



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B55971

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 28, 2020

Board of Directors
Rockville Housing Authority
107 W. High St.
Rockville, IN 47872

We have reviewed the audit report of the Rockville Housing Authority, which was opined upon by Velma Butler & Company, Ltd., Independent Public Accountant, for the period October 1, 2018 to September 30, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Rockville Housing Authority, as of September 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

ROCKVILLE HOUSING AUTHORITY
INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

ROCKVILLE HOUSING AUTHORITY

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT		1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4-8
BASIC FINANCIAL STATEMENTS:		
Statement of Net position - Enterprise Funds	A	9
Statement of Revenues, Expenses, and Change in Net position-Enterprise Funds	B	10
Statement of Cash Flows - All Enterprise Funds - All Fund Types and Account Groups	C	11
Notes to the Financial Statements		12-16
SUPPLEMENTAL INFORMATION:		
Financial Data Schedules - Audited REAC Submittal	E	17-21
GOVERNMENT AUDITING STANDARDS REPORT:		
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		22-23

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Rockville Housing Authority
Rockville, IN 47872

U.S. Department of Housing and Urban
Development, Indianapolis Office
Minton-Capehart Federal Building
575 North Pennsylvania, Room 655
Indianapolis, Indiana 46204

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Rockville Housing Authority (Authority), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 of material misstatement.

An audit also 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 of 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 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 Authority, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 for forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanied financial data schedules and the other information are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information such as financial data schedules are the responsibility of management and was derived from 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 accompanying supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2020 on our consideration of the Authority'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Summarized Comparative Information

We previously audited the Authority's 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements dated May 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd.".

Velma Butler & Company, Ltd.
Chicago, Illinois

July 3, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKVILLE HOUSING AUTHORITY
105 West High Street
Rockville, Indiana 47872
Phone 9765)569-3639 Fax (754) 569-3937

To the Board of Commissioners
Rockville Housing Authority
Rockville, Indiana 48272

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Rockville Housing Authority (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2019. The Management's discussion and analysis section includes information on the past, present and future events that have been enacted, adopted, agreed upon, and/or contracted by the Authority. The 2019 comparative information provided in the MD&A comes from the prior-year audit report, performed by VB&C.

We are pleased to submit the financial statements of the Authority for the year ended September 30, 2019. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the basic financial statements. The purpose of the financial statements is to provide complete and accurate financial information that complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board. The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

FINANCIAL HIGHLIGHTS

- Assets were \$22,107, at September 30, 2019, an increase of \$1,080, from the September 30, 2018, balance of \$21,027.. The increases occurred primarily in cash.
- There were no liabilities.
- Net position was \$22,107, at September 30, 2019, with an increase of \$1,080, resulting from operating income.
- Revenues were \$473,110, at September 30, 2019, an increase of \$8,963 from the September 30, 2018, balance of \$464,147. The increase was due to an increase in HUD operating revenue.

- Expenses were \$472,030 at September 30, 2019, a decrease of \$5,842.

USING THIS REPORT

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information detailing how the Authority's net position changed during the fiscal year. All changes in the net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as a single enterprise fund whose operations include the housing choice voucher program.

Fund Financial Statements are groupings of accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state, local, or quasi-governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's funds only consisted of a *Proprietary Fund*.

The Authority's *Proprietary Fund* is comprised of its enterprise fund with "business-type" activities intended to recover all or a portion of their costs through fees and charges for services. Since the Authority maintains its activities in the enterprise funds, its Proprietary Fund financial statements provide information about the activities of the Authority as a whole.

Section 8 Housing Choice Vouchers - The Housing Choice Voucher is the federal government's programs for assisting low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The program is administered locally by public housing authorities (PHAs). The PHAs receive funds from HUD to administer the programs. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

Net position represents the difference between total assets and total liabilities.

Table 1
Rockville Housing Authority-Net Assets

	2019	2018	Change	Percent of Change
Current Assets	\$ 22,107	\$ 21,027	\$ 1,080	5.1%
Total Assets	\$ 22,107	\$ 21,027	\$ 1,080	5.1%
Current Liabilities	\$ -	\$ -	\$ -	
Total Liabilities	-	-	-	
Invested in Capital Assets, Net	277	349	(72)	0.0%
Unrestricted	1,414	14,170	(12,756)	-90.0%
Restricted	20,416	6,508	13,908	213.7%
Total Net Position	22,107	21,027	1,080	5.1%
Total Liab. and Net Position	\$ 22,107	\$ 21,027	\$ 1,080	5.1%

As shown in Table 1, the Authority's total net position at September 30, 2019 was \$22,107, representing an increase of 5.1 percent increase from the September 30, 2018 balance of 21,027.

Revenues

Table 2 shows that the Authority's operating revenue decreased by \$23,024 or 4.7 percent.

Table 2
Change in Rockville Housing Authority's Net Position

Description	2019	2018	Change	Percent of Change
Operating Revenue	\$ 473,107	\$ 464,143	\$ 8,964	1.9%
Non-Operating Revenue	3	4	(1)	-25.0%
Total Revenue	<u>473,110</u>	<u>464,147</u>	<u>8,963</u>	1.9%
Operating Expenses	471,958	477,318	(5,360)	-1.1%
Depreciation	72	554	(482)	-87.0%
Total Expenses	<u>472,030</u>	<u>477,872</u>	<u>(5,842)</u>	-1.2%
Change in Net Position	1,080	(13,725)	14,805	-107.9%
Beginning Net Position	21,027	34,752	(13,725)	-39.5%
Ending Net Position	<u>\$ 22,107</u>	<u>\$ 21,027</u>	<u>\$ 1,080</u>	5.1%

Expenses

Total expenses, including depreciation, decreased by 1.2 percent, primarily as a result of a decrease in administrative expenses. The changes are shown below in Table 3:

Table 3
Rockville Housing Authority's Operating Expenses

	2019	2018	Change	Total Percent Change
Administrative Expenses	\$ 60,398	\$ 66,490	\$ (6,092)	-9.2%
Insurance	2,746	2,836	(90)	-3.2%
Housing Assistance Payments	408,814	407,992	822	100.0%
Depreciation Expense	72	554	(482)	-87.0%
Total Operating Expenses	<u>\$ 472,030</u>	<u>\$ 477,872</u>	<u>\$ (5,842)</u>	-1.2%

Budgetary Highlights

Management submits a proposed budget for revenues and expenses for the program based on functions, activities, or objectives for the following fiscal year. The budget is then given to the Board of Commissioners. The Commissioners approve and adopt the budget. Operating monies are determined by an estimate of housing assistance payments to landlords plus an administrative fee provided by HUD, as established by Congress. Most funding is dependent on the availability of federal funds.

MAJOR INITIATIVES

The Authority continues to seek opportunities to expand subsidized housing as funding is available and the projects are feasible.

The Authority's Strategic Goal includes the following:

- Expanding the supply of affordable housing with our Instrumentality.
- Improving the quality of existing affordable housing.
- Ensuring equal opportunity and affirmatively furthering fair housing.
- To seek out potential sources of revenue in order to continue operations with less dependency on federal subsidy.

It will be the Authority's continued mission to promote affordable, safe, decent, sanitary housing in good repair, economic growth opportunity and a suitable living environment free from discrimination. The Authority will also seek to provide educational opportunities through collaborations and/or partnerships with other educational sources.

ECONOMIC FACTORS

The Authority is primarily dependent upon HUD for its funding of operations; therefore, operating revenues are affected more by the Federal budget than by local economic conditions.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This Authority's financial report is designed to provide a general overview of the Authority's finances for all those with an interest and to demonstrate the Authority's accountability for the money it receives. Rockville Housing Authority, questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cinthia .S. Arney , Executive Director, Rockville Housing, 105 West High Street, Rockville, Indiana 48272 or call (765) 569-3639.

FINANCIAL STATEMENTS

ROCKVILLE HOUSING AUTHORITY
 STATEMENT OF FINANCIAL POSITION
 SEPTEMBER 30, 2019 (WITH 2018 TOTALS)

EXHIBIT A

ENTERPRISE FUND		
	2019	2018
	TOTAL	TOTAL
ASSETS		
Cash and Cash Equivalents	\$ 21,830	\$ 20,678
Accounts Receivable (net allowances)		
Prepaid, Deposits and Escrows		
TOTAL CURRENT ASSETS	<u>21,830</u>	<u>20,678</u>
Furniture and Equipment	2,572	2,572
Accumulated Depreciation	(2,295)	(2,223)
TOTAL CAPITAL ASSETS	<u>277</u>	<u>349</u>
TOTAL ASSETS	<u>\$ 22,107</u>	<u>\$ 21,027</u>
LIABILITIES AND NET POSITION		
Accounts Payable	\$	\$
Accrued Liabilities - Current		
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
Invested in Capital Assets	277	348
Unrestricted Net Position	1,414	14,171
Restricted Net Position	20,416	6,508
TOTAL NET POSITION	<u>22,107</u>	<u>21,027</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 22,107</u>	<u>\$ 21,027</u>

See accompanying notes to the financial statements.

ROCKVILLE HOUSING AUTHORITY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2019 (WITH 2018 TOTALS) EXHIBIT B

ENTERPRISE FUNDS		
	2019	2018
	TOTAL	TOTAL
OPERATING REVENUES		
HUD Operating Grants	\$ 473,107	\$ 464,143
TOTAL OPERATING REVENUES	<u>473,107</u>	<u>464,143</u>
OPERATING EXPENSES		
Administrative	60,398	66,490
Insurance	2,746	2,835
HAP Payments	408,814	407,992
Depreciation Expense	72	554
TOTAL OPERATING EXPENSES	<u>472,030</u>	<u>477,871</u>
OPERATING INCOME (LOSS)	<u>1,077</u>	<u>(13,728)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	<u>3</u>	<u>4</u>
TOTAL NON-OPERATING REVENUES	<u>3</u>	<u>4</u>
CHANGE IN NET POSITION	1,080	(13,724)
NET POSITION AT BEGINNING OF PERIOD	21,027	34,751
NET POSITION AT END OF PERIOD	<u>\$ 22,107</u>	<u>\$ 21,027</u>

See accompanying notes to the financial statements.

**ROCKVILLE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (WITH 2018 TOTALS)**

EXHIBIT C

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tenants and Others	\$ 472,030	\$ 464,143
Payments to Employees	(38,719)	(38,964)
Payments to Vendors and Suppliers	(432,162)	(438,353)
Net Cash Provided by/(Used for) Operating Activities	1,149	(13,174)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	3	4
Net Cash Provided by/(Used for) Investing Activities	3	4
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Net Cash Provided by/(Used for) Financing Activities	-	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,152	(13,170)
CASH AND CASH EQUIVALENTS AT START OF FISCAL YEAR	20,678	33,848
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	\$ 21,830	\$ 20,678
Reconciliation of Unrestricted and Restricted Cash and Cash Equivalents at Fiscal Year End		
To Unrestricted Cash and Cash Equivalents	\$ 1,414	\$ 14,170
To Restricted Cash and Cash Equivalents	20,416	6,508
CASH AND CASH EQUIVALENTS AT YEAR END	\$ 21,830	\$ 20,678
Reconciliation of Operating Loss to Net Cash		
Used by Operating Activities		
Operating Income	\$ 1,077	\$ (13,728)
Adjustments To Reconcile:		
Depreciation	72	554
Changes in Assets and Liabilities		
Net Cash Provided by/(Used for) Operating Activities	\$ 1,149	\$ (13,174)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
None		

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**ROCKVILLE HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

A. Organization and Program Description

The Rockville Housing Authority (Authority) was established by the City of Rockville pursuant to laws of the State of Indiana to transact business and to have powers as defined therein. The Authority was established to provide low income housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other applicable Federal Agencies.

The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities and to provide funds to assist the Public Housing Authorities (PHAs) in financing the acquisition, construction, and/or leasing of housing units; to make housing assistance payments; and to make annual contributions (subsidies) to PHAs for the purpose of maintaining the low rent character of the local housing program.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The Authority's Board elects its own chairperson and each member can only be removed for cause.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the various program activities of the Authority. The Authority's assets, liabilities and results of operations are segregated into grant programs as follows:

Section 8 Housing Choice Voucher Program - The Authority participates in the Housing Choice Voucher Program. This program is designed to provide privately owned, decent, safe and sanitary housing to low income families. The Authority provides assistance to low income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the program, the Authority enters into housing assistance payment contracts with eligible landlords. To fund the program, the Authority enters into annual contribution contracts with HUD for the receipt of rental subsidies. The Housing Choice Voucher program is reported as an enterprise fund.

ROCKVILLE HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

B. Reporting Entity

The reporting entity for the Authority includes its Enterprise Funds. The Authority is a separate governmental entity created for the purpose of providing rental assistance to low income and elderly persons. Most funding is provided by the United States Department of Housing and Urban Development (HUD). All funds and programs are included in these statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of fund accounts. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

Enterprise Funds - are accounted for on the flow of economic resources measurement focus and use the full accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

D. Fund Accounting

Accounts are organized on the basis of funds. Each fund represents a separate program with a separate set of self-balancing accounts. All funds are reported as enterprise funds and are grouped as follows:

- Section 8 Program consists of HUD payment of rents for tenants in privately owned housing and fees to the housing authority for operating the program. An individual fund is used for the Housing Choice Voucher Program.

Proprietary Funds - The Authority's operations are accounted for in a single Enterprise Fund. Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income are necessary for management accountability.

Management's 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**ROCKVILLE HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Cash, Cash Equivalents and Restricted Cash – Cash and cash equivalents are defined as short-term, highly liquid investments that are both: readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes all demand deposits, saving accounts and certificates of deposits or short-term investments with a maturity date of three months or less. Restricted assets include cash legally restricted as to their use. The primary restricted cash is related to the housing choice voucher program for future tenants rent payments.

Receivables - Receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible receivables are based on historical trends and periodic aging of receivables.

Risk Management - The 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 Authority manages these various risks of loss with insurance coverage.

Management believes insurance coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Capital Assets – Capital Assets consist of assets purchased or acquired at a cost of \$5,000 or greater. All capital assets are stated at historical costs or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets depreciated using straight-line method of depreciation over their estimated useful lives as follows:

Furniture, Fixtures, & Equipment 3 - 10 years

Compensated Absences – All full-time personnel will earn vacation days at the rate of one week after the first year of employment, two weeks after the second year of employment and three weeks after the third year of employment. Maximum accumulation of vacation leave is three weeks. Upon termination of employment, an employee shall be compensated for the unused portion of earned vacation which the employee is eligible to use and earned vacation in the year of termination which has not been used. Compensation for unused vacation earned during the year of termination will be on a prorated basis. One paid sick day per month will be allowed. No payments shall be made in lieu of unused sick leave. Sick days which are unused are not carried over from year to year. The estimated portion of the liability for vested vacation and sick leave benefits attributable to the Housing Authority is recorded as an expenditure and liability in each of the respective programs.

Federal Awards – Federal grants for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Awards received prior to meeting revenue recognition criteria are recorded as deferred revenue. Operating grants are recorded as revenue in the year earned.

**ROCKVILLE HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Operating Revenue & Expenses - 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 Authority are operating grants from HUD. 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 statement of revenues, expenses, and change in net position.

Fair Value - GASB Statement No. 72, Fair Value Measurement and Application, is effective for periods beginning after September 15, 2015, with earlier application encouraged. This Statement should improve financial reporting by clarifying the definition of fair value for financial reporting purposes. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. The disclosures should be organized by type asset or liability reported at fair value. The Authority's implementation as a result of this pronouncement did not have a material impact on the financial statements.

Net Position - Net position is comprised of three categories: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. Each component of net position is reported separately on the statement of net position. Net position includes the following:

(1) Investment in capital assets, net of related debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

(2) Restricted - The component of net position that reports the amount of revenue from a federal or state award for service programs in excess of expenditures. These funds are restricted for the use of the related federal or state program.

(3) Unrestricted - The difference between the assets and liabilities that is not reported in the net position invested in capital, net of related debt or net position restricted for federal and state programs.

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Concentration of Risk - During the year ended September 30, 2019, the Authority received approximately 99 percent of its funding from HUD.

Compliance - The Authority is subject to various federal, state and local laws and regulations and contractual regulations.

ROCKVILLE HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Note 2 - Budget Information

Enterprise Funds - The Authority prepares annual operating budgets for its enterprise funds receiving federal expenditure awards. The Fiscal Services Director prepares the operating budgets for the year for all program activities. Budgets are submitted by the Authority's Executive Director and approved by resolutions of the Board of Commissioners and/or HUD.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents totaled \$21,830, at September 30, 2019, and are maintained in commercial checking accounts and are readily available. Amounts up to \$250,000 are fully insured by the Federal Deposit Insurance Corporation (FDIC). Cash amounts in excess of the \$250,000, not insured by the FDIC, are required to be collateralized by United States government securities and held in the pledging financial institutions' trust departments in the Authority's name, as required by HUD regulations. All amounts were fully insured by the FDIC. Of the cash and cash equivalents \$20,416, is restricted for future housing assistance.

Note 4 - Net Assets

Net Assets were \$22,107, of which \$20,416 was restricted for future housing payment.

Note 5 - Administrative Fees

The Authority receives an "Administrative Fee" as part of each of the annual contributions contract from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Housing Assistance programs. These fees are primarily paid to Fort Wayne Housing Authority for their management of the Authority's operations and finances.

Note 6 - Federal Financial Assistance

The Authority was awarded federal funds from HUD to operate the Section 8 Housing Choice Voucher Program. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Contract activity for the year ended September 30, 2019, was as follows:

Program Revenue	\$	473,110
Program Expenditures		<u>(472,030)</u>
Net Program Income/(Loss)	\$	<u><u>1,080</u></u>

Note 7 - Subsequent Events

Management has performed an analysis of activities and transactions subsequent to September 30, 2019, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended September 30, 2019. Management has performed their analysis through July 3, 2020, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

GOVERNMENTAL AUDITING STANDARDS REPORT

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards**

Board of Commissioners
Rockville Housing Authority
Fort Wayne, IN 46816

U.S. Department of Housing and Urban
Development, Indianapolis Office
Minton-Capehart Federal Building
575 North Pennsylvania, Room 655
Indianapolis, Indiana 46204

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 Rockville Housing Authority ("Authority") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 3, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

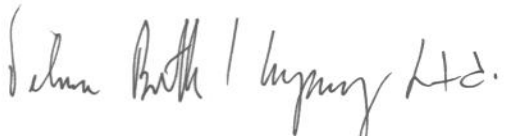
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not 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 Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Velma Butler & Company, Ltd.".

Velma Butler & Company, Ltd.
Chicago, Illinois

July 3, 2020