accounts Payable - Other Government	\$58,616			\$58,616		\$58,616
341 Tenant Security Deposits	\$47,421		\$400	\$47,821		\$47,821
342 Unearned Revenue	\$17,308			\$17,308		\$17,308
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$56,456			\$56,456		\$56,456
346 Accrued Liabilities - Other	\$19,287			\$19,287		\$19,287
310 Total Current Liabilities	\$207,445	\$0	\$400	\$207,845	\$0	\$207,845
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,437,314			\$1,437,314		\$1,437,314
350 Total Non-Current Liabilities	\$1,437,314	\$0	\$0	\$1,437,314	\$0	\$1,437,314
300 Total Liabilities	\$1,644,759	\$0	\$400	\$1,645,159	\$0	\$1,645,159
508.4 Net Investment in Capital Assets	\$3,351,086	\$0	\$198,965	\$3,550,051	\$0	\$3,550,051
511.4 Restricted Net Position	\$0	\$0	\$0	\$0	\$0	\$0
512.4 Unrestricted Net Position	\$569,125	\$11,289	\$28,737	\$609,151	\$0	\$609,151
513 Total Equity - Net Assets / Position	\$3,920,211	\$11,289	\$227,702	\$4,159,202	\$0	\$4,159,202
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$5,564,970	\$11,289	\$228,102	\$5,804,361	\$0	\$5,804,361

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2019

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$820,041		\$12,042	\$832,083		\$832,083
70400 Tenant Revenue - Other	\$101,689		\$32	\$101,721		\$101,721
70500 Total Tenant Revenue	\$921,730	\$0	\$12,074	\$933,804	\$0	\$933,804
70600 HUD PHA Operating Grants	\$677,679	\$424,287		\$1,101,966		\$1,101,966
70610 Capital Grants	\$194,206			\$194,206		\$194,206
71100 Investment Income - Unrestricted	\$2,744		\$14	\$2,758		\$2,758
71400 Fraud Recovery		\$771		\$771		\$771
71500 Other Revenue	\$41,769	\$1,604	\$500	\$43,873		\$43,873
70000 Total Revenue	\$1,838,128	\$426,662	\$12,588	\$2,277,378	\$0	\$2,277,378
91100 Administrative Salaries	\$180,553	\$18,102		\$198,655		\$198,655
91200 Auditing Fees	\$6,920	\$500		\$7,420		\$7,420
91500 Employee Benefit contributions - Administrative	\$65,948	\$1,603		\$67,551		\$67,551
91600 Office Expenses	\$15,305	\$3,425	\$1,457	\$20,187		\$20,187
91700 Legal Expense	\$1,884	\$0		\$1,884		\$1,884
91800 Travel	\$5,674	\$164		\$5,838		\$5,838
91900 Other	\$58,965	\$11,093	\$1,784	\$71,842		\$71,842
91000 Total Operating - Administrative	\$335,249	\$34,887	\$3,241	\$373,377	\$0	\$373,377
92400 Tenant Services - Other	\$69,953			\$69,953		\$69,953
92500 Total Tenant Services	\$69,953	\$0	\$0	\$69,953	\$0	\$69,953
93100 Water	\$20,989			\$20,989		\$20,989
93200 Electricity	\$169,646			\$169,646		\$169,646
93300 Gas	\$18,041			\$18,041		\$18,041
93600 Sewer	\$42,216			\$42,216		\$42,216
93800 Other Utilities Expense	\$9,177			\$9,177		\$9,177
93000 Total Utilities	\$260,069	\$0	\$0	\$260,069	\$0	\$260,069
94100 Ordinary Maintenance and Operations - Labor	\$183,852			\$183,852		\$183,852
94200 Ordinary Maintenance and Operations - Materials and Other	\$85,187			\$85,187		\$85,187
94300 Ordinary Maintenance and Operations Contracts	\$177,763		\$1,633	\$179,396		\$179,396
94500 Employee Benefit Contributions - Ordinary Maintenance	\$73,692			\$73,692		\$73,692
94000 Total Maintenance	\$520,494	\$0	\$1,633	\$522,127	\$0	\$522,127
95200 Protective Services - Other Contract Costs	\$12,537			\$12,537		\$12,537
95000 Total Protective Services	\$12,537	\$0	\$0	\$12,537	\$0	\$12,537

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended December 31, 2019

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
96110 Property Insurance	\$79,947		\$1,655	\$81,602		\$81,602
96120 Liability Insurance	\$13,731	\$468		\$14,199		\$14,199
96130 Workmen's Compensation	\$5,032	\$91		\$5,123		\$5,123
96140 All Other Insurance	\$10,745	\$509	\$134	\$11,388		\$11,388
96100 Total insurance Premiums	\$109,455	\$1,068	\$1,789	\$112,312	\$0	\$112,312
96210 Compensated Absences	\$29,153	\$632		\$29,785		\$29,785
96300 Payments in Lieu of Taxes	\$58,616			\$58,616		\$58,616
96400 Bad debt - Tenant Rents	\$17,482			\$17,482		\$17,482
96000 Total Other General Expenses	\$105,251	\$632	\$0	\$105,883	\$0	\$105,883
96720 Interest on Notes Payable (Short and Long Term)	\$60,498			\$60,498		\$60,498
96700 Total Interest Expense and Amortization Cost	\$60,498	\$0	\$0	\$60,498	\$0	\$60,498
96900 Total Operating Expenses	\$1,473,506	\$36,587	\$6,663	\$1,516,756	\$0	\$1,516,756
97000 Excess of Operating Revenue over Operating Expenses	\$364,622	\$390,075	\$5,925	\$760,622	\$0	\$760,622
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized	\$27,264			\$27,264		\$27,264
97300 Housing Assistance Payments		\$388,411		\$388,411		\$388,411
97350 HAP Portability-In		\$1,304		\$1,304		\$1,304
97400 Depreciation Expense	\$604,137		\$5,833	\$609,970		\$609,970
90000 Total Expenses	\$2,104,907	\$426,302	\$12,496	\$2,543,705	\$0	\$2,543,705
10010 Operating Transfer In	\$50,000			\$50,000	-\$50,000	\$0
10020 Operating transfer Out	-\$50,000			-\$50,000	\$50,000	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$266,779	\$360	\$92	-\$266,327	\$0	-\$266,327
11020 Required Annual Debt Principal Payments	\$50,869	\$0	\$0	\$50,869		\$50,869
11030 Beginning Equity	\$4,186,990	\$10,929	\$227,610	\$4,425,529		\$4,425,529
11170 Administrative Fee Equity		\$11,289		\$11,289		\$11,289
11190 Unit Months Available	3456	1380	24	4860		4860
11210 Number of Unit Months Leased	3357	946	24	4327		4327
11270 Excess Cash	\$360,284			\$360,284		\$360,284
11620 Building Purchases	\$226,148			\$226,148		\$226,148
11630 Furniture & Equipment - Dwelling Purchases	\$580			\$580		\$580
11640 Furniture & Equipment - Administrative Purchases	\$9,781			\$9,781		\$9,781

**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  
Housing Authority of the City Brazil  
Brazil, 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 Housing Authority of the City of Brazil (Authority), Indiana, as of and for the year ended December 31, 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 June 11, 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

June 11, 2020

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

Board of Commissioners  
Housing Authority of the City Brazil  
Brazil, Indiana

**Report on Compliance for Each Major Federal Program**

I have audited the Housing Authority of the City of Brazil (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 December 31, 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 Housing Authority of the City of Brazil, 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 December 31, 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

June 11, 2020

HOUSING AUTHORITY OF THE CITY OF BRAZIL  
Brazil, Indiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2019

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**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 #14.872                      Public Housing Capital Fund	
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 December 31, 2019 disclosed no Financial Statement audit finding.

**Section III - Federal Award Findings and Questioned Costs**

The current audit report for the year ended December 31, 2019 disclosed no Federal Awards audit finding and questioned costs.