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AN EQUAL OPPORTUNITY EMPLOYER

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February 3, 2023

Board of Directors  
Housing Authority of Cannelton  
PO Box 336  
Tell City, IN 47586

We have reviewed the audit report of the Housing Authority of Cannelton, which was opined upon by Barnes, Dennig & Co., Ltd., Independent Public Accountant, for the period April 1, 2022 to the end of operations at June 30, 2022. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of the Housing Authority of Cannelton, as of June 30, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Subsequent Events note on page 12 for more information regarding the housing authority's transfer of operations to Indiana Housing & Community Development Authority.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

# **Housing Authority of Cannelton Cannelton, Indiana**

**Financial Statements  
With Supplementary Information  
Period from April 1, 2022 to June 30, 2022 (End of Housing Authority Operations)  
With Independent Auditors' Report**

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**  
**Period from April 1, 2022 to June 30, 2022**

**Table of Contents**

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|   | <b><u>Page(s)</u></b> |
|---|-----------------------|
| Independent Auditors' Report  | 1 - 3                 |
| Management Discussion and Analysis  | 4 - 7                 |
| Financial Statements:   |                       |
| Statement of Net Position   | 8                     |
| Statement of Revenues, Expenses, and Changes in Net Position  | 9                     |
| Statement of Cash Flows   | 10                    |
| Notes to the Financial Statements   | 11 - 14               |
| 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 <i>Government Auditing Standards</i> | 15 - 16               |
| Supplemental Information Required by HUD:   |                       |
| Financial Data Submission   | 17 - 20               |

## Independent Auditors' Report

Board of Directors  
Housing Authority of Cannelton  
Cannelton, Indiana

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the Housing Authority of Cannelton (the Authority) as of and for the period from April 1, 2022 to the end of operations at June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of and for the period from April 1, 2022 to the end of operations at June 30, 2022, and the respective changes in financial position, and cash flows thereof for the period then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Housing Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–7 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of Cannelton's basic financial statements. The accompanying supplementary information section containing the Financial Data Submission is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information containing the Financial Data Submission is the responsibility of management and was 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 our opinion, the accompanying supplementary information containing the Financial Data Submission 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 December 29, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of Cannelton's internal control over financial reporting and compliance.



December 29, 2022  
Indianapolis, Indiana

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

**MANAGEMENT DISCUSSION AND ANALYSIS**  
Period from April 1, 2022 to June 30, 2022

As management of the Housing Authority of Cannelton (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the three-month period ended June 30, 2022. Beginning July 1, 2022 the operations of Section 8 Housing Program will be handled by Lincoln Hill Development Corporation.

**FINANCIAL HIGHLIGHTS**

- Net position decreased by \$7,016 as of June 30, 2022.
- Operating revenue of the Authority decreased by \$470,609 from prior period results.
- The Authority's cash balance at June 30, 2022 was \$10,876, representing a decrease of \$7,016 from March 31, 2022.

**OVERVIEW OF THE AUTHORITY**

The Housing Authority of Cannelton is organized under the laws of the State of Indiana for the purpose of providing rent assistance for the elderly and low-income families. The Authority receives funds from HUD under Annual Contribution Contract C-2041 Cannelton, Indiana, and administers 179 Section 8 Housing Choice Voucher units.

A seven (7)-member board governs the Authority.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority's financial statements consist of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the Authority-wide financial statements and notes to the financial statements.

- The Authority-wide financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.
- The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

The Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows report information about the Authority as a whole and about its activities in a format that helps the reader assess the result of operations. Each statement is a condensed presentation of sources of funding and major activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

MANAGEMENT DISCUSSION AND ANALYSIS—Continued  
 Period from April 1, 2022 to June 30, 2022

**AN OVERVIEW OF THE AUTHORITY—WIDE FINANCIAL POSITION AND OPERATIONS**

The Authority’s overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

***Housing Authority of Cannelton***  
***Statement of Net Position***

|                     | <u>April 1, 2022 to<br/>June 30, 2022</u> | <u>Year ended<br/>March 31, 2022</u> | <u>Change</u>  |
|---------------------|---|--------------------------------------|----------------|
| Current assets      | \$ 10,876                                 | \$ 17,892                            | -39.2%         |
| Total assets        | <u>10,876</u>                             | <u>17,892</u>                        | <u>-39.2%</u>  |
| Current liabilities | <u>-</u>                                  | <u>-</u>                             | <u>0.0%</u>    |
| Total liabilities   | <u>-</u>                                  | <u>-</u>                             | <u>0.0%</u>    |
| Net position        |   |                                      |                |
| Unrestricted        | 10,876                                    | 12,589                               | -13.6%         |
| Restricted          | <u>-</u>                                  | <u>5,303</u>                         | <u>-100.0%</u> |
| Total net position  | <u>\$ 10,876</u>                          | <u>\$ 17,892</u>                     | <u>-39.2%</u>  |

Cash

Total cash decreased by \$7,016 or 39.2% for the three-months ended June 30, 2022.

Accounts receivable

Accounts receivable changed by \$0 for the three-months ended June 30, 2022. As of June 30, 2022, the Authority had \$0 in fraud recovery receivables and \$0 in HUD receivables.

Accounts payable

There were no payables at June 30, 2022.

Long-term debt

The Authority does not have any long-term liabilities at this time.

Net Position

Net Position decreased by \$7,016 for the three-months ended June 30, 2022. Unrestricted net position decreased by \$1,713 and the restricted net position decreased by \$5,303 in the three-month period ending June 30, 2022.

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

MANAGEMENT DISCUSSION AND ANALYSIS—Continued  
 Period from April 1, 2022 to June 30, 2022

**AN OVERVIEW OF THE AUTHORITY—WIDE FINANCIAL POSITION AND OPERATIONS –  
 Continued**

The results of operations for the Authority are presented below:

*Housing Authority of Cannelton*  
*Statement of Revenue, Expenses, and Changes in Net Position*

|                                  | April 1, 2022 to<br>June 30, 2022 | Year ended<br>March 31, 2022 | Increase/Decrease |               |
|----------------------------------|-----------------------------------|------------------------------|-------------------|---------------|
|                                  |                                   |                              | Amount            | Percentage    |
| Revenues                         |                                   |                              |                   |               |
| HUD PHA grants                   | \$ 162,398                        | \$ 629,955                   | \$ (467,557)      | -74.2%        |
| Fraud recovery                   | 2,658                             | 5,710                        | (3,052)           | -53.5%        |
| Total revenue                    | <u>165,056</u>                    | <u>635,665</u>               | <u>(470,609)</u>  | <u>-74.0%</u> |
| Expenses                         |                                   |                              |                   |               |
| Administrative                   | 22,138                            | 79,381                       | (57,243)          | -72.1%        |
| Housing assistance payments      | 149,937                           | 571,818                      | (421,881)         | -73.8%        |
| HAP portability-out              | -                                 | -                            | -                 | 0.0%          |
| Total expenses                   | <u>172,075</u>                    | <u>651,199</u>               | <u>(479,124)</u>  | <u>-73.6%</u> |
| Operating income/(loss)          | <u>(7,019)</u>                    | <u>(15,534)</u>              | <u>8,515</u>      | <u>-55%</u>   |
| Nonoperating revenue             |                                   |                              |                   |               |
| Interest and investment revenue  | <u>3</u>                          | <u>12</u>                    | <u>(9)</u>        | <u>-75.0%</u> |
| Total nonoperating revenue       | <u>3</u>                          | <u>12</u>                    | <u>(9)</u>        | <u>-75.0%</u> |
| Excess of revenues over expenses | <u>\$ (7,016)</u>                 | <u>\$ (15,522)</u>           | <u>\$ 8,506</u>   | <u>-55%</u>   |

The details of the changes are explained in the Results of Operations section.

**RESULTS OF OPERATIONS**

Net position decreased by \$7,016 during the three-month period ending June 30, 2022.

Operating revenues of the Authority's activities are generated principally from HUD annual contributions. During the period from April 1, 2022 to June 30, 2022, the Authority's operating revenues for its activities totaled \$165,056. Of this total, \$162,398, or 98% is from HUD annual contributions. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses totaled \$172,075 of which \$149,937, or 87.1%, were housing assistance payments. A lag between expenditures and an increase in funding for those expenditures exists.

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

MANAGEMENT DISCUSSION AND ANALYSIS—Continued  
Period from April 1, 2022 to June 30, 2022

**CAPITAL ASSETS**

The Authority had no capital assets as of June 30, 2022.

**ECONOMIC FACTORS AFFECTING THE AUTHORITY'S FUTURE**

All of the Authority's funding comes from the U.S. Department of Housing and Urban Development (HUD) in the form of Section 8 housing choice voucher payments. Over the past several years, congress and the federal government have continued to cut housing subsidies due to the changes in budget priorities. Funding reductions continue to have an impact on the Authority's economic position because the federal subsidiaries make up all of the Authority's revenue and there is still significant uncertainty about future funding levels.

As we look forward, near-term forecast for low-income housing programs continues to be unchanged, requiring the Authority to operate with less federal funding while continuing to provide high quality, affordable housing that promotes safe and vibrant communities. Plans are being made to begin advertising to persuade more landlords to participate in the housing choice voucher program.

**REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report should be addressed to the following address:

Housing Authority of Cannelton  
c/o Lincoln Hills Development Corporation  
Attn: Executive Director  
P.O. Box 336  
Tell City, IN 47586

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

**Statement of Net Position**  
**June 30, 2022**

|                                     |                         |
|-------------------------------------|-------------------------|
| <b>Assets</b>                       |                         |
| Cash - unrestricted                 | \$ 10,876               |
|                                     | <u>10,876</u>           |
| Total current assets                | <u>10,876</u>           |
| Total assets                        | <u>10,876</u>           |
| <b>Liabilities and Net Position</b> |                         |
| <b>Liabilities</b>                  | <u>-</u>                |
| <b>Net position</b>                 |                         |
| Unrestricted                        | <u>10,876</u>           |
| Total net position                  | <u><u>\$ 10,876</u></u> |

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

**Statement of Revenues, Expenses, and Changes in Net Position**  
**Period from April 1, 2022 to June 30, 2022**

|   | Unrestricted | Restricted | Total      |
|---|--------------|------------|------------|
| <b>Revenues</b>                         |              |            |            |
| HAP income                              | \$ 24,290    | 138,108    | \$ 162,398 |
| Investment income                       | 3            | -          | 3          |
| Fraud Recovery                          | 1,329        | 1,329      | 2,658      |
| Total revenue                           | 25,622       | 139,437    | 165,059    |
| Net position released from restrictions | 144,740      | (144,740)  | -          |
| Total revenue and support               | 170,362      | (5,303)    | 165,059    |
| <b>Expenses</b>                         |              |            |            |
| Auditing fees                           | 750          | -          | 750        |
| Bad debt expense                        | 1,948        | -          | 1,948      |
| Management fee                          | 19,440       | -          | 19,440     |
| Total administrative                    | 22,138       |            | 22,138     |
| Total operating expenses                | 22,138       | -          | 22,138     |
| Housing assistance payments             | 149,937      | -          | 149,937    |
| Total expenses                          | 172,075      | -          | 172,075    |
| Change in net position                  | (1,713)      | (5,303)    | (7,016)    |
| Net position - beginning of year        | 12,589       | 5,303      | 17,892     |
| Net position - end of year              | \$ 10,876    | \$ -       | \$ 10,876  |

The accompanying notes are an integral part of these financial statements

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

**Statement of Cash Flows**  
**Period from April 1, 2022 to June 30, 2022**

**Cash Flows From Operating Activities**

|                                       |                         |
|---------------------------------------|-------------------------|
| Cash received from HAP income         | \$ 162,398              |
| Other income from fraud recovery      | 710                     |
| Other cash received                   | 3                       |
| Cash payments for housing assistance  | (149,937)               |
| Cash paid to management agent         | (19,440)                |
| Cash paid to other vendors            | <u>(750)</u>            |
| Net cash used in operating activities | <u>(7,016)</u>          |
| Change in cash                        | (7,016)                 |
| Cash - beginning of year              | <u>17,892</u>           |
| Cash - end of year                    | <u><u>\$ 10,876</u></u> |

**Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities**

|   |                          |
|---|--------------------------|
| Change in net position  | \$ (7,016)               |
| Adjustments to reconcile change in net position to net cash provided by operations: |                          |
| Change in accounts receivable   | <u>-</u>                 |
| Net cash used in operating activities   | <u><u>\$ (7,016)</u></u> |

The accompanying notes are an integral part of these financial statements

# HOUSING AUTHORITY OF CANNELTON

## Notes to Financial Statements

### NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Housing Authority of Cannelton (the Authority) is presented to assist in understanding the Authority's financial statements. The financial statements and notes are the representation of the Authority's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### ***Nature of the Organization***

The Authority is organized under the laws of the State of Indiana for the purpose of providing rent assistance for the elderly and low-income families. The Authority administers 179 Section B housing Choice Voucher units under Annual Contribution Contract C-2041 in Cannelton, Indiana. The funds are disbursed to various landlords to provide tenant assistance. The Authority does not own the housing facilities.

#### ***Reporting Entity***

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Cannelton and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget; is not entitled to any surplus funds generated by the Authority's operations, and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of Cannelton is a separate reporting entity.

#### ***Basis of Presentation***

The Authority's program is accounted for as an enterprise fund. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by pledge of the net revenues from fees and charges of the activity; (b) which are governed by laws or regulations that required that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenues; or (c) that the pricing policies of the activity establish fees and charges designated to recover its costs.

In accordance with Governmental Accounting Standards Board (GASB) Statement 62, *Codification of Accounting and Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority's proprietary fund follows all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, except those that conflict with or contradict a GASB pronouncement.

#### ***Basis of Accounting***

The financial statements of the Authority have been prepared on the accrual basis of accounting in accordance with US generally accepted accounting principles.

# HOUSING AUTHORITY OF CANNELTON

## Notes to Financial Statements (Continued)

### NOTE 1 NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *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, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Allowance for Doubtful Accounts*

The Authority uses the allowance for bad debts method of valuing uncollectable accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined that an allowance for uncollectable accounts of \$8,682 was required at June 30, 2022.

#### *Net Position*

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use through restriction imposed by grantors or laws or regulations of other governments.

#### *Revenue and Expenses*

GASB 34 paragraph 102 requires governments to establish a policy that defines operating revenues and expenses. The Authority uses the criteria prescribed in GASB 9 paragraphs 17 and 18 for cash flows to determine operating revenues and expenses. Operating revenue includes Section 8 grant revenue. Operating expenses include housing assistance payments, administrative expenses and all other expenses relating to the providing of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Revenue is recorded as earned and expenses are charged against such revenue as incurred with regard to the date of receipt or payment of cash.

#### *Subsequent Events*

The Authority has evaluated events and transactions for potential recognition or disclosure through December 29, 2022, which represents the date the financial statements were available for issuance. Subsequent events after that date have not been evaluated. As of July 1, 2022 the entity turned over its operations of the Housing Choice Voucher program to IHCD and closed out its bank account to Lincoln Hills Development Corporation after reimbursing IHCD for \$549.

### NOTE 2 CASH DEPOSITS AND INVESTMENTS

The carrying value of cash owned at June 30, 2022 was \$10,876. The bank balance of cash owned at March 31, 2022 was \$17,892.

#### **A. Custodial Credit Risk**

Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Authority may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution.

## HOUSING AUTHORITY OF CANNELTON

### Notes to Financial Statements (Continued)

#### NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)

##### A. Custodial Credit Risk (Continued)

Statutes authorize the Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities. All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of depository financial institutions.

##### B. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments. The Authority requires investment in instruments authorized by HUD Notice PIH 95-27.

##### C. Concentration of Credit Risk

The Authority's management considers diversification of the overall portfolio to eliminate the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer and/or a specific class of securities.

#### NOTE 3 RESTRICTED NET POSITION

In accordance with guidelines established by HUD, any housing assistance payment (HAP) budget authority provided to a housing Authority in excess of actual program expenses for the same period must be maintained as restricted net position to be used only for HAP payments incurred in the running of the Housing Choice Voucher program. The Authority has a balance of \$0 in restricted net position at June 30, 2022.

#### NOTE 4 ADMINISTRATIVE FEE

The Authority receives an "Administrative Fee" as part of the Annual Contribution Contract with HUD to cover the costs (including overhead) of administering the Section 8 program. The Authority entered into an annual agreement with Lincoln Hills Development Corporation (LHDC) whereby LHDC would administer the Section 8 Housing Choice Voucher Program in the County of Perry, Indiana, exclusive of the area in the corporate limits of the city of Tell City, Indiana. LHDC may earn up to \$55.79 per month for each unit leased during the period ended June 30, 2022, limited by the amount of non-HAP revenue received during the same period. The total amount charged to expense under this agreement during the year ended June 30, 2022 was \$19,440 which is included as part of "Administrative" expense in the Statement of Revenues, Expenses, and Changes in Net Position.

## HOUSING AUTHORITY OF CANNELTON

### Notes to Financial Statements (Continued)

#### **NOTE 5 INCOME TAXES**

The Authority is a tax-exempt organization for income tax purposes and, accordingly, there is no provision in the financial statements for federal or state income taxes. Management believes that the Authority has adequately addressed all relevant tax positions and that there are no unrecorded income tax liabilities.

#### **NOTE 6 MAJOR FUNDING SOURCE**

The Authority is substantially funded by Federal Awards. Management does not anticipate any material change in funding.

**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 Directors  
Housing Authority of Cannelton  
Cannelton, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the aggregate fund information of Housing Authority of Cannelton (the Authority) as of and for the period ended June 30, 2022, and related notes to the financial statements, which collectively comprise the Authorities basic financial statements, and have issued our report thereon dated December 29, 2022.

**Report on 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 (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority's internal control over financial reporting. 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that were not identified.

**Report on 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 financial statements. 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*.

**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*  
(Continued)**

**Purpose of this Report**

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

*Barnes, Dennig & Co., Ltd.*

December 29, 2022  
Indianapolis, Indiana

**SUPPLEMENTAL INFORMATION**

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

**Program Balance Sheet Summary**  
**June 30, 2022**

|  |       | 14.871 Housing<br>Choice Vouchers | <u>Total</u>     |
|--|-------|-----------------------------------|------------------|
| <b>Assets</b>  |       |                                   |                  |
| Cash - unrestricted  | 111   | \$ 10,876                         | \$ 10,876        |
| Cash - restricted  | 113   | -                                 | -                |
| Total cash   | 100   | <u>10,876</u>                     | <u>10,876</u>    |
| <br>   |       |                                   |                  |
| Fraud recovery   | 128   | 8,682                             | 8,682            |
| Allowance for doubtful accounts - fraud                              | 128.1 | <u>(8,682)</u>                    | <u>(8,682)</u>   |
| Total receivables, (net of allowance for<br>doubtful accounts)       | 120   | -                                 | -                |
| <br>   |       |                                   |                  |
| Total current assets   | 150   | <u>10,876</u>                     | <u>10,876</u>    |
| <br>   |       |                                   |                  |
| Total assets and deferred outflows<br>of resources                   | 290   | <u>\$ 10,876</u>                  | <u>\$ 10,876</u> |
| <br><b>Liabilities and Net Position</b>                              |       |                                   |                  |
| <b>Liabilities</b>   |       |                                   |                  |
| Other current liabilities  | 345   | \$ -                              | \$ -             |
| Total current liabilities  | 310   | -                                 | -                |
| <br>   |       |                                   |                  |
| Total non-current liabilities  | 350   | -                                 | -                |
| <br>   |       |                                   |                  |
| Total liabilities  | 300   | -                                 | -                |
| <br><b>Net position</b>  |       |                                   |                  |
| Restricted   | 511.4 | -                                 | -                |
| Unrestricted   | 512.4 | <u>10,876</u>                     | <u>10,876</u>    |
| <br>   |       |                                   |                  |
| Total net position   | 513   | <u>10,876</u>                     | <u>10,876</u>    |
| <br>   |       |                                   |                  |
| Total liabilities, deferred<br>inflows of resources and equity - net | 600   | <u>\$ 10,876</u>                  | <u>\$ 10,876</u> |

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

**Program Revenue and Expense Summary**  
**Period from April 1, 2022 to June 30, 2022**

|   |           | 14.871 Housing<br>Choice Vouchers | Total      |
|---|-----------|-----------------------------------|------------|
| <b>Revenues</b>   |           |                                   |            |
| HAP Income  | 70600     | \$ 162,398                        | \$ 162,398 |
| Fraud recovery  | 71400     | 2,658                             | 2,658      |
| Investment income   | 71100     | 3                                 | 3          |
|   |           |                                   |            |
| Total revenue   | 70000     | 165,059                           | 165,059    |
| Net position released from restrictions                     |           | -                                 | -          |
|   |           |                                   |            |
| Total revenue and support                                   |           | 165,059                           | 165,059    |
| <b>Expenses</b>   |           |                                   |            |
| Auditing Fees   | 91900     | 750                               | 750        |
| Management Fee  | 91300-020 | 19,440                            | 19,440     |
|   |           |                                   |            |
| Total administrative  | 91000     | 20,190                            | 20,190     |
| Bad debt - other  | 96600     | 1,948                             | 1,948      |
|   |           |                                   |            |
| Total operating expenses                                    | 96900     | 22,138                            | 22,138     |
| Excess of operating revenue<br>over operating expenses      | 97000     | 142,921                           | 142,921    |
|   |           |                                   |            |
| Housing Assistance Payments                                 | 97300     | 149,937                           | 149,937    |
|   |           |                                   |            |
| Total expenses  | 90000     | 172,075                           | 172,075    |
| Excess (deficiency) of total revenue<br>over total expenses | 10000     | (7,016)                           | (7,016)    |
| Beginning equity  | 11030     | 17,892                            | 17,892     |
| Administrative fee equity                                   | 11170     | 10,876                            | 10,876     |
| Housing assistance payments equity                          | 11180     | -                                 | -          |

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

**Administrative Fee Equity**  
**Period from April 1, 2022 to June 30, 2022**

|   |           |                         |
|---|-----------|-------------------------|
| Administrative Fee Equity - Beginning Balance | 11170-001 | \$ 12,589               |
| Administrative Fee Revenue                    | 11170-010 | 24,290                  |
| Hard to House Fee Revenue                     | 11170-020 | -                       |
| Audit Costs                                   | 11170-030 | -                       |
| Interest Income                               | 11170-040 | 3                       |
| Fraud Recovery Revenue                        | 11170-045 | 1,329                   |
| Other Revenue                                 | 11170-050 | <u>-</u>                |
| Total Admin Fee Revenues                      | 11170-060 | <u>25,622</u>           |
| Total Operating Expenses                      | 11170-080 | <u>22,138</u>           |
| Depreciation                                  | 11170-090 | -                       |
| Housing Assistance Payment Portability In     | 11170-095 | -                       |
| Other Expenses                                | 11170-100 | <u>5,197</u>            |
| Total Expenses                                | 11170-110 | <u>27,335</u>           |
| Net Administrative Fee                        | 11170-002 | <u>(1,713)</u>          |
| Administrative Fee Equity - Ending Balance    | 11170-003 | <u><u>\$ 10,876</u></u> |

**HOUSING AUTHORITY OF CANNELTON**  
**Cannelton, Indiana**

**Housing Assistance Payments Equity**  
**Period from April 1, 2022 to June 30, 2022**

|   |           |                    |
|---|-----------|--------------------|
| Housing Assistance Pymts Equity - Beg Balance | 11180-001 | \$ 5,303           |
| Housing Assistance Payments Revenues          | 11180-010 | 138,108            |
| Fraud Recovery Revenue                        | 1180-015  | 1,329              |
| Other Revenue                                 | 11180-020 | -                  |
| Interest Income                               | 11180-025 | <u>-</u>           |
| Total Housing Assistance Payments Revenue     | 11180-030 | <u>139,437</u>     |
| Housing Assistance Payments                   | 11180-080 | 144,740            |
| Other Expenses                                | 11180-090 | <u>-</u>           |
| Total Housing Assistance Payments Expenses    | 11180-100 | <u>144,740</u>     |
| Net Housing Assistance Payments               | 11180-002 | <u>(5,303)</u>     |
| Housing Assistance Pymts Equity - End Balance | 11180-003 | <u><u>\$ -</u></u> |