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July 16, 2020

Board of Commissioners
Fremont Housing Authority
3160 Spring Street
Fremont, IN 46737

We have reviewed the audit report of Fremont Housing Authority, which was opined upon by Barry E. Gaudette, CPA, Independent Public Accountant, for the period April 1, 2018 to March 31, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Fremont Housing Authority, as of March 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 audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

**FREMONT HOUSING AUTHORITY
FREMONT, INDIANA
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2019
AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

FREMONT HOUSING AUTHORITY
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MARCH 31, 2019

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INTRODUCTION

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Independent Auditor's Report

Board of Commissioners
Fremont Housing Authority
Fremont, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Fremont Housing Authority, Indiana, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Fremont Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Fremont Housing Authority, Indiana, as of March 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 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fremont Housing Authority, Indiana's basic financial statements. The financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedule on pages 24-27 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, on our consideration of the Fremont Housing Authority, Indiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fremont Housing Authority, Indiana's 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 Fremont Housing Authority, Indiana's internal control over financial reporting and compliance.

Barry E. Gaudette, CPA, PC

September 20, 2019

Fremont Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Unaudited)

As management of the Fremont Housing Authority we offer reviewers of this audit report this narrative discussion and analysis of the Fremont Housing Authority's financial activities for the fiscal year ended March 31, 2019. This discussion and analysis letter of the Fremont Housing Authority's financial performance should be read in conjunction with the auditor's opinion letter and the following financial statements.

The combined financial statements reflect all of the Housing Authority's federally funded programs and activities in one place. The Housing Authority reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net position" refers to the difference between assets and liabilities. The Housing Authority's total net position as of March 31, 2019 was \$863,971. The net position decreased by \$5,932, a decrease of 0.7% from the prior fiscal year.

Revenues and contributions for the Housing Authority were \$261,977 for the year ended March 31, 2019. This was an increase of \$46,748 or 21.7% over the prior fiscal year.

Expenses for the Housing Authority were \$267,909 for the year ended March 31, 2019. This was an increase of \$12,245 or 4.8% over the prior fiscal year.

HUD operating grants were \$85,643 for the year ended March 31, 2019. This was an increase of \$5,056 or 6.3% over the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion 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 Housing Authority's financial statements are presented as fund financial statements because the Housing Authority only has proprietary funds.

Fremont Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Required Financial Statements

The *Statement of Net Position* includes the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Housing Authority creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

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

Notes to the Financial Statements

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

Supplemental Information

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

FUND STATEMENTS

The Financial Data Schedule reports the Housing Authority's operations in more detail. The Housing Authority reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Fremont Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)

FUND STATEMENTS (Continued)

Low Rent Public Housing Program: Under this program, the Housing Authority rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Authority to lease these units at a rate that is based on 30% of the household income or a flat rent.

Capital Fund Program: Under this program, the Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority is awarded funds each year to use for Capital needs. The Housing Authority also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Authority is considered a "small" PHA. This program is the primary funding source for physical improvements to its properties.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$863,971 at the close of the year ended March 31, 2019 a decrease from \$869,903 in 2017.

The unrestricted net position was \$253,897 as of March 31, 2019. It can be used to meet the Housing Authority's ongoing obligations. The Housing Authority had no net position classified as restricted, which would be subject to external restrictions on how they may be used. At the end of the current fiscal year, the Housing Authority is able to report positive balances in all categories of net position.

Fremont Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)

FINANCIAL ANALYSIS (Continued)

CONDENSED STATEMENTS OF NET POSITION

	<u>03/31/19</u>	<u>03/31/18</u>	<u>Dollar Change</u>
Current and other assets	\$ 279,901	\$ 306,299	\$ (26,398)
Capital assets, net	610,074	584,813	25,261
Total Assets	<u>889,975</u>	<u>891,112</u>	<u>(1,137)</u>
Current liabilities	<u>26,004</u>	<u>21,209</u>	<u>4,795</u>
Total Liabilities	<u>26,004</u>	<u>21,209</u>	<u>4,795</u>
Net Position:			
Net Investment in capital assets	610,074	584,813	25,261
Unrestricted net position	<u>253,897</u>	<u>285,090</u>	<u>(31,193)</u>
Total Net Position	<u>\$ 863,971</u>	<u>\$ 869,903</u>	<u>\$ (5,932)</u>

Total current assets decrease of \$26,398 was due, in large part, to a decrease in Accounts Receivable HUD of \$39,372, partially offset by an increase in cash flow of \$9,888.

The largest portion of the Housing Authority's net position reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Housing Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

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.

Fremont Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)

FINANCIAL ANALYSIS (Continued)

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

	<u>03/31/19</u>	<u>03/31/18</u>	<u>Dollar Change</u>
Revenues and contributions			
Operating, non operating, capital contributions:			
Tenant Revenue	\$ 131,102	\$ 123,825	\$ 7,277
HUD operating grants	85,643	80,587	5,056
Capital grants	38,979	10,364	28,615
Investment income	2,073	453	1,620
Other revenue	4,180	0	4,180
Total Revenues and Contributions	<u>261,977</u>	<u>215,229</u>	<u>46,748</u>
 Expenses			
Personnel services	70,334	65,884	4,450
Tenant services	583	80	503
Utilities	19,015	19,190	(175)
Maintenance	52,806	53,103	(297)
Insurance	15,600	15,303	297
Payment in lieu of taxes	13,188	10,007	3,181
Depreciation	96,383	92,097	4,286
Total Expenses	<u>267,909</u>	<u>255,664</u>	<u>12,245</u>
 Change in net position	(5,932)	(40,435)	34,503
Beginning net position	869,903	910,338	(40,435)
Ending net position	<u>\$ 863,971</u>	<u>\$ 869,903</u>	<u>\$ (5,932)</u>

Revenues:

As can be seen in the above table total revenues and contributions increased by \$46,748, in large part, due to capital grants increasing by \$28,615 and tenant revenue increasing by \$7,277.

Fremont Housing Authority's primary revenue sources are subsidies and grants received by HUD, as well as tenant revenue. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. The Housing Authority classified \$38,979 of capital grants as hard costs and \$39,392 as soft costs for this fiscal year. For the year ending March 31, 2019, revenue generated by the Housing Authority accounted for \$131,102 (or 50.0% of total revenue), while HUD contributions accounted for \$124,622 (or 47.6% of total revenue).

**Fremont Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)**

FINANCIAL ANALYSIS (Continued)

Expenses:

Total expenses for the fiscal year ending March 31, 2019 were \$267,909 while for the year ending March, 31, 2018 they were \$255,664. This represents an 4.8% increase in our operating costs. The expenses increased, in large part, because of an increase in personnel costs of \$4,450, payment in lieu of taxes of \$3,181 and depreciation of \$4,286.

The following represents changes in Federal Assistance received:

	<u>03/31/19</u>	<u>03/31/18</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 46,251	\$ 40,915	\$ 5,336
Capital Fund Program	78,371	50,036	28,335
Total	<u>\$ 124,622</u>	<u>\$ 90,951</u>	<u>\$ 33,671</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing increased mainly due to HUD increasing its funding formula amount for the Housing Authority. The Capital Fund Program used more than one year's worth of capital funds in 2019.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the year ending March 31, 2019 was presented to and approved by the Board of Commissioners. Actual results were in line with the budgeted amounts.

OPERATIONAL HIGHLIGHTS

The Fremont Housing Authority provided the following housing for low-income individuals and families:

	<u>03/31/19</u>	<u>03/31/18</u>
Low Rent Public Housing Program	40	40

The Housing Authority had a lease up rate of 99.4% in the Low Rent program for the fiscal year.

Fremont Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)

CAPITAL ASSETS

The Fremont Housing Authority's investment in capital assets, as of March 31, 2019 amounts to \$610,074 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
March 31,

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>
Land	\$ 22,000	\$ 22,000	\$ 0
Buildings	2,765,475	2,542,222	223,253
Furniture, equipment and machinery	35,779	33,904	1,875
- dwellings			
Furniture, equipment and machinery	50,701	44,100	6,601
- administration			
Leasehold improvements	0	116,222	(116,222)
	<u>2,873,955</u>	<u>2,758,448</u>	<u>115,507</u>
Accumulated depreciation	(2,263,881)	(2,173,635)	(90,246)
Total	<u>\$ 610,074</u>	<u>\$ 584,813</u>	<u>\$ 25,261</u>

Capital assets increased by \$25,261 due to a capital outlays of \$115,507 offset by depreciation of \$(90,246).

During the year ending March 31, 2019, our Capital Fund Program was used for elevator upgrades; replacing the air conditioning and heat pump in the community room; new roofing; new system and installation of six entrance doors; new computer software and respective training; new wireless network extension throughout building; and new air compressor.

Capital projects planned for the next year include the following:

The planned capital expenditures for the next year will be used for operational purposes.

**Fremont Housing Authority
Management's Discussion and Analysis (MD&A)
March 31, 2019
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Authority is affected more by the Federal Budget than by local economic conditions.

Although the Housing Authority remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Rejeania Frasier, Executive Director
Fremont Housing Authority
P.O. Box 189
Fremont, Indiana 46737-0189

FINANCIAL STATEMENTS

Fremont Housing Authority
Statement of Net Position
March 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 217,626
Accounts receivable- net	46
Investments	47,607
Prepaid expenses	14,622
Total Current Assets	279,901

Capital Assets:

Land	22,000
Buildings	2,765,475
Equipment - Administration	35,779
Equipment - Dwelling	50,701
	2,873,955
Less: accumulated depreciation	(2,263,881)
Net Capital Assets	610,074

Total Assets	\$ 889,975
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LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$ 14,048
Accrued expenses	7,606
Tenant security deposit liability	4,350
Total Current Liabilities	26,004

Net Position:

Net investment in capital assets	610,074
Unrestricted net position	253,897
Total Net Position	863,971
Total Liabilities and Net Position	\$ 889,975

See notes to financial statements

Fremont Housing Authority
Statement of Revenues, Expenses, And
Changes in Net Position
Year Ended March 31, 2019

OPERATING REVENUES:

Dwelling rent	\$ 131,102
Operating grants	85,643
	216,745
Total operating revenues	216,745

OPERATING EXPENSES:

Administrative	70,334
Tenant services	583
Utilities	19,015
Maintenance	52,806
Insurance	15,600
General expenses	13,188
Depreciation	96,383
	267,909
Total operating expenses	267,909
Operating income (loss)	(51,164)

NONOPERATING REVENUES:

Investment interest income	2,073
Other revenue	4,180
	6,253
Total non operating revenues	6,253

CAPITAL CONTRIBUTIONS

	38,979
Change in net position	(5,932)
Net Position, beginning	869,903
Net Position, ending	\$ 863,971

See notes to financial statements

**Fremont Housing Authority
Statement of Cash Flows
Year Ended March 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$	131,102
Cash received from operating grants		125,015
Cash payments to other suppliers of goods and services		(88,312)
Cash payments to employees for services		(70,052)
Cash payments for payments in lieu of taxes		(10,007)
		87,746

Net cash provided by operating activities		87,746
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits		(100)
Other revenue		4,180
		4,080

Net cash provided by noncapital financing activities		4,080
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CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payments for capital acquisitions		(121,644)
Capital Grants		38,979
		(82,665)

Net cash (used) by capital and related financing activities		(82,665)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Payment for investments		(214)
Receipt of interest income		941
		727

Net cash provided by investing activities		727
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Net increase (decrease) in cash		9,888
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Cash and cash equivalents, beginning		207,738
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Cash and cash equivalents, ending		\$ 217,626
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See notes to financial statements

Fremont Housing Authority
Statement of Cash Flows (Continued)
Year Ended March 31, 2019

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

Operating income (loss)	\$	(51,164)
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		96,383
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-HUD		39,372
Prepaid expenses		(2,826)
Increase (decrease) in liabilities:		
Accounts payable-trade		1,758
Accounts payable-other government		1,202
Accrued wages/payroll taxes payable		(538)
Accrued compensated absences		1,979
Accrued liabilities-other		1,580
		1,580
Net cash provided by operating activities	\$	87,746

See notes to financial statements

Fremont Housing Authority
Notes to Financial Statements
March 31, 2019

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fremont Housing Authority (“Housing Authority”) is an independent municipal entity created by the City of Fremont pursuant to Indiana state law and the National Housing Act of 1937. Although the Housing Authority maintains close ties with the City of Fremont in several respects, the Housing Authority is not a component unit of the City, as defined by the Governmental Accounting Standards Board, since the City is not financially accountable for the operations of the Housing Authority, and has no responsibility to fund its deficits or receive its surpluses. The Housing Authority operates under a Board of Commissioners form of government to provide safe and decent housing for eligible low and moderate income families and elderly individuals. The Board is comprised of seven members, all City of Fremont residents, appointed by the County Board.

1. Reporting Entity

The Housing Authority’s financial statements include the accounts of all of the Housing Authority’s operations. The Housing Authority maintains its accounting records by program and operates the following programs:

Low Income Public Housing

This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Housing Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals. The properties were constructed with grants and/or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Housing Authority receives grants from HUD to subsidize operating costs. Tenants are charged rents based on a percentage of their incomes. HUD subsidizes 40 federal public housing units through this program.

Public Housing Capital Fund

HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Housing Authority under the Low Income Public Housing Program. A designated portion of these funds may also be used to support operations and to make improvements in the management and operation of the Housing Authority’s Low Income Public Housing Program.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government. Interfund activity has been eliminated in the preparation of these statements.

The Housing Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenue and expense.

If/when, both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Budgets and Budgetary Accounting

The Housing Authority adopts a formal operating budget each year for its operating programs and on a project-length basis for its capital expenditures, which are approved by the board of Commissioners and submitted to the U.S. Department of Housing and Urban Development for their approval, if required.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts, savings accounts, and certificates of deposit. The cash equivalents are recorded at cost, which approximates market.

7. Tenant Accounts Receivable and Allowance for Bad Debts

Tenant accounts receivable are stated at net rent amounts. Tenant accounts generally are collectible as long as the tenant is occupying the unit; thus, no allowance for bad debts has been established by management. When the tenant vacates the unit, any unpaid balance remaining after application of the security deposit and after procedures have been followed to recover outstanding amounts, is charged as a reduction of rental revenue.

8. Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in net current assets.

9. Compensated Absences

Housing Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days according to contract or personnel policies. In the event of termination by retirement or death, an employee is paid for accumulated sick days according to contract or personnel policies.

10. Inter-Program Activity

During the course of operations, transactions occur within individual programs that may result in amounts owed or transfers between programs. Offsetting inter-program receivables and payables as well as offsetting inter-program transfers are eliminated for financial statement presentation. For the year ended March 31, 2019, there were no inter-program receivables and payables, and there was \$31,555 in operating transfers.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Buildings and Equipment

Buildings and equipment are recorded at historical cost. Costs in excess of \$100 that materially add to the productive capacity and extend the life of an asset longer than one year are capitalized, while maintenance and repair costs are expensed as incurred. Buildings and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings		40 years
Leasehold improvements		15 years
Equipment and furnishings	3	- 10 years

Land and land improvements include approximately \$22,000 of capitalized land that is not subject to depreciation.

12. Income Taxes

The Housing Authority is a quasi-governmental entity. The Housing Authority is not subject to Federal or State income taxes.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

14. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will, when applicable, report separate sections for deferred outflows or resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources* a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Housing Authority does not have any items that qualifies for reporting in these categories.

NOTE A: DESCRIPTION OF THE HOUSING AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Unearned Revenue

The Housing Authority reports unearned revenue in connection with resources that have been received, but not yet earned.

16. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

17. Net Position

Net positions are comprised of three categories (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The Housing Authority's positive value of unrestricted net position in the primary government may be used to meet ongoing obligations. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Housing Authority's policy is to first apply restricted resources. Each component of net position is reported separately on the statement of net position.

- i. Net Investment in capital assets – This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- ii. Restricted – This category equals the restricted cash of the Housing Authority and consists of net position restricted for use by (1) external groups such as grantors, creditors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- iii. Unrestricted – This category includes all of the remaining net position that do not meet the definition of the other two categories.

18. Subsequent Events

The financial statements and related disclosures include evaluation of events through and including September 20, 2019, which is the date the financial statements were available to be issued.

NOTE B: CASH AND CASH EQUIVALENTS

Indiana Code authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Indiana. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Indiana or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Indiana.

The Housing Authority has designated one bank for the deposit of its funds. The Housing Authority's deposits are included on the balance sheet under the classification cash and cash equivalents and consist of the following:

Cash – operations (checking and savings accounts)	\$	217,626
Certificate of deposit		<u>47,607</u>
Total	\$	<u>265,233</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of March 31, 2019:

Bank deposits (checking and savings accounts and certificate of deposit)	\$	265,083
Petty cash		100
Change fund		<u>50</u>
Total	\$	<u>265,233</u>

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk. At year end, The Housing Authority had no bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Housing Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Housing Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, was as follows:

	<u>Balance 03/31/18</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/19</u>
Low Rent Program				
Land	\$ 22,000	\$ 0	\$ 0	\$ 22,000
Buildings	2,542,222	223,253	0	2,765,475
Furniture, equipment & machinery - dwellings	33,904	1,875	0	35,779
Furniture, equipment & machinery - administration	44,100	12,739	(6,138)	50,701
Leasehold improvements	116,222	0	(116,222)	0
	<u>2,758,448</u>	<u>\$ 237,867</u>	<u>\$ (122,360)</u>	<u>2,873,955</u>
Less accumulated depreciation	<u>(2,173,635)</u>	<u>\$ (96,383)</u>	<u>\$ 6,137</u>	<u>(2,263,881)</u>
Total	<u>\$ 584,813</u>			<u>\$ 610,074</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	\$ 94,245
Capital Fund	<u>2,138</u>
Total	<u>\$ 96,383</u>

NOTE D: NON-CURRENT LIABILITIES

As of March 31, 2019, the Housing Authority had no non-current liabilities.

NOTE E: RETIREMENT PLAN

The Housing Authority provides each employee a Simplified Employee Pension (SEP). A SEP is a written agreement (a plan) that allows an employer to make deductible contributions for the benefit of participating employees. The contributions are made to individual retirement arrangements (IRA's) set up for participants in the Plan administered by Farm Bureau Insurance Company at 10% as determined by Board action.

An employer can decide from year to year if a SEP contribution and the amount that will be made to the SEP plan. If the employer has selected the Percentage Contribution Formula in the SEP Adoption Agreement, then employer contributions for each plan year shall be allocated to each participant in the same proportion as such participant's compensation, indexed for cost of living increases in accordance with Section 408 (k) of the Code for the Plan year bears to the total compensation of all participants for such Plan year. Total contributions made at 10% totaled \$12,435. The total related payroll expense was \$59,058.

The Housing Authority does not provide post employment retirement benefits. As a result, there are no disclosures included in these statements as required by GASB 75.

NOTE F: COMMITMENTS AND CONTINGENCIES

Commitments – Construction

At March 31, 2019, the Housing Authority had the following capital fund grants:

	<u>IN36P085501-15</u>	<u>IN36P085501-16</u>
Funds Approved	\$ 37,916	\$ 39,372
Funds Expended	(37,916)	(39,372)
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced (HUD Grants)	\$ 37,916	\$ 39,372
Funds Expended	(37,916)	(39,372)
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>
	<u>IN36P085501-17</u>	<u>IN36P085501-18</u>
Funds Approved	\$ 40,455	\$ 62,698
Funds Expended	(40,455)	(0)
Excess of Funds Approved	<u>\$ 0</u>	<u>\$ 62,698</u>
Funds Advanced (HUD Grants)	\$ 40,455	\$ 0
Funds Expended	(40,455)	(0)
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>

The Actual Modernization Cost Certificate for the 2015, 2016, and 2017 CFP was signed by the Executive Director and sent to HUD on November 27, 2018 and February 28, 2019, respectively, for their approval. The audited costs for the 2015, 2016, and 2017 CFP agree with the costs shown on the Form HUD-53001.

Contingencies

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

NOTE G: RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

OTHER INFORMATION

**Fremont Housing Authority
Financial Data Schedule
Year Ended March 31, 2019**

FDS Line Item No.		Low Rent Program <u>14,850</u>
	ASSETS	
	Current assets:	
111	Cash-unrestricted	\$ 211,517
114	Cash-tenant security deposits	<u>6,109</u>
100	Total cash	<u>217,626</u>
	Receivables:	
129	Accrued interest receivable	<u>46</u>
120	Total receivables, net	<u>46</u>
131	Investments-unrestricted	<u>47,607</u>
	Other Current Assets:	
142	Prepaid expenses	<u>14,622</u>
	Total other current assets	<u>14,622</u>
150	Total current assets	<u>279,901</u>
	Noncurrent Assets:	
	Fixed Assets:	
161	Land	22,000
162	Buildings	2,765,475
163	Furn, equip & mach-dwell	35,779
164	Furn, equip & mach-admin	50,701
166	Accumulated depreciation	<u>(2,263,881)</u>
160	Total fixed assets, net	<u>610,074</u>
180	Total non-current assets	<u>610,074</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 889,975</u>

Fremont Housing Authority
Financial Data Schedule
(Continued)
Year Ended March 31, 2019

FDS Line Item No.		Low Rent Program <u>14,850</u>
	LIABILITIES and NET POSITION	
	Current liabilities:	
312	Accounts payable	\$ 2,839
321	Accrued wage/payroll taxes payable	2,267
322	Accrued compensated absence – current portion	1,979
333	Accounts payable-other government	11,209
341	Tenant security deposits	4,350
346	Accrued liabilities-other	<u>3,360</u>
310	Total current liabilities	<u>26,004</u>
300	Total liabilities	<u>26,004</u>
	Net Position:	
508.4	Net investment in capital assets	610,074
512.4	Unrestricted net position	<u>253,897</u>
513	Total net position	<u>863,971</u>
600	Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 889,975</u>

Fremont Housing Authority
Financial Data Schedule
(Continued)
Year Ended March 31, 2019

FDS Line Item No.		Low Rent Program 14.850	Capital Fund Program 14.872	Totals
Revenues				
70300	Net tenant rental revenue	\$ 131,102	\$ 0	\$ 131,102
70500	Total tenant revenue	131,102	0	131,102
70600	HUD PHA operating grants	46,251	39,392	85,643
70610	Capital grants	0	38,979	38,979
71100	Investment income-unrestricted	2,073	0	2,073
71500	Other revenue	4,180	0	4,180
70000	Total revenue	<u>183,606</u>	<u>78,371</u>	<u>261,977</u>
Expenses				
Administrative:				
91100	Administrative salaries	36,059	7,280	43,339
91200	Auditing fees	3,900	0	3,900
91400	Advertising and marketing	186	0	186
91500	Employee benefit contributions	8,374	557	8,931
91600	Office expenses	10,185	0	10,185
91700	Legal expenses	183	0	183
91900	Other	3,610	0	3,610
91000	Total operating-administrative	<u>62,497</u>	<u>7,837</u>	<u>70,334</u>
Tenant services:				
92400	Tenant services-other	583	0	583
92500	Total tenant services	<u>583</u>	<u>0</u>	<u>583</u>
Utilities:				
93100	Water	5,585	0	5,585
93200	Electricity	12,857	0	12,857
93300	Gas	573	0	573
93800	Other utilities expense	0	0	0
93000	Total utilities	<u>19,015</u>	<u>0</u>	<u>19,015</u>
Ordinary maintenance and operations:				
94100	Labor	15,719	0	15,719
94200	Materials and other	7,675	0	7,675
94300	Contracts	25,908	0	25,908
94500	Employee benefit contributions	3,504	0	3,504
94000	Total maintenance	<u>\$ 52,806</u>	<u>0</u>	<u>\$ 52,806</u>

Fremont Housing Authority
Financial Data Schedule
(Continued)
Year Ended March 31, 2019

FDS Line Item No.		Low Rent Program 14.850	Capital Fund Program 14.872	Totals
	Expenses (continued)			
	Insurance:			
96140	All other insurance	15,600	0	15,600
96100	Total insurance premiums	<u>15,600</u>	<u>0</u>	<u>15,600</u>
	Other general expenses:			
96210	Compensated absences	1,979	0	1,979
96300	Payments in lieu of taxes	11,209	0	11,209
96000	Total other general expenses	<u>13,188</u>	<u>0</u>	<u>13,188</u>
96900	Total operating expenses	<u>163,689</u>	<u>7,837</u>	<u>171,526</u>
97000	Excess revenue over operating expenses	<u>19,917</u>	<u>70,534</u>	<u>90,451</u>
	Other Expenses:			
97400	Depreciation expense	94,245	2,138	96,383
90000	Total expenses	<u>257,934</u>	<u>9,975</u>	<u>267,909</u>
	Other Financing Sources (Uses):			
10010	Operating transfers in	31,555	0	31,555
10020	Operating transfers out	0	(31,555)	(31,555)
10100	Total other financing sources (uses)	<u>31,555</u>	<u>(31,555)</u>	<u>0</u>
10000	Excess (deficiency) of operating revenue over (under) expenses	(42,773)	36,841	(5,932)
11030	Beginning net position	869,903	0	869,903
	Ending net position	<u>\$ 827,130</u>	<u>\$ 36,841</u>	<u>\$ 863,971</u>
11190	Unit months available	480		
11210	Unit months leased	477		

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

*Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686*

**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 Housing Commissioners
Fremont Housing Authority
Fremont, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Fremont Housing Authority, Indiana, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Fremont Housing Authority, Indiana's basic financial statements, and have issued our report thereon dated September 20, 2019.

Internal Control over Financial Reporting

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

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Barry E. Gaudette, CPA

September 20, 2019