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June 23, 2023

Board of Commissioners
Housing Authority of the City of Marion
601 South Adams Street
Marion, IN 46953

We have reviewed the audit report of the Housing Authority of the City of Marion, which was opined upon by Aprio, LLP, Independent Public Accountants, for the period July 1, 2021 to 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 the City of Marion, 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.

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

THE HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA
REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED JUNE 30, 2022

THE HOUSING AUTHORITY OF THE CITY OF MARION

MARION, INDIANA

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
The Housing Authority of the City of Marion
Marion, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Housing Authority of the City of Marion (the Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's 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 June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Housing Authority of Marion'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 Audit 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 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 8 through 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule of Federal Awards and financial data schedule 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*, we have also issued our report dated March 29, 2023 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Authority's internal control over financial reporting and compliance.

Aprio, LLP

Birmingham, Alabama
March 29, 2023

INDEPENDENT AUDITORS' 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
The Housing Authority of the City of Marion
Marion, 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 Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 29, 2023.

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 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

Purpose of this Report

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

Aprio, LLP

Birmingham, Alabama
March 29, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
The Housing Authority of the City of Marion
Marion, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of the City of Marion's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the year ended June 30, 2022. 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.

In our 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 June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

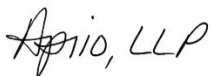
Report on Internal Control Over Compliance

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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.



Birmingham, Alabama
March 29, 2023

**THE HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2022**

The Housing Authority of the City of Marion’s (“the Authority”) Management’s Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statements.

FINANCIAL HIGHLIGHTS

- The Authority’s net position decreased \$548,255 in 2022. Net Position was \$7,515,121 and \$6,966,866 for 2021 and 2022, respectively.

- Revenues decreased \$549,582 during 2022 and were \$6,079,874 and \$5,530,292 for 2021 and 2022, respectively.

- Total expenses increased \$239,015 during 2022 and were \$5,839,532 and \$6,078,547 for 2021 and 2022, respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the “Management’s Discussion and Analysis (MD&A),” “Basic Financial Statements”, and “Other Required Supplementary Information”:

MD&A

~ Management’s Discussion
and Analysis ~

Basic Financial Statements

~ Authority-wide Financial Statements ~
~ Notes to Financial Statements ~

Other Required Supplementary Information

~ Required Supplementary Information ~
(Other than the MD&A)

Authority-Wide Financial Statements

Statement of Net Position

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Position," formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "non-current."

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) are reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

Statement of Revenues, Expenses, and Changes in Net Position

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Statement of Cash Flows

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, investing activities and from capital and related financing activities.

The Authority's Programs

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income.

Capital Fund Program – a grant program funded by the Department of Housing and Urban Development as the primary sources of funding for physical and management improvements to the Authority's properties.

Central Office Cost Center (COCC) – As part of its conversion to Asset Management, the Authority established the COCC to manage and oversee the operations of the Public Housing Developments and other grant programs. Utilizing a "fee for service" approach, the COCC recognizes revenues through management and service fees charged to the other programs. Management fees cannot exceed the "safe harbor" amount established by HUD.

Housing Choice Vouchers Program – Under the Housing Choice Vouchers Program, the Board administers contracts with independent landlords that own the property. The Board subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Board to structure a lease that sets the participants' rent at 30% of household income.

Section 8 New Construction - The Section 8 New Construction Program was established by the United States Department of Housing and Urban Development to provide rental assistance in connection with the development of newly constructed or substantially rehabilitated privately owned rental housing.

Business Activities - The Authority's business activities own and manage an affordable housing apartment building. Parkville Apartments has 49 units.

Other smaller programs are:

- State and Local
- Resident Opportunity Supportive Services
- Resident Opportunity Supportive Services – Service Coordinators
- Blended Component Units

AUTHORITY-WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to the prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1
STATEMENT OF NET POSITION

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Assets:			
Current & Restricted Assets	\$ 5,199,923	\$ 3,594,053	\$ 1,605,870
Capital Assets	<u>5,782,442</u>	<u>6,476,937</u>	<u>(694,495)</u>
Total Assets	<u>\$ 10,982,365</u>	<u>\$ 10,070,990</u>	<u>\$ 911,375</u>
Liabilities:			
Current Liabilities	\$ 491,909	\$ 1,522,007	\$ (1,030,098)
Non Current Liabilities	<u>3,523,590</u>	<u>1,033,862</u>	<u>2,489,728</u>
Total Liabilities	<u>\$ 4,015,499</u>	<u>\$ 2,555,869</u>	<u>\$ 1,459,630</u>
Net Position:			
Net Investment in Capital Assets	\$ 2,309,977	\$ 4,598,029	\$ (2,288,052)
Restricted Net Position	2,460,033	635,232	1,824,801
Unrestricted Net Position	<u>2,196,856</u>	<u>2,281,860</u>	<u>(85,004)</u>
Total Net Position	<u>\$ 6,966,866</u>	<u>\$ 7,515,121</u>	<u>\$ (548,255)</u>

Major Factors Affecting the Statement of Net Position

During 2022, current and restricted assets increased by \$1,605,870. The increase was primarily due to an increase in cash and cash equivalents, as illustrated by the statement of cash flows. Capital assets decreased due to depreciation expense and the sale of the Centrum Mall and 141 E 3rd Street. Total liabilities increased primarily due to the new mortgage payable on the Hilltop Apartments of Marion property offset by the payoff of the line of credit and the payoff of the Centrum Mall mortgage.

Table 2 presents details on the change in Unrestricted Net Position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position, June 30, 2021	\$ 2,281,860
Results of Operations	(234,323)
Capital Expenditures from Operations	(490,057)
Investment Income	4,679
Proceeds from sale of Capital Assets	326,957
Transfer from (to) Restricted Net Position	(1,824,801)
Proceeds from Capital Debt	2,570,000
Principal and Interest on Capital Debt	(1,059,351)
Depreciation Expense	<u>621,892</u>
Unrestricted Net Position, June 30, 2022	<u><u>\$ 2,196,856</u></u>

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

TABLE 3**STATEMENT OF REVENUES AND EXPENSES**

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
Revenues:			
Tenant Rental Revenue	\$ 1,365,997	\$ 1,403,464	\$ (37,467)
Operating Grants	4,205,714	4,074,194	131,520
Capital Grants	20,771	118,872	(98,101)
Investment Income	4,679	7,227	(2,548)
Gain/(Loss) on Sale of Capital Assets	(256,474)	125,336	(381,810)
Other Revenue	189,605	350,781	(161,176)
	<u>\$ 5,530,292</u>	<u>\$ 6,079,874</u>	<u>\$ (549,582)</u>
Expenses:			
Administrative Expenses	\$ 1,295,181	\$ 1,119,510	\$ 175,671
Tenant Services	1,405	15,456	(14,051)
Utilities	455,636	458,799	(3,163)
Maintenance & Operations	1,341,169	1,124,000	217,169
Protective Services	24,341	18,962	5,379
General Expense	439,314	416,336	22,978
Housing Assistance Payments	1,816,701	1,931,695	(114,994)
Interest Expense	82,908	111,504	(28,596)
Depreciation	621,892	643,270	(21,378)
	<u>\$ 6,078,547</u>	<u>\$ 5,839,532</u>	<u>\$ 239,015</u>
Excess (Deficiency) Revenues Over Expenses	<u>\$ (548,255)</u>	<u>\$ 240,342</u>	<u>\$ (788,597)</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUES AND EXPENSES

The excess of revenues over expenses decreased due to a decrease in revenues and an increase in expenses.

Revenues decreased mainly due to a loss on sale of capital assets and other revenue. The Authority sold Centrum Mall and 141 E 3rd Street for a loss of \$256,474 in the current year. Other revenue decreased during the year as a result of a decrease in Central Office Cost Center rent collected due to the sale of multiple properties.

Expenses increased mainly due to increases in administrative and maintenance expenses. Administrative expenses increased due to an increase in salaries and benefits as well as an increase in legal expenses. The increase in legal expenses was due primarily to cost associated with the closing of the sale of properties and fees related to the new HUD mortgage. Maintenance and operations expenses increased due to an increase in contract costs. Housing Assistance Payments decreased due to a decrease in unit months leased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$5,782,442 invested in a variety of capital assets as reflected in the following schedule, which represents an 11% decrease from last year. Further detail is included in Note Q in the Notes to Financial Statements.

**TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	2022	2021	Variance	% Change
Land	\$ 438,507	\$ 438,507	\$ -	0%
Buildings and Improvements	23,339,616	23,595,521	(255,905)	-1%
Furniture and Equipment	1,067,721	1,001,206	66,515	7%
Construction in Progress	467,611	446,840	20,771	5%
Accumulated Depreciation	<u>(19,531,013)</u>	<u>(19,005,137)</u>	<u>(525,876)</u>	<u>3%</u>
Net Capital Assets	<u>\$ 5,782,442</u>	<u>\$ 6,476,937</u>	<u>\$ (694,495)</u>	<u>-11%</u>

**TABLE 5
CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance, July 1, 2021	\$ 6,476,937
Additions	
Improvements - Capital Fund	20,771
Improvements - Operating	490,057
Deletions (Net)	(583,431)
Depreciation Expense	<u>(621,892)</u>
Ending Balance, June 30, 2022	<u>\$ 5,782,442</u>

DEBT ADMINISTRATION

As of year-end, the Authority had \$3,472,465 in long term debt outstanding, compared to a \$1,878,908 balance in 2020. The increase is due to the payment in full of the Centrum Mall mortgage and the Line of Credit offset by the addition of the Hilltop of Marion mortgage payable of \$2,570,000.

TABLE 6

OUTSTANDING LONG-TERM DEBT, AT YEAR-END

	<u>2022</u>	<u>2021</u>
Capital Improvements	<u>3,472,465</u>	<u>1,878,908</u>
Total	<u>\$ 3,472,465</u>	<u>\$ 1,878,908</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on supplies and other costs
- Potential political and economic conditions due to public health concerns related to the novel coronavirus or COVID-19

FINANCIAL CONTACT

This financial report is designed to provide our residents, the citizens of Marion, Indiana, federal and state regulatory bodies with a general overview of the Marion Housing Authority's finances as of June 30, 2022. The individual to be contacted regarding this report is:

Leah Poland, Chief Financial Officer
Housing Authority of the City of Marion
601 S. Adams Street
Marion, Indiana 46953

THE HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES

	Enterprise Fund
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 2,237,995
Accounts Receivable - HUD	29,595
Tenants Accounts Receivable	47,034
Allowance for Doubtful Accounts	-
Investments	303,650
Prepaid Costs	84,047
Inventory	13,280
Total Current Assets	<u>2,715,601</u>
<u>Restricted Assets</u>	
Cash and Cash Equivalents	1,929,464
Investments	554,858
Total Restricted Assets	<u>2,484,322</u>
<u>Capital Assets</u>	
Land	438,507
Buildings and Improvements	23,339,616
Furniture and Equipment	1,067,721
Construction in Progress	467,611
	<u>25,313,455</u>
(Less): Accumulated Depreciation	<u>(19,531,013)</u>
Net Capital Assets	<u>5,782,442</u>
<u>Deferred Outflows of Resources</u>	
	<u>-</u>
Total Assets and Deferred	
Outflows of Resources	<u>\$ 10,982,365</u>

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
 STATEMENT OF NET POSITION
 JUNE 30, 2022

**LIABILITIES, DEFERRED INFLOWS
 OF RESOURCES AND NET POSITION**

	Enterprise Fund
<u>Current Liabilities</u>	
Accounts Payable	\$ 170,829
Accrued Wages and Payroll Taxes	42,152
Accrued Interest Payable	5,398
A/P - Other Government	73,279
Tenant Security Deposits	114,792
Unearned Revenues	21,605
Current Portion of Notes Payable	63,854
Total Current Liabilities	<u>491,909</u>
 <u>Long Term Liabilities</u>	
Notes Payable - Long-Term	3,408,611
FSS Escrows	15,826
Accrued Compensated Absences	99,153
Total Long Term Liabilities	<u>3,523,590</u>
Total Liabilities	<u>4,015,499</u>
 <u>Deferred Inflows of Resources</u>	 <u>-</u>
 <u>Net Position</u>	
Net Investment in Capital Assets	2,309,977
Restricted Net Position	2,460,033
Unrestricted Net Position	2,196,856
Total Net Position	<u>6,966,866</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 10,982,365</u>

See the accompanying notes to financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

	Enterprise Fund
<u>Operating Revenues</u>	
Dwelling Rent	\$ 1,365,997
Operating Grants	4,205,714
Other Revenue	189,605
Total Operating Revenues	<u>5,761,316</u>
<u>Operating Expenses</u>	
Administrative	1,295,181
Tenant Services	1,405
Utilities	455,636
Maintenance and Operations	1,341,169
Protective Services	24,341
General Expense	439,314
Housing Assistance Payments	1,816,701
Depreciation	621,892
Total Operating Expenses	<u>5,995,639</u>
Operating Income (Loss)	<u>(234,323)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Investment Income	4,679
Interest Expense	(82,908)
Gain/(Loss) on Disposal of Asset	(256,474)
Total Non-Operating Revenues (Expenses)	<u>(334,703)</u>
Increase (Decrease) in Net Position before Capital Contributions	<u>(569,026)</u>
Capital Contributions	<u>20,771</u>
Increase (Decrease) in Net Position	(548,255)
Net Position, Beginning	7,515,121
Net Position, Ending	<u>\$ 6,966,866</u>

See the accompanying notes to financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	Enterprise Fund
<u>Cash flows from operating activities:</u>	
Cash Received from Dwelling Rent	\$ 1,260,493
Cash Received from Operating Grants	4,114,305
Cash Received from Other Sources	179,570
Cash Payments for Salaries & Benefits	(1,131,766)
Cash Payments to Vendors & Landlords	(4,257,129)
Net Cash flows provided (used) by Operating activities	<u>165,473</u>
<u>Cash flows from capital and related financing activities:</u>	
Capital Grants Received	20,771
Capital Outlay	(510,828)
Proceeds from Sale of Capital Assets	326,957
Proceeds from Capital Debt	2,570,000
Principal and Interest Payments on Capital Debt	(1,057,087)
Net cash flows provided (used) by capital and related financing activities	<u>1,349,813</u>
<u>Cash flows from investing activities:</u>	
Cash Transfer from (to) Investments	(3,195)
Cash received from earnings on investments	4,679
Net cash flows provided (used) by investing activities	<u>1,484</u>
Net Increase (decrease) in cash, cash equivalents and restricted cash	1,516,770
Cash, cash equivalents and restricted cash beginning of the year:	<u>2,650,689</u>
Cash, cash equivalents and restricted cash end of the year:	<u>\$ 4,167,459</u>
<u>Reconciliation of operating income to net cash provided by (used in) operating activities:</u>	
Operating Income (Loss)	\$ (234,323)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	621,892
Bad Debt Expense	59,517
Change in Accounts Receivable	(91,793)
Change in Prepaid Costs & Inventory	(53,629)
Change in Accounts Payable	51,856
Change in Accrued Expenses	(72,892)
Change in Tenant Security Deposits	(42)
Change in FSS Escrow	(9,993)
Change in Unearned Revenues	(105,120)
Net cash provided by (used in) operating activities	<u>\$ 165,473</u>

See the accompanying notes to financial statements.

THE HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a Special Purpose Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund, in accordance with GASB Statement 34 paragraph 138.

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements as follows:

Enterprise Fund – In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This required the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Governmental Accounting Standards – The Housing Authority has applied all applicable Governmental Accounting Standards Board pronouncements.

FURTHER SIGNIFICANT ACCOUNTING POLICIES ARE:

Cash and Cash Equivalents

The Housing Authority considers cash on hand and cash in checking to be cash equivalents. Cash on hand is not included in calculation of collateral required.

Accounts Receivable

Accounts receivables are carried at the amount considered by management to be collectible. Tenant accounts receivable are immaterial for further disclosures. Other accounts receivable consists of amounts due from HUD for Grant Income, Housing Assistance Payments, and other miscellaneous operating receivables.

Prepaid Costs

Prepaid Costs consists of payments made to vendors for services that will benefit future periods.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Restricted Cash

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

Inventories

Inventories consist of supplies that have not been used or consumed. Inventory is valued at lower of cost or net realizable value and recorded as an expense when it is consumed on the first in first out basis.

Unearned Revenue

The Authority recognizes revenues as earned. The amount received in advance of the period in which it is earned is recorded as a liability under Unearned Revenue.

Revenue Accounting Policies

Dwelling rent income, HUD Grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue is shown as non-operating revenue.

Capital Assets

Capital assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed. Depreciation of assets has been expensed in the statement of revenues and expenses. Estimated useful lives are as follows:

Buildings and Improvements	15 - 40 years
Furniture and Equipment	5 - 10 years

Authority management has assessed the carrying values of capital asset balances as of June 30, 2022, and as of March 27, 2023. No significant capital asset value impairments exist as of the noted dates.

Indirect Cost Recovery

Direct costs are charged to the Authority's applicable programs. The Authority charges indirect costs to its Central Office Cost Center and charges the programs management fees based on fee rates provided by the Department of Housing and Urban Development.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B - REPORTING ENTITY DEFINITION

The Housing Authority is a separate non-profit corporation with a Board of Commissioners. The applicable jurisdictions appoint the Board of Commissioners. However, the Housing Authority has complete legislative and administrative authority, and it recruits and employs personnel. The Authority adopts a budget that is approved by the Board of Commissioners. Subsidies for operations are received primarily from HUD. The Authority has substantial legal authority to control its affairs without local government approval; therefore, all operations of the Authority are a separate reporting entity as reflected in this report. The Authority is responsible for its debts and is entitled to surpluses.

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in *Section 2100 and 2600 of the Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14 (amended), of the Governmental Accounting Standards Board: The Financial Reporting Entity and Statement No. 39 “Determining Whether Certain Organizations are Component Units*. These criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Based upon the application of the above criteria, Riverside Apartments of Marion, LLC, Building for Change, Inc., Hilltop Apartments of Marion LLC and Marion Co-Space, Inc. are blended component units of the Authority. The operations of these entities are reported in these financial statements using the blended presentation. The component units are reported as if they were part of the primary government because their sole purpose is to work in conjunction with the Authority to provide housing for low- and moderate-income individuals.

NOTE C - CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The Housing Authority policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Interest Rate Risk – The Housing Authority’s formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The U.S. Department of HUD requires housing authorities to invest excess funds in obligations of the U.S., certificates of deposit or any other Federally insured investments.

The Housing Authority’s cash and cash equivalents consist of cash held in checking accounts totaling \$4,167,259. Investments consist of certificates of deposit totaling \$858,508. The certificates of deposit bear varying interest rates and have various maturity periods, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements. The remaining \$200 is held in the form of petty cash or change fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE C - CASH AND CASH EQUIVALENTS - CONTINUED

Deposits with financial institutions are secured as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC	\$ 935,915	\$ 935,915
Escrow funds held by Mortgagee	1,904,484	1,904,484
Collateralized with specific securities in the Authority name which are held by the financial institution	2,185,368	2,375,596
Uncollateralized	-	-
	<u>\$ 5,025,767</u>	<u>\$ 5,215,995</u>

All investments are carried at cost plus accrued interest, which approximates market. The Authority had no realized gains or losses on the sale of investments. The calculation of realized gains or losses is independent of a calculation of the net change in the fair value of investments.

NOTE D - CONTRACTUAL COMMITMENTS

The Authority had outstanding contractual commitments as of the end of the fiscal year as follows:

<u>Type Commitment</u>	<u>Amount</u>
None of Significance	

NOTE E – USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

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, liabilities and deferred outflows and inflows, revenues, and expenses in the financial statements. Accordingly, actual results could differ from those estimates.

NOTE F – RISK MANAGEMENT

The Housing Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Authority carries commercial insurance for all risks of loss, including workman’s compensation and employee health and accident insurance. The Housing Authority has not had any significant reductions in insurance coverage, or any claims not reimbursed.

NOTE G – CONCENTRATION OF RISK

The Housing Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on the availability of funding.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE H – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE I - PENSION PLAN

The Authority participates in a defined contribution pension plan which is administered by the American United Life – One America Retirement Plan, a third party, and was adopted by the Board of Commissioners in 1979. All full-time employees are eligible for participation in the plan after six months of continuous service. The plan provisions and changes to the plan contributions are determined by the Board of the Housing Authority.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 7% of each employee's base salary to the plan, while employees contribute 5% of their base salary to the plan. Total employer contributions to the plan for the year were \$44,260, while employees contributed \$54,858.

NOTE J – COMPENSATED ABSENCES

The Authority's policy allows employees to accumulate a limited amount of earned but unused annual leave. Full time permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Employees can receive payments for accumulated compensated absences. Leave accrued but not yet paid as of the end of the year is shown as a non-current liability.

NOTE K – INTERPROGRAM ACTIVITY

The Housing Authority manages several programs. Many charges, i.e., payroll, benefits, insurance, etc. are paid by the Housing Authority's various funds and subsequently reimbursed. Balance due for operating advances and other notes are reflected in the Statement of Assets, Liabilities and Net Position by Program, but are eliminated in the Authority's Statement of Net Position. Inter-program balances at year-end consisted of the following:

Central Office Cost Center	\$	(360,838)
Section 8 Housing Choice Vouchers		(229,099)
Business Activities		(246,875)
Blended Component Units		836,812
	\$	<u><u>-</u></u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE L – HUD REPAYMENT AGREEMENT

In 2011, the Authority came to an agreement with HUD that the Authority’s COCC would repay the Public Housing Program and Housing Choice Vouchers \$177,790 for “improper use of federal funds”. HUD asserted that federal funds had been improperly loaned from the Public Housing Program and Housing Choice Vouchers Program to the Authority’s COCC (non-federal funds). The COCC may borrow non-federal funds from the Authority but not federal funds. The Authority agreed to repay the Low Rent Public Housing program and the Section 8 Housing Choice Vouchers program \$10,035 annually for a period of 17 years from non-federal funds. At June 30, 2022, the balance on the agreement was \$47,370, all of which was owed to the Public Housing Program. The loan has been eliminated on the financial statements.

NOTE M – PILOT AGREEMENT/PROPERTY TAXES

The Authority has entered into a Payment in Lieu of Taxes Agreement with the City of Marion, Indiana, whereby the Authority agrees to pay a negotiated sum in lieu of City real property taxes. As of June 30, 2022, \$53,049 remains outstanding. The Authority also has outstanding property taxes due on Parkville Apartments in the amount of \$20,230.

NOTE N – NOTES PAYABLE

Long-term debt on June 30, 2022, consisted of the following:

<u>Creditor and Description</u>	<u>Balance</u>
Mortgage payable to local financial institution, bearing 5.24% interest, maturing December 2042 monthly principal and interest payments of \$6,031, collateralized by certain real property located in Marion, Indiana	\$ 902,465
Mortgage payable to Lument Capital, bearing 3.41% interest, maturing June 2057, monthly principal and interest payments of \$10,488, collateralized by certain real property located in Marion, Indiana.	2,570,000
Line of Credit payable to local financial institution, interest only payments due monthly at a rate of 4.00% with a maximum credit limit of \$1,683,261 and is collateralized by certain real property located in Marion, Indiana. The loan was paid in full as of June 30, 2022	-
	<u>3,472,465</u>
Less: Current Portion	<u>(63,854)</u>
Notes Payable, Non-Current	<u>\$ 3,408,611</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE N – NOTES PAYABLE – CONTINUED

The notes are payable as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
2023	63,854	134,380	3,408,611
2024	66,435	131,799	3,342,176
2025	69,383	128,851	3,272,794
2026	72,337	125,896	3,200,456
2027	75,424	122,810	3,125,032
2028 - 2032	428,281	562,887	2,696,751
2033 - 2037	529,348	461,820	2,167,403
2038 - 2042	655,564	335,604	1,511,839
2043 - 2047	446,687	218,784	1,065,151
2048 - 2052	487,347	141,932	577,804
2053 - 2057	577,804	51,475	-
Total Payments	<u>\$ 3,472,465</u>	<u>\$ 2,222,831</u>	

Interest expense for the year ended June 30, 2022, was \$82,908.

NOTE O – NON-CURRENT LIABILITIES

Non-current liabilities consist of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable	1,878,908	2,570,000	976,443	3,472,465	63,854
Accrued Compensated Absences	104,348	8,007	13,202	99,153	-
FSS Escrows	25,819	-	9,993	15,826	-
Total Debt	<u>\$ 2,009,075</u>	<u>\$ 2,578,007</u>	<u>\$ 999,638</u>	<u>\$ 3,587,444</u>	<u>\$ 63,854</u>

NOTE P – RESTRICTED ASSETS AND RESTRICTED NET POSITION

The Authority's restricted assets consist of the following as of June 30, 2022:

FSS Escrows	\$ 15,826
Replacement Reserves	2,417,283
Escrows	42,750
Local Grant Funding	8,463
Total Restricted Cash and Investments	<u>\$ 2,484,322</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE P – RESTRICTED ASSETS AND RESTRICTED NET POSITION - CONTINUED

Restricted Net Position consist of restricted assets that do not have a related liability. The following restricted assets are included in Restricted Net Position at June 30, 2022:

Replacement Reserves	\$ 2,417,283
Escrows	42,750
Total Restricted Net Position	<u>\$ 2,460,033</u>

NOTE Q – CAPITAL ASSETS

A summary of Capital Assets for the Authority on June 30, 2022, is as follows:

	Public Housing & CFP	Housing Choice Vouchers	New Construction	State/Local
Land	\$ 196,283	\$ -	\$ -	\$ 73,227
Building and Improvements	13,388,401	-	6,784	2,134,796
Furniture and Equipment	537,118	48,510	-	4,142
Construction in Progress	467,611	-	-	-
Less Accumulated Depreciation	<u>(12,286,884)</u>	<u>(19,014)</u>	<u>(4,389)</u>	<u>(1,412,172)</u>
Total Capital Assets	<u>\$ 2,302,529</u>	<u>\$ 29,496</u>	<u>\$ 2,395</u>	<u>\$ 799,993</u>

	Business Activities	Component Unit	Central Office	Total Enterprise Fund
Land	\$ 7,025	\$ 147,228	\$ 14,744	\$ 438,507
Building and Improvements	1,992,025	4,671,441	1,146,169	23,339,616
Furniture and Equipment	4,875	204,066	269,010	1,067,721
Construction in Progress	-	-	-	467,611
Less Accumulated Depreciation	<u>(686,988)</u>	<u>(4,358,593)</u>	<u>(762,973)</u>	<u>(19,531,013)</u>
Total Capital Assets	<u>\$ 1,316,937</u>	<u>\$ 664,142</u>	<u>\$ 666,950</u>	<u>\$ 5,782,442</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE Q – CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers & Deletions</u>	<u>Ending Balance</u>
Land	\$ 438,507	\$ -	\$ -	\$ 438,507
Construction in Progress	446,840	20,771	-	467,611
Total Assets not being Depreciated	885,347	20,771	-	906,118
Buildings and Improvements	23,595,521	423,499	(679,404)	23,339,616
Furniture and Equipment	1,001,206	66,558	(43)	1,067,721
Total Capital Assets	25,482,074	510,828	(679,447)	25,313,455
Less Accumulated Depreciation:				
Building and Improvements	(18,212,418)	(565,351)	95,973	(18,681,796)
Furniture and Equipment	(792,719)	(56,541)	43	(849,217)
Net Book Value	<u>\$ 6,476,937</u>	<u>\$ (111,064)</u>	<u>\$ (583,431)</u>	<u>\$ 5,782,442</u>

In July 2021, the Central Office Cost Center of the Authority sold the Centrum Mall property to an unrelated party. The Authority reported a loss of \$257,037 and the proceeds from the sale were used to reduce the Authority's capital debt.

In November 2021, the Central Office Cost Center of the Authority sold the 141 E. 3rd Street property to an unrelated party. The Authority reported a gain of \$563 and the proceeds from the sale were used to reduce the Authority's capital debt.

NOTE R – SUBSEQUENT EVENTS

In preparing financial statements, management evaluated subsequent events through March 27, 2023 the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE S – BLENDED COMPONENT UNIT CONDENSED FINANCIAL STATEMENTS

Condensed Blended Component Unit - Statement of Net Position as of June 30, 2022

	Riverside Apartments	Hilltop of Marion, LLC	Building for Change, LLC	Total
<u>Assets and Deferred Outflows</u>				
Current and restricted assets	\$ 808,045	\$ 3,067,620	\$ 1,805	\$ 3,877,470
Capital assets (net of depreciation)	417,697	246,445	-	664,142
Total Assets	<u>\$ 1,225,742</u>	<u>\$ 3,314,065</u>	<u>\$ 1,805</u>	<u>\$ 4,541,612</u>
<u>Liabilities and Deferred Inflows</u>				
Current liabilities	\$ 67,410	\$ 91,134	\$ 1,788	\$ 160,332
Noncurrent liabilities	2,872	2,539,259	-	2,542,131
Total Liabilities	<u>\$ 70,282</u>	<u>\$ 2,630,393</u>	<u>\$ 1,788</u>	<u>\$ 2,702,463</u>
<u>Net Position</u>				
Invested in capital assets	\$ 417,697	\$ (2,323,555)	\$ -	\$ (1,905,858)
Restricted net assets	554,858	1,904,484	-	2,459,342
Unrestricted net position	182,905	1,102,743	17	1,285,665
Total net position	<u>\$ 1,155,460</u>	<u>\$ 683,672</u>	<u>\$ 17</u>	<u>\$ 1,839,149</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 – BLENDED COMPONENT UNIT CONDENSED FINANCIAL STATEMENTS – CONTINUED

Condensed Blended Component Unit - Statement of Revenues, Expenses and Changes in Net Position for the Year ended June 30, 2022

	Riverside Apartments	Hilltop of Marion, Inc.	Building for Change, LLC	Total
<u>Revenue</u>				
Tenant rental and operating grants	\$ 316,937	\$ 63,083	\$ -	\$ 380,020
Other Revenue	5,679	18,709	-	24,388
Total Revenue	322,616	81,792	-	404,408
<u>Operating Expenses</u>				
Administrative	101,350	28,016	928	130,294
Tenant Services	20	-	-	20
Utilities	64,888	8,814	-	73,702
Maintenance and Operations	88,223	27,437	-	115,660
Protective Services	2,900	225	-	3,125
General	32,313	1,103	2,159	35,575
Depreciation	85,931	36,311	-	122,242
Total Operating Expenses	375,625	101,906	3,087	480,618
Net Operating Income (Loss)	(53,009)	(20,114)	(3,087)	(76,210)
<u>Non -Operating Revenues and Expenses</u>				
Investment Income	1,629	28	-	1,657
Transfer from Section 8 New Construction	-	710,087	-	710,087
Interest Expense	-	(6,329)	-	(6,329)
Total Non-Operating Revenues and Expenses	1,629	703,786	-	705,415
Increase (decrease) in Net Position	(51,380)	683,672	(3,087)	629,205
Beginning net position	1,206,840	-	3,104	1,209,944
Ending net position	\$ 1,155,460	\$ 683,672	\$ 17	\$ 1,839,149

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 – BLENDED COMPONENT UNIT CONDENSED FINANCIAL STATEMENTS – CONTINUED

Condensed Blended Component Unit - Statement of Cash Flows for the year ended June 30, 2022

	Riverside Apartments	Hilltop of Marion, Inc.	Building for Change, LLC	Total
Cashflows:				
from (used by) operating activities	\$ 51,077	\$ (804,705)	\$ (1,114)	\$ 49,963
from (used by) investing activities	178	672,948	-	673,126
from (used by) capital and financing activity	(3,203)	2,284,080	-	2,280,877
Net increase in cash and cash equivalents	48,052	2,152,323	(1,114)	2,199,261
Beginning current & restricted cash	169,180	-	2,092	171,272
Ending current & restricted cash	\$ 217,232	\$ 2,152,323	\$ 978	\$ 2,370,533
Reconciliation of operating income (loss) to net provided (used) by operating activities:				
Operating income (loss)	\$ (53,009)	\$ (20,114)	\$ (3,087)	\$ (56,096)
Depreciation	85,931	36,311	-	85,931
Change in prepaid expenses and deferred revenue	(3,185)	(4,095)	185	(3,000)
Change in operating receivables and payables	21,340	(816,807)	1,788	23,128
Net cash provided (used) by operating activities	\$ 51,077	\$ (804,705)	\$ (1,114)	\$ 49,963

THE HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

<u>EXPENDITURES</u>	
Low Rent Public Housing	\$ 769,307
Public Housing CARES Act Funding	101,737
Total Assistance Listing Number 14.850	<u>871,044</u>
Public Housing Capital Fund Program	
Total Assistance Listed Number 14.872	<u>565,318</u>
Section 8 Housing Choice Vouchers	1,971,650
Housing Choice Vouchers CARES Act Funding	83,925
Total Assistance Listed Number 14.871	<u>2,055,575</u>
Section 8 Project Based Cluster	
Section 8 New Construction	
Total Assistance Listed Number 14.182	436,963
Section 8 Housing Assistance Payments Program	
Total Assistance Listed Number 14.195	150,153
Total Section 8 Project Based Cluster	<u>587,116</u>
Resident Opportunity Supportive Services - Service Coordinators	
Total Assistance Listed Number 14.191	<u>28,030</u>
Resident Opportunity Supportive Services	
Total Assistance Listed Number 14.870	<u>64,684</u>
Resident Opportunity Supportive Services	
Total Assistance Listed Number 14.896	<u>54,718</u>
Mortgage Insurance of the Purchase or Refinancing of Existing Multifamily Housing Projects	
Total Assistance Listed Number 14.155	<u>2,570,000</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT EXPENDITURES	<u>6,796,485</u>
TOTAL FEDERAL EXPENDITURES	<u>\$ 6,796,485</u>

THE HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Note 1 - Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of operations of the Authority it is not intended to and does not present the financial net 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 allowed or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The Authority did not elect to use the 10% *De Minimus Cost Rate*.

Note 4 – Loan Balance

The mortgage with Lument Capital is a Section 223(f) loan and was determined to be a Type A Federal Financial Assistance Program (Assistance Listing #14.155). The loan balance as of June 30, 2022 was \$2,570,000.

**THE HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA
 STATEMENT AND CERTIFICATION OF PROGRAM COSTS - CAPITAL FUND PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2022**

	Public Housing Capital Fund Program IN36P04150119	Public Housing Capital Fund Program IN36P04150120
Funds Approved	\$ 489,496	\$ 523,022
Funds Expended	489,496	523,022
Excess of Funds Approved	<u>\$ -</u>	<u>\$ -</u>
Funds Advanced	\$ 489,496	\$ 523,022
Funds Expended	489,496	523,022
Excess of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>

1. The distribution of costs as shown on the Actual Modernization Cost Certificates submitted to HUD for approval are in agreement with the Housing Authority's records.
2. All modernization costs have been paid and all related liabilities have been discharged through payment.

THE HOUSING AUTHORITY OF THE CITY OF MARION, INDIANA [10041]
FINANCIAL DATA SCHEDULE
JUNE 30, 2022

ASSETS	PUBLIC HOUSING LOW REBT PROGRAMS	CAPITAL FUND PROGRAMS	PUBLIC HOUSING CARES ACT PROGRAMS	HOUSING CHOICE VOUCHERS	KEY FUNDING SOURCE	N/C S/R SECTION 8 PROGRAMS	MULTI FAMILY HOUSING SERVICE COORDINATOR	RESIDENT OPPORTUNITY SUPPORTIVE SERVICES	RESIDENT OPPORTUNITY SUPPORTIVE SERVICES	STATE/ LOCAL	BUSINESS ACTIVITIES	COCC	COCC	COMPONENT UNITS BUDGETED	REIMBURSEMENT	TOTAL
	44.020	44.072	44.702	44.071	44.072	44.082	44.134	44.077	44.076							
111 CASH UNRESTRICTED	1,305,137	-	-	-	-	43,080	-	4,266	2,355	29,219	-	318,286	-	427,933	(7,073)	2,123,203
112 CASH - RESTRICTED - MODERNIZATION & DEVELOPMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113 CASH - OTHER RESTRICTED	5,957	-	-	9,369	-	-	-	-	-	-	691	9,463	-	1,904,484	-	1,929,464
114 CASH - TRUST SECURITY DEPOSITS	55,673	-	-	-	-	-	-	-	-	9,098	10,100	1,805	-	39,116	-	114,792
115 CASH - RESTRICTED FOR FUTURE CURRENT LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110 TOTAL CASH	1,366,667	-	-	9,369	-	43,080	-	4,266	2,355	38,317	10,791	329,584	-	2,370,533	(7,073)	4,367,459
ACCOUNTS AND NOTES RECEIVABLE																
121 A/R - PHA PROJECTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122 A/R - HUD OTHER PROJECTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
124 A/R - OTHER GOVERNMENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125 A/R - MISCELLANEOUS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126 A/R - TRUSTS	4,072	-	-	-	-	7,760	-	-	-	27,076	3,276	1,138	-	3,712	-	47,034
127 A/R - TRUSTS - TRUST ACCOUNTS - TRUSTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
128-1 ALLOWANCE FOR DOUBTFUL ACCOUNTS - OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
127 NOTES & MORTGAGES RECEIVABLE - CURRENT	10,035	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,035)	-
128 FRAUD RECOVERY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
128-1 ALLOWANCE FOR DOUBTFUL ACCOUNTS - FRAUD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
129 ACCRUED INTEREST RECEIVABLE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120 TOTAL RECEIVABLES NET OF ALLOW	14,107	-	-	-	-	7,760	-	-	-	27,076	3,276	1,138	-	33,207	(10,035)	76,659
CURRENT INVESTMENTS																
131 INVESTMENTS - UNRECORDED	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
132 INVESTMENTS - RESTRICTED	266,483	-	-	-	-	-	-	-	-	-	-	-	-	-	-	303,450
133 INVESTMENTS - RESTRICTED	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	554,858
135 INVESTMENTS - RESTRICTED FOR FUTURE CURRENT LIABILITY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
142 PREPAID EXPENSES AND OTHER ASSETS	36,215	-	-	10,152	-	-	-	88	88	6,652	8,112	8,927	-	13,813	-	84,047
143 INVENTORIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
143-1 ALLOWANCE FOR OBSOLETE INVENTORY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
144 INTER PROGRAM DUE FROM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
145 ASSETS HELD FOR SALE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150 TOTAL CURRENT ASSETS	1,683,472	-	-	20,121	-	50,840	-	2,443	2,443	72,045	22,179	779,518	-	3,879,630	(1,315,079)	5,299,923
NONCURRENT ASSETS																
161 LAND	196,283	-	-	-	-	-	-	-	-	73,227	7,025	14,744	-	147,228	-	438,507
162 BUILDINGS	4,331,287	-	-	-	-	-	-	-	-	1,561,859	1,175,517	635,568	-	3,359,771	-	11,064,502
163 FURNITURE & EQUIPMENT - DWELLINGS	193,706	-	-	-	-	-	-	-	-	2,056	698	2,539	-	8,725	-	286,724
165 LEASEHOLD IMPROVEMENTS - ADMINISTRATION	343,412	-	-	48,510	-	-	-	-	-	116,941	4,177	26,671	-	1,316,941	-	780,997
165 LEASEHOLD IMPROVEMENTS - OTHER	9,056,514	-	-	-	-	6,784	-	-	-	572,937	816,508	510,001	-	1,311,670	-	12,273,114
167 CONSTRUCTION IN PROGRESS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
168 ACCUMULATED DEPRECIATION	(12,286,984)	-	-	(19,014)	-	(4,388)	-	-	-	(1,412,172)	(686,988)	(762,973)	-	(4,358,593)	-	(67,461)
160 TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	3,834,218	467,611	-	29,493	-	2,395	-	-	-	799,993	1,316,937	664,350	-	664,342	-	5,782,442
LIABILITIES AND EQUITY																
CURRENT LIABILITIES																
171 NOTES & MORTGAGES RECEIVABLE - NON-CURRENT	37,335	-	-	-	-	-	-	-	-	-	-	-	-	-	(37,335)	-
172 NOTES & MORTGAGES RECEIVABLE - NON-CURRENT - DMFT-DUE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
173 GRANTS RECEIVABLE - NON-CURRENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174 OTHER ASSETS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176 INVESTMENTS IN JOINT VENTURES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
177 DEFERRED OUTLAYS OF RESOURCES	1,872,253	467,611	-	29,493	-	2,395	-	-	-	799,993	1,236,237	664,350	-	664,342	(137,235)	5,782,442
200 DEFERRED OUTLAYS OF RESOURCES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200 TOTAL ASSETS AND DEFERRED OUTLAYS OF RESOURCES	3,555,725	467,611	-	49,613	-	53,235	-	4,354	2,443	872,038	1,339,116	1,446,668	-	4,543,772	(1,352,434)	10,242,365
LIABILITIES AND EQUITY																
CURRENT LIABILITIES																
311 BANK OVERDRAFT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
312 A/P < 90 DAYS	55,224	-	-	322	-	-	-	-	-	3,332	20,865	4,039	-	16,350	-	99,910
313 A/P > 90 DAYS PAST DUE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
322 ACCRUED COMPENSATED ABSENCES - CURRENT PORTION	17,124	-	-	1,094	-	856	-	2,092	2,092	360	1,200	15,402	-	6,137	-	42,152
324 ACCRUED CONTINGENCY LIABILITY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
325 ACCRUED INTEREST PAYABLE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331 A/P - HUD PHA PROGRAMS	-	-	-	-	-	-	-	-	-	(1,412,172)	2,233	-	-	3,165	-	5,398
332 A/P - PHA PROJECTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
333 A/P - OTHER GOVERNMENT	21,499	-	-	-	-	19,280	-	-	-	-	-	-	-	-	-	-
341 TRUST SECURITY DEPOSITS	55,673	-	-	-	-	-	-	-	-	9,098	10,100	1,805	-	12,277	-	73,279
342 DEFERRED RESOURCES	7,907	-	-	-	-	3,060	-	-	-	2,835	3,673	494	-	39,116	-	114,792
344 CURRENT PORTION - 15 DEBT - CAPITAL/MORTGAGE	-	-	-	-	-	-	-	-	-	-	25,024	-	-	39,422	-	21,463
345 OTHER CURRENT LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
346 ACCRUED LIABILITIES - OTHER	40,720	-	-	17,128	-	-	-	-	-	2,070	40	1,903	-	9,051	-	70,919
347 INTER PROGRAM - DUE TO	9,146	-	-	228,499	-	16,597	-	-	-	4,391	354,887	652,011	-	33,140	(1,297,971)	-
348 LOAN LIABILITY - CURRENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310 TOTAL CURRENT LIABILITIES	202,986	-	-	247,743	-	37,793	-	2,094	2,092	22,286	446,413	685,689	-	162,492	(1,315,079)	491,909
NONCURRENT LIABILITIES																
351 15 DEBT - CAPITAL/MORTGAGE	-	-	-	-	-	-	-	-	-	-	877,633	-	-	2,153,178	-	3,030,811
352 15 DEBT - NET OF CURRENT - OPERATING BORROWINGS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
353 NON-CURRENT LIABILITIES - OTHER	5,857	-	-	9,969	-	-	-	-	-	-	-	-	-	-	(37,335)	15,826
354 ACCRUED COMPENSATED ABSENCES - NON-CURRENT	10,678	-	-	2,395	-	-	-	2,260	2,260	288	848	10,953	-	10,953	-	99,113
355 LOAN LIABILITY - NON-CURRENT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350 TOTAL NONCURRENT LIABILITIES	16,735	-	-	12,364	-	-	-	2,260	2,260	288	878,281	109,915	-	2,549,131	(37,335)	3,623,590

THE HOUSING AUTHORITY OF THE CITY OF MARION
MARION, INDIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2022

Section II: Financial Statement Findings:

Summary Schedule of Prior Year Findings:

None Noted

Current Year Findings and Questioned Costs:

None Noted

Section III: Federal Award Findings and Questioned Costs

Summary Schedule of Prior Year Findings:

None Noted

Current Year Findings and Questioned Costs:

None Noted