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November 9, 2021

Board of Commissioners
Warsaw Housing Authority
109 West Catherine Street
Milford, IN 46542

We have reviewed the audit report of the Warsaw Housing Authority, which was opined on by Audit Solutions, LLC, for the period October 1, 2019 to September 30, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Warsaw Housing Authority as of September 30, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Audit Solutions, LLC, prepared the audit report 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

**HOUSING AUTHORITY OF THE CITY OF WARSAW
MILFORD, INDIANA**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Warsaw
Milford, Indiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Warsaw (Authority), Indiana, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-v be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 25, 2021, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

May 25, 2021

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2020

This section of the Warsaw Housing Authority, Indiana (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on September 30, 2020. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

- The term "net position" refers to the difference between assets and liabilities. The Authority's total net position as of September 30, 2020 was \$173,803. The net position decreased by \$55,810, a decrease of 24.3% from the prior year.
- Revenues for the Authority were \$2,034,465 for the year ended September 30, 2020. This was a decrease of \$941,569 or 31.6% from the prior year.
- Expenses for the Authority were \$2,090,275 for the year ended September 30, 2020. This was a decrease of \$839,938 or 28.7% from the prior year.
- Governmental grants and subsidy for the Authority was \$1,979,404 for the year ended September 30, 2020, a decrease of \$921,083 or 31.8% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Notes to the Financial Statements

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

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Data*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended September 30, 2020 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Data*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended September 30, 2020 and is required to be included in the audit reporting package.

- Current assets include cash, investments, receivables, and prepaid expenses. Current assets decreased \$21,870 due to a \$10,386 decrease in cash and investments and a \$12,442 decrease in receivables. This was partially offset by a \$958 increase in prepaid expenses.
- Capital assets increased \$5,885 because current year capital asset additions exceeded current year depreciation expense. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities increased \$58,031 or 287.5% primarily due to unearned revenue of \$52,467 from CARES Act Funds received, not yet expended as of fiscal year-end. Authority also had a \$6,191 increase in current portion of accrued compensated absences.
- Noncurrent liabilities decreased \$18,206 or 28.2% from FY 2019 due to a decrease in noncurrent portion of accrued compensated absences.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2020

FINANCIAL ANALYSIS (CONTINUED)

The unrestricted net position was \$157,519 as of September 30, 2020. This amount may be used to meet the Authority’s ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for almost seven months, excluding housing assistance payments. The restricted net position was \$5,058 as of September 30, 2020. This amount may only be used for Section 8 Voucher housing assistance payments. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET POSITION

	FY 2020	FY 2019	Dollar Change	Percent Change
Current assets	\$ 287,138	\$ 309,008	\$ (21,870)	-7.1%
Capital assets	11,226	5,341	5,885	110.2%
Total Assets	298,364	314,349	(15,985)	-5.1%
Current liabilities	78,214	20,183	58,031	287.5%
Noncurrent liabilities	46,347	64,553	(18,206)	-28.2%
Total Liabilities	124,561	84,736	39,825	47.0%
 Net Position				
Net investment in capital assets	11,226	5,341	5,885	110.2%
Restricted	5,058	60,216	(55,158)	-91.6%
Unrestricted	157,519	164,056	(6,537)	-4.0%
Total Net Position	\$ 173,803	\$ 229,613	\$ (55,810)	-24.3%

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.

As can be seen in the table on the following page, total revenues decreased \$941,569 due to the reasons noted below.

- Governmental grants and subsidy decreased \$921,083 due to a \$1,083,392 decrease in other government grant revenue. This was partially offset by a \$121,326 increase in HUD housing assistance for the housing choice voucher program. The Authority also had a \$14,135 increase in HUD administrative fees and revenue from CARES Act of \$26,848 in FY 2020.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2020

FINANCIAL ANALYSIS (CONTINUED)

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

	FY 2020	FY 2019	Dollar Change	Percent Change
Revenues				
Operating - non-operating - capital contributions:				
Governmental grants and subsidy	1,979,404	2,900,487	(921,083)	-31.8%
Miscellaneous revenue	54,794	75,194	(20,400)	-27.1%
Investment income	267	353	(86)	-24.4%
Total Revenues	2,034,465	2,976,034	(941,569)	-31.6%
Expenses				
Administration	240,375	305,870	(65,495)	-21.4%
Utilities	1,641	2,709	(1,068)	-39.4%
Ordinary maintenance & operation	1,834	2,479	(645)	-26.0%
Insurance	7,955	6,509	1,446	22.2%
General expense	20,719	16,517	4,202	25.4%
Housing assistance payments	1,815,455	2,593,992	(778,537)	-30.0%
Depreciation expense	2,296	2,137	159	7.4%
Total Expenses	2,090,275	2,930,213	(839,938)	-28.7%
Changes in net position	(55,810)	45,821	(101,631)	
Net position, beginning of year	229,613	183,792	45,821	
Net position, end of year	\$ 173,803	\$ 229,613	\$ (55,810)	

➤ Miscellaneous revenue decreased \$20,400 or 27.1% from FY 2019 mainly due to a \$19,160 decrease in revenue from fraud recovery.

➤ Investment income decreased \$86 from FY 2019.

Total expenses decreased \$839,938 due to the reasons noted below.

➤ Administration decreased \$65,495 or 21.4% from FY 2019 primarily due to a decrease in administrative wages and benefits of \$45,903 or 22.0%. The Authority also had a decrease in other administrative expenses of \$11,418 or 31.0% and a decrease in travel expenses of \$8,377 or 60.5%.

➤ Utilities decreased \$1,068 or 39.4% from FY 2019.

➤ Ordinary maintenance and operation decreased \$645 from FY 2019 due to a decrease in contracted maintenance services.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
September 30, 2020

FINANCIAL ANALYSIS (CONTINUED)

- Insurance increased \$1,446 from FY 2019.
- General expense increased \$4,202 or 25.4% due to a \$3,603 increase in other general expenses and a \$599 increase in expense for compensated absences.
- Housing assistance payments decreased \$778,537 or 30.0% due to a 38.9% decrease in number of vouchers issued and outstanding during the current fiscal year.
- The Authority had a \$159 or 7.4% increase in depreciation, which is the write-off of capital assets over their estimated useful life.

The Authority is authorized to assist 512 households with the Housing Choice Voucher Rental Assistance Program. The Section 8 lease up rate for fiscal year ending September 30, 2020 was 69.7%, up from 68.9% in FY 2019.

CAPITAL ASSETS

The Warsaw Housing Authority, Indiana’s investment in capital assets net of related debt, as of September 30, 2020 amounts to \$11,226 (net of accumulated depreciation). The investment in capital assets includes equipment.

Capital Assets – The total increase in the Authority’s capital assets for the current fiscal year was 110.2% in terms of net book value. Depreciation charges for the year totaled \$2,296. Additional information on the Authority’s capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Disposals	Ending
Capital assets	\$5,341	\$8,181	\$(2,296)	\$(0)	\$11,226

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The Authority is eligible to receive continuing budget authority during FY 2021 for assisting participants in the Housing Choice Voucher program. In addition to continuing budget authority the Authority has \$5,058 in HAP Reserves to be used for housing assistance payments. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2021 and adjusted for pro-ration which is currently at 80.000%.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Pamela Kennedy, Executive Director, Warsaw Housing Authority, P.O. Box 387, Milford, Indiana 46542.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF NET POSITION
September 30, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$	216,209
Cash - restricted		57,525
Investments		3,230
Receivables - net of allowances		6,210
Prepaid expenses		<u>3,964</u>

Total Current Assets 287,138

Non-current Assets:

Capital assets:

Other capital assets, net of depreciation		<u>11,226</u>
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Total capital assets - net 11,226

Total Non-current Assets 11,226

Total Assets and Deferred Outflow of Resources \$ 298,364

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF NET POSITION – (Continued)
For the Year Ended September 30, 2020

LIABILITIES

Current Liabilities:

Accounts payable	\$	2,372
Accrued salaries and benefits		7,253
Accrued compensated absences		8,600
Unearned revenues		<u>59,989</u>

Total Current Liabilities 78,214

Non-current Liabilities:

Non-current liabilities - Other		<u>46,347</u>
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Total Non-current Liabilities 46,347

Total Liabilities 124,561

NET POSITION

Net investment in capital assets		11,226
Restricted		5,058
Unrestricted		<u>157,519</u>

Total Net Position 173,803

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 298,364

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2020

OPERATING REVENUES	
Governmental grants and subsidy	\$ 1,979,404
Miscellaneous	<u>54,794</u>
Total operating revenue	<u>2,034,198</u>
OPERATING EXPENSES	
Administrative	240,375
Utilities	1,641
Ordinary maintenance and operations	1,834
Insurance	7,955
General	20,719
Housing assistance payment	1,815,455
Depreciation expense	<u>2,296</u>
Total operating expenses	<u>2,090,275</u>
Operating income (loss)	<u>(56,077)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>267</u>
Net non-operating revenues (expenses)	<u>267</u>
Income (loss) before contributions and transfers	<u>(55,810)</u>
Change in net position	(55,810)
Total net position - beginning of year	<u>229,613</u>
Total net position - end of year	<u>\$ <u>173,803</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Received from governmental grants and subsidy	\$ 2,044,284
Received from other operating activities	54,814
Payments for goods and services	(95,072)
Payments to employees	(172,868)
Payment for housing assistance	<u>(1,815,455)</u>

Net cash provided by (used in) operating activities 15,703

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(8,181)
Receipts (payments) from deferred credits and escrow deposits	<u>(18,206)</u>

Net cash provided by (used in) capital and related financing activities (26,387)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments	(87)
Receipts of interest and dividends	<u>298</u>

Net cash provided by (used in) investing activities 211

Net increase (decrease) in cash and cash equivalents	(10,473)
Cash and cash equivalents at beginning of year	<u>284,207</u>

Cash and cash equivalents at end of year	<u><u>\$ 273,734</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2020

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$	(56,077)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		2,296
Change in assets and liabilities:		
Receivables, net		12,411
Prepaid expenses		(958)
Accounts and other payables		(1,367)
Unearned revenues		52,489
Compensated absences		6,191
Accrued expenses		<u>718</u>
Net cash provided by (used) by operating activities	\$	<u><u>15,703</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1A. Financial Reporting Entity

The Authority’s financial reporting entity comprises the following:

Primary Government: Housing Authority

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

1B. Basis of Presentation

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

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

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

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2020

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

1B. Basis of Presentation – (Continued)

The Authority operates the following program in the enterprise fund:

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

Business Activities - The Authority is a subcontractor with the Indiana Housing & Community Development Authority (IHCDA) to administer portions of the HCV Program for them in Fulton, Marshall and Kosciusko Counties. The IHCDA reimburses the Authority for the rental supplements paid to private landlords and the agency earns an administrative fee for the costs of managing the program. The program was discontinued in Oct 2019.

HCV CARES Act - The CARES Act provides funding to prevent, prepare for, and respond to COVID-19, and to maintain normal operations and take other necessary actions during the period the program is impacted by the pandemic.

1C. Measurement Focus and Basis of Accounting

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

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

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

1D. Budgets

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

1E. Estimates and assumptions

The preparation of financial statements in conformity with Generally Accepted Accounting Principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2020

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

1F. Assets, Liabilities, and Equity

Cash and Investments

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

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

Inter-fund Receivables and Payables

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

Receivables

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

Fixed Assets

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

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

Buildings	15 years
Furniture, equipment and machinery - administrative	3-7 years

Compensated Absences

The Authority’s policies regarding vacation time does not permit employees to carry forward unused vacation leave at December 31st. As such, all liability is considered short term at year-end September 30th.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2020

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

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

Equity Classifications

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

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Use of Restricted/Unrestricted Net Position

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

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

2A. Program Accounting Requirements

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

<u>Program</u>	<u>Required By</u>
Section 8 Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Business Activities	Housing Authority
HCV CARES Act	U.S. Department of Housing and Urban Development

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (Continued)

2B. Deposits and Investments Laws and Regulations

It is the Authority’s policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. As reflected in Note 3A, all deposits were fully insured or collateralized.

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

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

2C. Revenue Restrictions

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Housing Assistance Payment Grant	For HAP purposes only
HCV CARES Act	COVID related expenses

For the year ended September 30, 2020, the Authority complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

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

3A. Cash and Investments

As of September 30, 2020, the Authority had the following cash deposits:

Cash deposits	\$ 273,734
Certificate of deposit	<u>3,230</u>
Total	<u><u>\$ 276,964</u></u>

Following is a reconciliation of the Authority’s deposit balances as of September 30, 2020:

Cash and cash equivalents	\$ 216,209
Restricted assets	57,525
Investments	<u>3,230</u>
Total	<u><u>\$ 276,964</u></u>

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2020

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

3A. Cash and Investments – (Continued)

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At September 30, 2020, the Authority's bank balances of \$274,574 were entirely covered by FDIC insurance or by the Public Deposit Insurance Fund (PDIF) which was created in 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions in the state of Indiana. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by federal deposit insurance. The fund is administered by the Indiana Board for Depositories.

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At September 30, 2020, the Authority's investment balance of \$3,230 was entirely covered by FDIC or PDIF insurance.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At September 30, 2020, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ <u>3,230</u>	2/8/2021

3B. Accounts Receivable

Receivables at September 30, 2020 consist of the following:

Tenants – Fraud recovery	\$ 29,971
Less: Allowance for doubtful account	<u>(25,368)</u>
Tenants – Fraud recovery – net of allowance	4,603
Miscellaneous	<u>1,607</u>
Total receivable – net of allowances	<u><u>\$ 6,210</u></u>

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2020

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

3C. Capital Assets

A summary of capital asset activity for the year ended September 30, 2020 is as follows:

	Balance October 1, 2019	Additions	(Retirement)	Reclassification/ Transfers in (out)	Balance September 30, 2020
Depreciable assets:					
Building	\$ 5,665	\$ -	\$ -	-	\$ 5,665
Equipment - administration	27,472	8,181	-	-	35,653
Total depreciable assets	33,137	8,181	-	-	41,318
Accumulated depreciation	(27,796)	(2,296)	-	-	(30,092)
Total depreciable assets, net	5,341	5,885	-	-	11,226
Capital assets, net	\$ 5,341	\$ 5,885	\$ -	\$ -	\$ 11,226

Depreciation expense is charged to programs as follows:

	Business-type Activities
Housing Choice Vouchers	\$ 703
Business Activities	1,593
Total depreciation expense	\$ 2,296

3D. Accounts Payable

Accounts payable at September 30, 2020 consist of the following:

Vendors	\$ 1,930
Other current liabilities	345
Accrued utilities	97
Total Accounts Payable	\$ 2,372

3E. Non-current liabilities

Non-current liabilities at September 30, 2020 consist of the following:

Home of Your Own (HOYO) revolving account	\$ 46,347
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Changes in non-current liabilities

The following is the summary of changes in non-current liabilities:

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020
HOYO revolving account	\$ 64,553	\$ ---	\$ 18,206	\$ 46,347

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2020

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority does not provide pension benefits to its employees. As such, no pension contributions were made in FY 2020.

4B. Financial Data Schedule

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

4C. Risk Management

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

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Indiana Farmers Mutual Insurance Co.
b. Injuries to employees (workers' compensation)	Purchased insurance with Selective Insurance Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$500 deductibles.

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

4D. Contingencies

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

4E. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS – (Continued)
September 30, 2020

NOTE 4 – OTHER NOTES – (Continued)

4E. Subsequent Events – (Continued)

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

Management evaluated the activity of the Authority through May 25, 2021 and concluded that no additional subsequent events have occurred that would require adjustment to or disclosures within these financial statements except for the one noted above.

4F. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2021 federal budget.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	\$ 1,856,366
Section 8 Housing Choice Vouchers - Cares Act	14.871	26,848
Section 8 Housing Choice Vouchers - IHEDA	14.871	<u>96,190</u>
Total Expenditures of Federal Awards		\$ <u><u>1,979,404</u></u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Warsaw (Authority) under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

FINANCIAL DATA SCHEDULE
Year Ended September 30, 2020

	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
111 Cash - Unrestricted	\$193,963	\$22,246		\$216,209	\$216,209
113 Cash - Other Restricted		\$5,058	\$52,467	\$57,525	\$57,525
100 Total Cash	\$193,963	\$27,304	\$52,467	\$273,734	\$273,734
125 Accounts Receivable - Miscellaneous	\$1,607			\$1,607	\$1,607
128 Fraud Recovery		\$29,971		\$29,971	\$29,971
128.1 Allowance for Doubtful Accounts - Fraud		-\$25,368		-\$25,368	-\$25,368
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,607	\$4,603	\$0	\$6,210	\$6,210
131 Investments - Unrestricted	\$3,230			\$3,230	\$3,230
142 Prepaid Expenses and Other Assets	\$634	\$3,330		\$3,964	\$3,964
150 Total Current Assets	\$199,434	\$35,237	\$52,467	\$287,138	\$287,138
162 Buildings	\$5,665			\$5,665	\$5,665
164 Furniture, Equipment & Machinery - Administration	\$11,380	\$24,273		\$35,653	\$35,653
166 Accumulated Depreciation	-\$14,079	-\$16,013		-\$30,092	-\$30,092
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,966	\$8,260	\$0	\$11,226	\$11,226
180 Total Non-Current Assets	\$2,966	\$8,260	\$0	\$11,226	\$11,226
290 Total Assets and Deferred Outflow of Resources	\$202,400	\$43,497	\$52,467	\$298,364	\$298,364
312 Accounts Payable <= 90 Days	\$1,930	\$0		\$1,930	\$1,930
321 Accrued Wage/Payroll Taxes Payable	\$2,280	\$4,973		\$7,253	\$7,253
322 Accrued Compensated Absences - Current Portion	\$607	\$7,993		\$8,600	\$8,600
342 Unearned Revenue	\$7,500	\$22	\$52,467	\$59,989	\$59,989
345 Other Current Liabilities		\$345		\$345	\$345
346 Accrued Liabilities - Other	\$97			\$97	\$97
310 Total Current Liabilities	\$12,414	\$13,333	\$52,467	\$78,214	\$78,214
353 Non-current Liabilities - Other	\$46,347			\$46,347	\$46,347
350 Total Non-Current Liabilities	\$46,347	\$0	\$0	\$46,347	\$46,347
300 Total Liabilities	\$58,761	\$13,333	\$52,467	\$124,561	\$124,561
508.4 Net Investment in Capital Assets	\$2,966	\$8,260		\$11,226	\$11,226
511.4 Restricted Net Position		\$5,058		\$5,058	\$5,058
512.4 Unrestricted Net Position	\$140,673	\$16,846	\$0	\$157,519	\$157,519
513 Total Equity - Net Assets / Position	\$143,639	\$30,164	\$0	\$173,803	\$173,803
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$202,400	\$43,497	\$52,467	\$298,364	\$298,364

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended September 30, 2020

	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
70600 HUD PHA Operating Grants		\$1,856,366	\$26,848	\$1,883,214	\$1,883,214
70800 Other Government Grants	\$96,190			\$96,190	\$96,190
71100 Investment Income - Unrestricted	\$192	\$75		\$267	\$267
71400 Fraud Recovery		\$24,784		\$24,784	\$24,784
71500 Other Revenue	\$30,000	\$10		\$30,010	\$30,010
70000 Total Revenue	\$126,382	\$1,881,235	\$26,848	\$2,034,465	\$2,034,465
91100 Administrative Salaries	\$7,999	\$133,471	\$9,140	\$150,610	\$150,610
91200 Auditing Fees	\$2,379	\$5,551		\$7,930	\$7,930
91500 Employee Benefit contributions - Administrative	\$642	\$10,828	\$606	\$12,076	\$12,076
91600 Office Expenses	\$8,187	\$26,031	\$4,666	\$38,884	\$38,884
91800 Travel	\$557	\$4,912		\$5,469	\$5,469
91900 Other	\$5,290	\$19,538	\$578	\$25,406	\$25,406
91000 Total Operating - Administrative	\$25,054	\$200,331	\$14,990	\$240,375	\$240,375
93800 Other Utilities Expense	\$1,641			\$1,641	\$1,641
93000 Total Utilities	\$1,641	\$0	\$0	\$1,641	\$1,641
94300 Ordinary Maint. and Operations Contracts	\$590	\$1,170	\$74	\$1,834	\$1,834
94000 Total Maintenance	\$590	\$1,170	\$74	\$1,834	\$1,834
96110 Property Insurance	\$184	\$0		\$184	\$184
96120 Liability Insurance	\$2,160	\$4,556		\$6,716	\$6,716
96130 Workmen's Compensation	\$135	\$315		\$450	\$450
96140 All Other Insurance	\$290	\$315		\$605	\$605
96100 Total insurance Premiums	\$2,769	\$5,186	\$0	\$7,955	\$7,955
96200 Other General Expenses			\$3,603	\$3,603	\$3,603
96210 Compensated Absences	\$1,207	\$15,909		\$17,116	\$17,116
96000 Total Other General Expenses	\$1,207	\$15,909	\$3,603	\$20,719	\$20,719
96900 Total Operating Expenses	\$31,261	\$222,596	\$18,667	\$272,524	\$272,524
97000 Excess of Operating Revenue over Operating Expenses	\$95,121	\$1,658,639	\$8,181	\$1,761,941	\$1,761,941

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended September 30, 2020

	1 Business Activities	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	Total
97300 Housing Assistance Payments	\$85,640	\$1,729,815		\$1,815,455	\$1,815,455
97400 Depreciation Expense	\$1,593	\$703		\$2,296	\$2,296
90000 Total Expenses	\$118,494	\$1,953,114	\$18,667	\$2,090,275	\$2,090,275
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$7,888	-\$71,879	\$8,181	-\$55,810	-\$55,810
11030 Beginning Equity	\$135,751	\$93,862	\$0	\$229,613	\$229,613
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		\$8,181	-\$8,181	\$0	\$0
11170 Administrative Fee Equity		\$25,106		\$25,106	\$25,106
11180 Housing Assistance Payments Equity		\$5,058		\$5,058	\$5,058
11190 Unit Months Available	408	5991		6399	6399
11210 Number of Unit Months Leased	262	4173		4435	4435

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

Board of Commissioners
Housing Authority of the City of Warsaw
Milford, Indiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Warsaw (Authority), Indiana, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated May 25, 2021.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

May 25, 2021

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

Board of Commissioners
Housing Authority of the City of Warsaw
Milford, Indiana

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Warsaw (Authority), Indiana’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended September 30, 2020. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

My responsibility is to express an opinion on compliance for each of the Authority’s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Authority’s compliance.

Opinion on Each Major Federal Program

In my opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

May 25, 2021

INDEPENDENT AUDITORS REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of Warsaw
Milford, Indiana

I have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of Warsaw and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

I compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of my agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the chart below.

I was engaged to perform an audit in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by the Authority as of and for the year ended September 30, 2020 and have issued my report thereon dated May 25, 2021. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, my opinion on the fair presentation of the Financial Data Schedule (FDS) dated May 25, 2021, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by Uniform Guidance, which includes the auditor's reports, is available in its entirety from the Authority. I have not performed any additional procedures since the date of the aforementioned audit reports. Further, I take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report is intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Audit Solutions, LLC

Chesterfield, Missouri
May 25, 2021

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

AGREED UPON PROCEDURES
September 30, 2020

Procedure	UFRS Rule Information	Hard Copy Document(s)	Agrees
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule, all CFDA's	√
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	√
3	Type of opinion to FDS (data element G5100-010)	Auditor's supplemental report on FDS	√
4	Audit findings narratives (data element G5200-010)	Schedule of Findings and Questioned costs	√
5	General Information (data element series G2000, G2100, G2200, G2300, G90000, G9100)	OMB Data Collection Form	√
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
8	Type of compliance requirement (G4000-020 & G4000-030)	OMB Data Collection Form	√
9	Basic financial statements and auditors' reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	√

HOUSING AUTHORITY OF THE CITY OF WARSAW
Milford, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
<u>Identification of Major programs:</u>	
➤ CFDA #14-871 Section 8 Housing Choice Vouchers	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended September 30, 2020 disclosed no Financial Statement audit findings.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended September 30, 2020 disclosed no Federal Awards audit findings and questioned costs.