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October 28, 2020

Board of Commissioners
Linton Housing Authority
1148 N. 1300 West
Linton, IN 47441

We have reviewed the audit report of Linton Housing Authority, which was opined on by Barry E. Gaudette, CPA, Independent Public Accountant, 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 the Linton 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 audit report is filed with this letter in our office as a matter of public record.

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

Paul D. Joyce, CPA
State Examiner

**LINTON HOUSING AUTHORITY
GREENE COUNTY, INDIANA
FINANCIAL STATEMENTS**

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

LINTON HOUSING AUTHORITY
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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
Linton Housing Authority
Greene County, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Linton Housing Authority, Indiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Linton 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 Linton Housing Authority, Indiana, 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 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 Linton 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 32-35 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.

Management has not presented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2020, on our consideration of the Linton 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 Linton 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 Linton Housing Authority, Indiana's internal control over financial reporting and compliance.

Barry E. Gaudette, CPA, PC

July 21, 2020

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

As management of the Linton Housing Authority we offer reviewers of this audit report this narrative discussion and analysis of the Linton Housing Authority's financial activities for the fiscal year ended December 31, 2019. This discussion and analysis letter of the Linton 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 December 31, 2019 was \$831,504. The net position decreased by \$47,640, a decrease of 5.4% from the prior year.

Revenues and contributions for the Housing Authority were \$877,120 for the year ended December 31, 2019. This was a decrease of \$145,709 or 14.2% from the prior year.

Expenses for the Housing Authority were \$924,760 for the year ended December 31, 2019. This was a decrease of \$53,741 or 5.5% from the prior year.

HUD operating grants were \$740,159 for the year ended December 31, 2019. This was a decrease of \$151,590 or 16.9% from the prior year. There were no capital contributions during the current 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.

Linton Housing Authority
Management's Discussion and Analysis (MD&A)
December 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 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.

Linton Housing Authority
Management's Discussion and Analysis (MD&A)
December 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 monthly adjusted income, or 10% of monthly income, or a \$50.00 monthly minimum rent, 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 currently allowed to use up to 100% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Authority administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Authority. The Housing Authority subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Authority to enable the Housing Authority to set the rental rates at 30% to 40% of a participant's income.

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 \$831,504 at the close of the year ended December 31, 2019 a decrease from \$879,144 in 2018. The decrease in net position of \$47,640 was due to the change in net position.

The unrestricted net position was \$292,752 as of December 31, 2019. This amount may be used to meet the Housing Authority's ongoing obligations. The Housing Authority had a net position classified as restricted in the amount of \$23,675 that are subject to external restrictions on how they may be used. The restricted assets consist of excess funding in the Housing Choice Voucher program. At the end of the current year, the Housing Authority is able to report positive balances in all categories of net position.

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

FINANCIAL ANALYSIS (Continued)

CONDENSED STATEMENTS OF NET POSITION
December 31,

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>
Current and other assets	\$ 409,583	\$ 402,246	\$ 7,337
Capital assets, net	515,077	569,007	(53,930)
Deferred outflow of resources	<u>1,905</u>	<u>2,796</u>	<u>(891)</u>
Total Assets	<u>926,565</u>	<u>974,049</u>	<u>(47,484)</u>
Current liabilities	20,125	19,045	1,080
Noncurrent liabilities	64,820	64,445	375
Deferred inflow of resources	<u>10,116</u>	<u>11,415</u>	<u>(1,299)</u>
Total Liabilities	<u>95,061</u>	<u>94,905</u>	<u>156</u>
Net position:			
Net Investment in capital assets	515,077	569,007	(53,930)
Restricted	23,675	7,662	16,013
Unrestricted	<u>292,752</u>	<u>302,475</u>	<u>(9,723)</u>
Total Net Position	<u>\$ 831,504</u>	<u>\$ 879,144</u>	<u>\$ (47,640)</u>

Total current assets increase of \$7,337 was due, in large part to an increase in operating cash flows of \$7,884. The deferred outflow of resources decreased by \$891 from the prior year due to changes to accrued pension.

Current liabilities increased by \$1,080, in large part, to an increase in accrued wages of \$4,386 as well as a decrease in accrued compensated absences of \$2,160. The noncurrent liabilities increased by \$375 over the prior year, in large part, due to accrued pension liability decreasing by \$1,325 from the prior year offset by accrued compensated absences increasing \$1,700. The deferred inflow of resources decreased by \$1,299 from the prior year due to changes to accrued pension.

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.

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

FINANCIAL ANALYSIS (Continued)

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>12/31/19</u>	<u>12/31/18</u>	<u>Dollar Change</u>
Revenues and Contributions			
Operating, non-operating, capital contributions:			
Tenant Revenue	\$ 131,531	\$ 123,765	\$ 7,766
HUD operating grants	740,159	891,749	(151,590)
Other income	4,989	6,170	(1,181)
Fraud recovery	228	990	(762)
Interest income	213	155	58
Total Revenues and Contributions	<u>877,120</u>	<u>1,022,829</u>	<u>(145,709)</u>
Expenses			
Personnel services	199,027	183,789	15,238
Utilities	27,324	28,059	(735)
Maintenance	38,312	39,416	(1,104)
Insurance	25,209	22,959	2,250
Other supplies and expenses	53,731	52,615	1,116
Housing Assistance Payments	523,427	578,366	(54,939)
Depreciation	57,730	73,297	(15,567)
Total Expenses	<u>924,760</u>	<u>978,501</u>	<u>(53,741)</u>
Change in net position	(47,640)	44,328	(91,968)
Beginning net position	879,144	834,816	44,328
Ending net position	<u>\$ 831,504</u>	<u>\$ 879,144</u>	<u>\$ (47,640)</u>

Revenues:

As can be seen in the above table total revenues and contributions decreased by \$145,709, in large part, due to HUD operating grants decreasing by \$151,590 offset by increased tenant revenues of \$7,766.

Linton Housing Authority's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. The Housing Authority did not receive any capital grants during the current year. For the year ending December 31, 2019, revenue generated by the Housing Authority accounted for \$131,531 (or 15% of total revenue), while HUD contributions accounted for \$740,159 (or 84% of total revenue).

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

FINANCIAL ANALYSIS (Continued)

Expenses:

Total expenses for the fiscal year ending December 31, 2019 were \$924,760 while for the year ending December 31, 2018 they were \$978,501. This represents an 5.4% increase in our operating costs due primarily to lower housing assistance payments.

The following represents changes in Federal Assistance received:

	<u>12/31/19</u>	<u>12/31/18</u>	<u>Dollar Change</u>
Public Housing Operating Subsidy	\$ 101,269	\$ 103,561	\$ (2,292)
Capital Fund Program	0	104,000	(104,000)
Section 8 Housing Choice Voucher Program	638,890	684,188	(45,298)
Total	<u>\$ 740,159</u>	<u>\$ 891,749</u>	<u>\$ (151,590)</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Public Housing decreased mainly due the HUD decreasing its funding formula amount for the Housing Authority. During the current year, the Housing Authority did not receive any capital fund grants.

Budget Analysis:

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

OPERATIONAL HIGHLIGHTS

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

	<u>12/31/19</u>	<u>12/31/18</u>
Low Rent Public Housing Program	49	49
Section 8 Housing Choice Voucher Program	219	219

The Housing Authority had a 97.7 percent lease up rate in the Low Rent program for the current year. The Voucher program had an 84.7 percent lease rate for the year ended December 31, 2019.

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

CAPITAL ASSETS

The Linton Housing Authority's investment in capital assets, as of December 31, 2019 amounts to \$515,077 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. For further detail of capital assets see Note C.

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
December 31,

	<u>2019</u>	<u>2018</u>	<u>Dollar Change</u>
Land	\$ 293,481	\$ 293,481	\$ 0
Buildings	2,904,743	2,904,743	0
Lease improvements	1,242	1,242	0
Furniture, equipment and machinery			
- administration	124,444	120,644	3,800
	<u>3,323,910</u>	<u>3,320,110</u>	<u>3,800</u>
Accumulated depreciation	<u>(2,808,833)</u>	<u>(2,751,103)</u>	<u>(57,730)</u>
Total	<u>\$ 515,077</u>	<u>\$ 569,007</u>	<u>\$ (53,930)</u>

Capital assets decreased by \$53,930 because of depreciation of \$(57,730) offset by capital outlays of \$3,800 during the current year.

During the year ending December 31, 2019, the Housing Authority did not have any Capital Fund Program work projects.

Capital projects planned for the next year include ongoing housing operations.

Linton Housing Authority
Management's Discussion and Analysis (MD&A)
December 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. Due to inadequate funding of programs, the Housing Authority is engaging in outreach activities within its local community to seek other federal and non-federal sources of income to offset operational expenses and keep the Housing Authority financially and operationally in order 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:

JKen Wright, Executive Director
Linton Housing Authority
Rural Route 2, Box 680
Linton, Indiana 47441

FINANCIAL STATEMENTS

Linton Housing Authority
Statement of Net Position
December 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 401,065
Accounts receivable-tenants, net	224
Prepaid expenses	6,904
Inventories	1,390
Total Current Assets	409,583

Capital Assets:

Land	293,481
Buildings	2,904,743
Equipment	124,444
Leasehold improvements	1,242
	3,323,910
Less: accumulated depreciation	(2,808,833)
Net Capital Assets	515,077

Deferred Outflow of Resources	1,905
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Total Assets and Deferred Outflow of Resources	\$ 926,565
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LIABILITIES and NET POSITION

Current Liabilities:

Accounts payable	\$ 2,538
Accrued expenses	8,692
Tenant security deposit liability	8,575
Unearned revenue	320
Total Current Liabilities	20,125

Non-Current Liabilities:

Non-current liabilities	4,998
Accrued pension	59,822
Total Non-Current Liabilities	64,820

Total Liabilities	84,945
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Deferred inflow of resources	10,116
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Net Position:

Net investment in capital assets	515,077
Restricted net position	23,675
Unrestricted net position	292,752
Total Net Position	831,504

Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 926,565
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See notes to financial statements

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

OPERATING REVENUES:

Dwelling rent	\$	131,531
Operating grants		<u>740,159</u>
Total operating revenues		<u>871,690</u>

OPERATING EXPENSES:

Administrative		210,519
Utilities		27,324
Maintenance		75,493
Insurance		25,209
Bad debt expense		152
Compensated absences		38
Extraordinary maintenance		4,868
Housing assistance payments		523,427
Depreciation		<u>57,730</u>

Total operating expenses		<u>924,760</u>
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Operating income (loss)		<u>(53,070)</u>
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NONOPERATING REVENUES:

Investment interest income - Unrestricted		213
Fraud recovery		228
Other revenue		<u>4,989</u>

Total non-operating revenues		<u>5,430</u>
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Change in net position		(47,640)
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Net Position, beginning		<u>879,144</u>
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Net Position, ending	\$	<u><u>831,504</u></u>
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See notes to financial statements

Linton Housing Authority
Statement of Cash Flows
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and non dwelling rents	\$	131,615
Cash received from operating grants		740,159
Cash payments to other suppliers of goods and services		(670,459)
Cash payments to employees for services		(195,101)
		6,214

Net cash provided by operating activities 6,214

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Fraud recovery		228
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Net cash provided by noncapital financing activities 228

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payments for capital acquisitions		(3,800)
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Net cash (used) by capital and related financing activities (3,800)

CASH FLOWS FROM INVESTING ACTIVITIES:

Other revenue		4,989
Receipts of interest income - unrestricted		213

Net cash provided by investing activities 5,202

Net increase (decrease) in cash 7,844

Cash and cash equivalents, beginning 393,221

Cash and cash equivalents, ending \$ 401,065

See notes to financial statements

Linton Housing Authority
Statement of Cash Flows (Continued)
Year Ended December 31, 2019

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

Operating income (loss)	\$	(53,070)
Adjustments to reconcile operating (loss) to net cash provided (used)		
By operating activities:		
Depreciation		57,730
Allowance for doubtful accounts		(12)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants		241
Prepaid expenses		38
Inventories		240
Deferred outflow of resources		891
Increase (decrease) in liabilities:		
Accounts payable-trade		(1,001)
Accrued wages/payroll taxes payable		4,386
Accrued compensated absences		(460)
Unearned revenue		(145)
Accrued pension		(1,325)
Deferred inflow of resources		(1,299)
		(1,299)
Net cash provided by operating activities	\$	6,214

See notes to financial statements

Linton Housing Authority
Notes to Financial Statements
December 31, 2019

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

The Linton Housing Authority (“LHA” or “Housing Authority”) is an independent municipal entity created by the City of Linton pursuant to Indiana state law and the National Housing Act of 1937. Although the Housing Authority maintains close ties with the City of Linton 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 Commissioner form of government to provide safe and decent housing for eligible low and moderate-income families and elderly individuals. The Board is comprised of five members, all City residents, appointed by the City Mayor.

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 49 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)

1. Reporting Entity (Continued)

Section 8 Housing Choice Vouchers

HUD provides grants to the Housing Authority to subsidize rents paid by low income families and issued vouchers affording them choices in renting from private landlords. The Housing Authority subsidizes the landlord for the differences between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard. This program provided rental assistance to approximately 219 families and individuals this year.

2. Basis of Presentation and Accounting

In accordance with uniform financial reporting standards for HUD housing purposes, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged in business type activities.

Proprietary funds are accounted for using the "economic resources" measurement, focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination or revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through cost charges.

3. 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.

4. Cash and Cash Equivalents

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

5. Tenant Accounts Receivable and Allowance for Bad Debts

Accounts receivable have been adjusted for all known uncollectible accounts.

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

6. 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.

7. Compensated Absences

Housing Authority employees are granted vacation days in varying amounts based on tenure with the Housing Authority. Employees are also granted nine personal days in addition to their vacation days. In the event of termination by retirement or death, an employee is paid for accumulated personal days according to personnel policies.

8. 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 December 31, 2019, there were inter-program receivables and payables of \$16,745 due from the Housing Choice Voucher program to the Low Rent program. There were no operating transfers during the fiscal year.

9. Buildings and Equipment

Buildings and equipment are recorded at historical cost. Costs in excess of \$1,500 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	5	-	40 years
Equipment	3	-	10 years

Land and land improvements include approximately \$293,481 of capitalized land that is not subject to depreciation.

10. Inventories

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

11. Income Taxes

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

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

12. 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.

13. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the costs 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.

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.

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.

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

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 July 21, 2020, 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 checking accounts, money market accounts, and certificates of deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority. Cash and cash equivalents balance was as follows:

Cash – operations	<u>\$ 401,065</u>
Total	<u>\$ 401,065</u>

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of December 31, 2018:

Bank deposits (checking, savings, and treasury obligation accounts)	\$ 400,965
Petty cash	<u>100</u>
Total	<u>\$ 401,065</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. At year end, the Housing Authority had no bank deposits that were uninsured and uncollateralized.

NOTE C: CAPITAL ASSETS

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

	<u>Balance 12/31/18</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/19</u>
Low Rent Program				
Land	\$ 293,481	\$ 0	\$ 0	\$ 293,481
Buildings	2,865,112	0	0	2,865,112
Leasehold improvements	1,242	0	0	1,242
Furniture, equipment & machinery - administration	120,644	3,800	0	124,444
	<u>3,280,479</u>	<u>\$ 3,800</u>	<u>\$ 0</u>	<u>3,284,279</u>
Less accumulated depreciation	<u>(2,711,472)</u>	<u>\$ (57,730)</u>	<u>\$ 0</u>	<u>(2,769,202)</u>
Total	<u>\$ 569,007</u>			<u>\$ 515,077</u>
 Housing Choice Voucher Program				
Buildings	\$ 39,631	\$ 0	\$ 0	\$ 39,631
	<u>39,631</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>39,631</u>
Less accumulated depreciation	<u>(39,631)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(39,631)</u>
Total	<u>\$ 0</u>			<u>\$ 0</u>
 Combined Totals				 <u>\$ 515,077</u>

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

Business-type activities:	
Low Rent Program	\$ 57,730
Housing Choice Voucher Program	0
	<u>\$ 57,730</u>

NOTE D: NON-CURRENT LIABILITIES

As of December 31, 2019, the non-current liabilities are comprised of the following:

Accrued pension	\$	59,822
Accrued compensated absences		4,998
	\$	<u>64,820</u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2019:

	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/19</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Accrued pension	\$ 61,147	\$ 0	\$ (1,325)	\$ 59,822	\$ 0
Accrued absences	3,298	1,700	(0)	4,998	38
	<u>\$ 64,445</u>	<u>\$ 1,700</u>	<u>\$ (1,325)</u>	<u>\$ 64,820</u>	<u>\$ 38</u>

NOTE E: COMMITMENTS AND CONTINGENCIES

Commitments – Construction

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

	<u>IN36P055501-18</u>	<u>IN36P055501-19</u>
Funds Approved	\$ 105,913	\$ 110,397
Funds Expended	(104,000)	(0)
Excess of Funds Approved	<u>\$ 1,913</u>	<u>\$ 110,397</u>
Funds Advanced (HUD Grants)	\$ 104,000	\$ 0
Funds Expended	(104,000)	0
Excess of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>

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 F: RETIREMENT PLAN

Description of Pension Plan

The Public Employees' Retirement Fund (PERF) is a cost-sharing, multiple-employer defined benefit plan based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, or township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) aspects to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan). Currently, the PERF ASA Only Plan is available only to employees of the State. Details of the PERF Hybrid Plan and PERF ASA Only Plan are described below.

Membership

PERF members are officers and employees of units of State and local governments in Indiana (referred to as political subdivisions), including counties, cities, towns, townships, libraries, and school corporations. The political subdivisions become participants by ordinance or resolution of the governing body, which specifies the classifications of employees who will become members of the PERF Hybrid Plan. The ordinance or resolution is filed with and approved by INPRS. In order to be a member, employees hired after December 30, 1982, except employees of a participating school corporation, must occupy positions normally requiring performance of service of more than 1,000 hours during a year. Effective July 1, 2008, members who have at least one (1) year of service in both PERF and TRF have the option of choosing from which of these funds they would like to retire.

Contributions

The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers.

NOTE F: RETIREMENT PLAN (CONTINUED)

PERF Hybrid Plan Plan Description

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3, and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement. Retirement Benefits – Defined Benefit Pension the PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits (non-ASA) vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their annuity savings account and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the annuity savings account. A non-vested member who terminates employment prior to retirement may withdraw his/her annuity savings account after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service. A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation. A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above. A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The monthly pension benefits for members in pay status may be increased periodically as cost survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service. Retirement Benefits – Annuity Savings Account Members are required to participate in an Annuity Savings Account (ASA). The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member.

NOTE F: RETIREMENT PLAN (CONTINUED)

PERF Hybrid Plan Plan Description (Continued)

In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their annuity savings accounts. A member's State or political subdivision. Investments in the members' annuity savings accounts are individually directed and controlled by plan participants who direct the investment of their account balances among the following eight (8) investment options, with varying degrees of risk and return potential:

Guaranteed Fund – This fund's objective is to provide stability of principal and a competitive interest rate. The interest rate is set by the INPRS Board of Trustees each year and is guaranteed for the fiscal year. Market risk is assumed by the Fund.

Large Cap Equity Index Fund – This fund's objective is to seek investment growth/capital appreciation through passive investment in the stocks of the 500 largest U.S. companies. Market risk is assumed by the member.

Small/Mid Cap Equity Fund – This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of small- and mid-sized U.S. companies. Market risk is assumed by the member.

International Equity Fund – This fund's objective is to seek investment growth/capital appreciation through both active and passive investment in stocks of non-U.S. companies in both developed and emerging markets. Market risk is assumed by the member.

Fixed Income Fund – This fund's objective is to seek total return, consisting of income and capital appreciation. Market risk is assumed by the member.

Inflation-Linked Fixed Income Fund – This fund's objective is to provide investors inflation protection and income consistent with investment in inflation-indexed securities. Principal and interest payments are adjusted in response to changes in inflation. Market risk is assumed by the member.

Target Date Funds – The Funds are designed to seek an appropriate amount of total return, commensurate with risk, given the specific time horizon of each Fund. The Target Date Funds provide participants with a one-stop shop for investing. Participants simply choose the Fund most appropriate for them based on the year in which they plan to withdraw their money (usually their retirement year). Once a participant selects the appropriate Fund, the underlying asset allocation automatically adjusts over time. Market risk is assumed by the member.

Money Market Fund – This fund's objective is to provide a market rate of return consistent with the preservation of capital through a shorter maturity, high quality portfolio. Market risk is assumed by the member.

Members may make changes to their investment directions daily and investments are reported at fair market value of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

NOTE F: RETIREMENT PLAN (CONTINUED)

Disability and Survivor Benefits

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided benefits.

ASA Only Plan Plan Description

The PERF ASA Only Plan was established by the Indiana Legislature in 2011 with an effective date of February 21, 2013 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12, and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. PERF ASA Only Plan members are full-time employees of the State of Indiana (as defined in IC 5-10.3-7-1(d)), who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of the PERF ASA Only Plan. The PERF ASA Only Plan membership does not include individuals who: (1) before February 21, 2013 were members of the PERF Hybrid Plan or (2) on or after February 21, 2013 do not elect to participate in the PERF ASA Only Plan. Any government agency that pays employees through the Auditor of the State is a mandatory participant in the ASA Only Plan and must offer eligible employees the ASA Only Plan option. Quasi-government agencies and State educational institutions may choose to offer the ASA-Only Plan as an option to their employees. Since inception 759 members have selected the ASA Only Plan, or approximately 8 percent of eligible new hires of the State. Currently, the PERF ASA Only Plan is available only to employees of the State. As of July 1, 2017, employees for political subdivisions may be eligible to participate. Retirement Account the PERF ASA Only Plan maintains an annuity savings account for each member. Each member's account consists of two (2) subaccounts within the annuity savings account structure. There is a member contribution subaccount (which is the same as the annuity savings account in the PERF Hybrid Plan) and an employer contribution subaccount. The member's contribution subaccount consists of the member's contributions, set by statute at three (3) percent of covered payroll as defined by IC 5-10.3-12-23 plus the interest/earnings or losses credited to the member's contribution subaccount. The State shall pay the member's contributions on behalf of the member. The employer contribution subaccount consists of the employer's contributions and the earnings on the employer's contributions. The employer contribution rate is set by INPRS Board of Trustees in accordance with IC 5-10.2-2-11. The PERF ASA Only Plan allows members to actively participate in managing their retirement benefits through self directed investment options. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections. The members can direct their investments among the following aforementioned eight (8) investment options: Large Cap Equity Index Fund, Small/Mid Cap Equity Fund, International Equity Fund, Fixed Income Fund, Inflation-Linked Fixed Income Fund, Money Market Fund, Stable Value Fund, and Target Date Funds. A description of each of these Funds is earlier in this note in the PERF Hybrid Plan Retirement Benefits – Annuity Savings Account section, except for the Stable Value Fund: Stable Value Fund (available only to PERF ASA Only members) - This fund's objective is to provide a market rate of return consistent with the preservation of principal through a shorter maturity, high quality portfolio. A member is immediately vested in the member contribution subaccount. In order to receive contributions and earnings from the employer contribution subaccount, a member must meet vesting requirements (full years of participation) to qualify for a distribution.

NOTE F: RETIREMENT PLAN (CONTINUED)

The vesting schedule is as follows: disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent. Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later,

- One (1) year of participation = 20%
- Two (2) years of participation = 40%
- Three (3) years of participation = 60%
- Four (4) years of participation = 80%
- Five (5) years of participation = 100%

A member who terminates service with their employer is entitled to withdraw the total amount in the member contribution subaccount. In addition, the member is entitled to withdraw amounts in the employer contribution subaccount to the extent the member is vested in this account. The member must be separated from employment for at least 30 days before the member may take a withdrawal from the member's account. The amount available for withdrawal is the fair value of the participant's account on the processing date. The withdrawal amount can be paid in a lump sum, a direct rollover to another eligible retirement plan, or if the member has attained normal retirement age and met other criteria established by the INPRS Board of Trustees as a monthly annuity provided through INPRS. If a member becomes disabled while in active service, subject to the member providing proof of the member's qualification for social security disability benefits to the Board of Trustees, a member may withdraw the total amount in the member contribution subaccount. To the extent that the member is vested, the member may make a withdrawal from the member's employer subaccount. The withdrawal amount can be paid in a lump sum, a direct rollover to another eligible retirement plan, or a monthly annuity provided through INPRS if the member has attained normal retirement age and met other criteria established by the INPRS Board of Trustees. If a member dies while in active service or after terminating service in a position covered by the PERF ASA Only Plan, but before withdrawing the member's account, all of the member's contribution subaccount, and to the extent that the member is vested, the employer contribution subaccount, will be paid to the beneficiary or beneficiaries designated by the member. The amount available for payment is the fair value of the participant's account. The beneficiary may elect to have member's account paid as a lump sum, a direct rollover to another eligible retirement plan, or as a monthly annuity in accordance with the rules of the INPRS Board of Trustees. The monthly annuity is an option only on or after the beneficiary attains normal retirement age and meets other criteria established by the INPRS Board of Trustees. If a member dies in the line of duty while in active service, the designated beneficiary or beneficiaries or surviving spouse or dependents, are entitled to payment of the member's account as described above. In addition, if the member was not fully vested in the employer contribution subaccount, the account is deemed to be fully vested for purposes of withdrawal.

NOTE F: RETIREMENT PLAN (CONTINUED)

Basis of Accounting

The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations.

Net Pension Liability

At December 31, 2019 and 2018, the Housing Authority reported a liability of \$59,822 and \$61,147, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

Significant actuarial assumptions and other inputs used to measure the total pension liability:

	2019 Valuation
Type of Plan	The Public Employees' Retirement Fund is a cost-sharing multiple-employer plan for GASB accounting purposes.
Measurement Date	July 21, 2019
Valuation Date	
Assets:	July 21, 2019
Liabilities:	July 21, 2018*
Inflation	2.25%
Future Salary Increases	2.50% - 4.25% based on age
Costs of Living Increases	
As of July 21, 2019	In lieu of a COLA on January 1, 2020 and January 1, 2021, members in pay were provided a 13th check on October 1, 2019 and October 1, 2020. Thereafter, the followings COLAs, compounded annually, were assumed: 0.4% beginning on January 1, 2022 0.5% beginning on January 1, 2034 0.6% beginning on January 1, 2039
As of July 21, 2018	In lieu of a COLA on January 1, 2019, members in pay were provided a 13th check on October 1, 2018. It is assumed a 13 th check would continue for the 2020 and 2021 fiscal years. Thereafter, the followings COLAs, compounded annually, were assumed: 0.4% beginning on January 1, 2022 0.5% beginning on January 1, 2034 0.6% beginning on January 1, 2039

* The TPL as of July 21, 2019 was determined based on an actuarial valuation prepared as of July 21, 2018 rolled forward one year to July 21, 2019, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.

NOTE F: RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Assumption (Healthy) - RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.

Mortality Assumption (Disabled) - RP-2014 (with MP-2014 improvement removed) Disability Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.

Experience Study - The most recent comprehensive experience study was completed in April 2015 and was based on member experience between July 21, 2010 and July 21, 2014. The demographic assumptions were updated as needed for the July 21, 2015 actuarial valuation based on the results of the study.

Discount Rate - 6.75%, net of investment expenses

The discount rate is equal to the expected long-term rate of return on plan investments, net of investment expense and including price inflation. There was no change in the discount rate from the prior measurement date.

The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of 11.2% (the current contribution rate) or a rate equal to the actuarially determined contribution rate, which is based on the assumptions and methods selected by the Board for the annual actuarial valuations and projected covered member payroll. The July 21, 2019 actuarial valuation assumes a long-term rate of return on assets of 6.75%, a 20-year level dollar closed method for amortizing the future layers of unfunded actuarial accrued liability (30 years for amortization layers established prior to July 21, 2016), and a 5-year smoothing method for recognizing investment gains and losses in the actuarial value of assets.

In the past several years, the Board has followed its current funding policy and the State has complied in its contributions to the plan. Therefore, if past practice is continued, the appropriations will be sufficient to fully fund the plan within 20 to 30 years. In the past, deterministic projections have shown the actuarially determined contribution rate to reach a peak of 10.9% which is slightly below the current rate. As a result, it is presumed that the projected plan assets will be sufficient to cover the future benefit payments for current members and a detailed projection of plan assets and cash flows has not been prepared.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Discount rate (6.75%)	1% Increase (7.75%)
\$96,074	\$59,822	\$29,584

NOTE F: RETIREMENT PLAN (CONTINUED)

Pension Expense

For the year ended December 31, 2019, the Housing Authority recognized pension expense of \$8,801, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred outflows of resources - debit	Deferred inflows of resources - credit
Differences between expected and actual experience	\$ 1,584	\$ 0
Net differences between projected and actual	0	2,828
Change of Assumptions	13	6,503
Changes in proportion and differences between employer contributions and proportionate share of contributions	308	785
Total	<u>\$ 1,905</u>	<u>\$ 10,116</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of the NPL in 2019:

Amortization of net deferred outflows/(inflows) of resources – debit/(credit)	
2020	\$ (2,613)
2021	(4,567)
2022	(810)
2023	(221)
2024	
Thereafter	0
Total	<u>\$ (8,211)</u>

The information presented above has not been audited.

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. The Housing Authority carries commercial insurance coverage to cover this risk. 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

Linton Housing Authority
Financial Data Schedule
Year Ended December 31, 2019

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Elimination
	ASSETS			
	Current assets:			
111	Cash-unrestricted	\$ 289,049	\$ 79,766	\$ 0
113	Cash-other restricted	0	23,675	0
114	Cash-tenant security deposits	8,575	0	0
100	Total cash	<u>297,624</u>	<u>103,441</u>	<u>0</u>
	Receivables:			
126	A/R-tenants-dwelling rents	296	0	0
126.1	Allowance for doubtful accounts	(72)	0	0
128	Fraud Recovery	0	0	0
120	Total receivables, net	<u>224</u>	<u>0</u>	<u>0</u>
	Other Current Assets:			
142	Prepaid expenses	6,904	0	0
143	Inventories	1,390	0	0
143.1	Allowance for obsolete inventories	(0)	0	0
144	Inter program due from	16,745	0	(16,745)
	Total other current assets	<u>25,039</u>	<u>0</u>	<u>(16,745)</u>
150	Total current assets	<u>322,887</u>	<u>103,441</u>	<u>(16,745)</u>
	Noncurrent Assets:			
	Fixed Assets:			
161	Land	293,481	0	0
162	Buildings	2,865,112	39,631	0
164	Furn, equip & mach-admin	124,444	0	0
165	Leasehold improvements	1,242	0	0
166	Accumulated depreciation	(2,769,202)	(39,631)	0
160	Total fixed assets, net	<u>515,077</u>	<u>0</u>	<u>0</u>
180	Total non-current assets	<u>515,077</u>	<u>0</u>	<u>0</u>
200	Deferred outflow of resources	<u>1,905</u>	<u>0</u>	<u>0</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 839,869</u>	<u>\$ 103,441</u>	<u>\$ (16,745)</u>

Linton Housing Authority
Financial Data Schedule
Year Ended December 31, 2019

<u>Total</u>
\$ 368,815
23,675
<u>8,575</u>
<u>401,065</u>
296
(72)
<u>0</u>
<u>224</u>
6,904
1,390
(0)
<u>0</u>
<u>8,294</u>
<u>409,583</u>
293,481
2,904,743
124,444
1,242
<u>(2,808,833)</u>
<u>515,077</u>
<u>515,077</u>
<u>1,905</u>
<u>\$ 926,565</u>

Linton Housing Authority
Financial Data Schedule
(Continued)
Year Ended December 31, 2019

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers Program 14.896	Elimination
	LIABILITIES and NET POSITION			
	Current liabilities:			
312	Accounts payable	\$ 1,878	\$ 660	\$ 0
321	Accrued wage/payroll taxes payable	6,041	2,613	0
322	Accrued compensated absences	0	38	0
341	Tenant security deposits	8,575	0	0
342	Unearned revenue	320	0	0
347	Inter program due to	0	16,745	(16,745)
310	Total current liabilities	<u>16,814</u>	<u>20,056</u>	<u>(16,745)</u>
	Non-current liabilities:			
353	Accrued compensated absences	2,684	2,314	0
357	Accrued pension	<u>59,822</u>	<u>0</u>	<u>0</u>
350	Total noncurrent liabilities	<u>62,506</u>	<u>2,314</u>	<u>0</u>
300	Total liabilities	<u>79,320</u>	<u>22,370</u>	<u>(16,745)</u>
400	Deferred inflow of resources	<u>10,116</u>	<u>0</u>	<u>0</u>
	Net Position:			
508.4	Net investment in capital assets	515,077	0	0
511.4	Restricted net position	0	23,675	0
512.4	Unrestricted net position	<u>235,356</u>	<u>57,396</u>	<u>0</u>
513	Total net position	<u>750,433</u>	<u>81,071</u>	<u>0</u>
600	Total Liabilities, Deferred Inflows of Resources and and Net Position	<u>\$ 839,869</u>	<u>\$ 103,441</u>	<u>\$ (16,745)</u>

Linton Housing Authority
Financial Data Schedule
(Continued)
Year Ended December 31, 2019

<u>Total</u>	
\$	2,538
	8,654
	38
	8,575
	320
	0
	<u>20,125</u>
	4,998
	<u>59,822</u>
	<u>64,820</u>
	84,945
	<u>10,116</u>
	515,077
	23,675
	<u>292,752</u>
	<u>831,504</u>
\$	<u>926,565</u>

Linton Housing Authority
Financial Data Schedule
(Continued)
Year Ended December 31, 2019

FDS Line Item No.		Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Total
Revenues				
70300	Net tenant rental revenue	\$ 131,531	\$ 0	\$ 131,531
70500	Total tenant revenue	131,531	0	131,531
70600	HUD PHA operating grants	101,269	638,890	740,159
71100	Investment income – unrestricted	155	58	213
71400	Fraud recovery	0	228	228
71500	Other revenue	4,989	0	4,989
70000	Total Revenue	<u>237,944</u>	<u>639,176</u>	<u>877,120</u>
Expenses				
Administrative:				
91100	Administrative salaries	68,091	72,909	141,000
91200	Auditing fees	6,500	3,250	9,750
91500	Employee benefit contributions	13,590	7,256	20,846
91600	Office expenses	10,943	14,432	25,375
91700	Legal	100	0	100
91800	Travel	4,907	623	5,530
91900	Other	4,318	3,600	7,918
91000	Total operating-administrative	<u>108,449</u>	<u>102,070</u>	<u>210,519</u>
Utilities:				
93100	Water	7,524	0	7,524
93200	Electricity	4,811	0	4,811
93300	Gas	948	0	948
93600	Sewer	14,041	0	14,041
93000	Total utilities	<u>27,324</u>	<u>0</u>	<u>27,324</u>
Ordinary maintenance and operations:				
94100	Labor	30,297	0	30,297
94200	Materials and other	12,932	0	12,932
94300	Contracts	25,380	0	25,380
94500	Employee benefit contributions	6,884	0	6,884
94000	Total maintenance	<u>75,493</u>	<u>0</u>	<u>75,493</u>
Insurance:				
96110	Property insurance	17,233	0	17,233
96120	Liability insurance	793	0	793
96130	Workmen’s compensation	3,406	0	3,406
96140	All other insurance	3,777	0	3,777
96100	Total insurance premiums	<u>25,209</u>	<u>0</u>	<u>25,209</u>

Linton Housing Authority
Financial Data Schedule
(Continued)
Year Ended December 31, 2019

FDS Line Item No.	Low Rent Program 14.850	Housing Choice Vouchers Program 14.871	Total
Expenses (continued)			
Other general expenses:			
96200	0	38	38
96400	152	0	152
96000	152	38	190
96900	236,627	102,108	338,735
97000	1,317	537,068	538,385
Other Expenses:			
97100	4,868	0	4,868
97300	0	523,427	523,427
97400	57,730	0	57,730
	62,598	523,427	586,025
90000	299,225	625,535	924,760
Other Financing Sources (Uses):			
10010	0	0	0
10020	0	0	0
	0	0	0
10000	(61,281)	13,641	(47,640)
11030	811,714	67,430	879,144
	\$ 750,433	\$ 81,071	\$ 831,504
11170		\$ 59,768	
11180		\$ 7,662	
11190	588	2,628	
11210	571	2,347	

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***

To the Board of Housing Commissioners
Linton Housing Authority
Greene County, 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 Linton Housing Authority, Indiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Linton Housing Authority, Indiana's basic financial statements, and have issued our report thereon dated July 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Linton 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 Linton Housing Authority, Indiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Linton 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 Linton 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, PC

July 21, 2020