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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

September 7, 2016

Board of Commissioners
Housing Authority of the City of Terre Haute
2001 North 19th Street
Terre Haute, IN 47804

We have reviewed the audit report prepared by Hawkins Ash CPAs, Independent Public Accountants, for the period October 1, 2014 to September 30, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of Housing Authority of the City of Terre Haute, as of September 30, 2015 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 blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**HOUSING AUTHORITY OF THE
CITY OF TERRE HAUTE
Terre Haute, Indiana**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

SEPTEMBER 30, 2015

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the City of Terre Haute
Terre Haute, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Terre Haute ("Housing Authority"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in table of contents. We did not audit the financial statements of the discretely presented component units, whose statements reflect total assets of \$16,645,055 as of December 31, 2014, and total revenue of \$660,011 for the year then ended. These financial statements were audited by other auditors, whose reports dated April 7, 2015 and June 1, 2015, express an unmodified opinion, and our opinion, in so far as it relates to the amounts included for the component units of the Housing Authority of the City of Terre Haute, is based on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority as of September 30, 2015, and the changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The combining financial statements and statement and certification of actual ROSS costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

The combining financial statements, statement and certification of actual ROSS costs, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 combining financial statements, statement and certification of actual modernization costs, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 8, 2016, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Housing Authority's internal control over financial reporting and compliance.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
February 8, 2016

**HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2015

The management of the Terre Haute Housing Authority (the "Housing Authority") offers this narrative overview and analysis of its audited financial statements for the fiscal year ended September 30, 2015. The goal is for the reader to better understand the Housing Authority's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Housing Authority's financial statements.

Financial reporting is based on the accounting principles for government enterprise funds, which are similar to the accounting principles as established by the Governmental Accounting Standards Board (GASB). Since these are business-type activities the standards of the Financial Accounting Standards Board (FASB) must also be followed except where there is conflict with GASB.

ECONOMIC FACTORS

Significant economic factors affecting the Housing Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Inflationary pressure on utility rates, and other costs
- Local inflationary, recessionary and employment trends, which can affect resident income, and therefore, the amount of rental income

HIGHLIGHTS

- Deming Center – property of Low Income Housing Development Corporation was sold to Deming Renaissance LLC for 875,000. This sale affected all the revenue and expense categories in the combined financial statements.
- Former Deming Center tenants were moved to the newly built Warren Village (LP). Warren Village, L.P. (An Indiana Limited Partnership) has been organized exclusively to provide housing facilities for person of low and moderate income. The Partnership is eligible and qualifies for the low-income housing tax credit in accordance with Section 42 of the Internal Revenue Code as enacted by the Tax Reform Act of 1986 on qualified low-income units.
- Low Income Housing Development Corporation bought 27 new units from the Light House mission for \$700,908.
- The HIV Care Coordination (HIV CC) grant transitioned from THHA to Indiana University (IU) Health Bloomington in March 2015. This grant provides funds for a full-time caseworker's salary and benefits, as well as some administrative costs associated with the position. All HIV funds were expended, \$45,000, and the grant has been successfully transitioned.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued
SEPTEMBER 30, 2015

HIGHLIGHTS - Continued

- The Housing Opportunities for Persons with AIDS (HOPWA) program grant transitioned to IU Health Bloomington as of July 1, 2015. HOPWA funds were not fully expended, \$33,616.10 of \$45,000. The remaining \$11,383.90 was returned to Indiana Housing & Community Development Authority and the grant has been successfully transitioned.
- THHA started a major renovation contract at Dreiser Square- including new roofs, heating and cooling system, gutters etc. The overall value of the contract is\$3,691,381.
- The assets of the Housing Authority exceed its liabilities as of September 30, 2015 by \$24,169,691 (Net Position).
- The Housing Authority's net investment in capital assets as of September 30, 2015 was \$17,327,451.
- The Housing Authority's total revenue and contributions for the fiscal year end September 30, 2015 was \$10,682,518.
- The Housing Authority's total operating expenses for the fiscal year end September 30, 2015 were \$13,110,826.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

- Statement of Net Position - reports the Housing Authority's current financial resources: its cash and other current assets, current and non-current liabilities and comparing those two elements, the resulting net position of the Housing Authority. A comparison between this year and the preceding year is also provided.
- Statement of Revenue and Expenses and Change in Net Position - reports the Housing Authority's various revenue and expenses and provides a comparison between this year and the preceding year.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued
SEPTEMBER 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued:

ANALYSIS OF FINANCIAL STATEMENTS:

Statement of Net Position

| | SEPTEMBER 30 | | Change |
|----------------------------------|-----------------------------|-----------------------------|------------------------------|
| | 2015 | 2014 | |
| Current assets | \$ 7,463,567 | \$ 6,591,178 | \$ 872,389 |
| Noncurrent assets | 19,918,413 | 22,862,577 | (2,944,164) |
| Total Assets | <u>\$ 27,381,980</u> | <u>\$ 29,453,755</u> | <u>\$ (2,071,775)</u> |
| Current liabilities | \$ 633,415 | \$ 672,308 | \$ (38,893) |
| Non-current liabilities | 2,578,874 | 2,183,448 | 395,426 |
| Total Liabilities | <u>\$ 3,212,289</u> | <u>\$ 2,855,756</u> | <u>\$ 356,533</u> |
| Net Position | | | |
| Net investment in capital assets | \$ 17,327,451 | \$ 20,616,526 | \$ (3,289,075) |
| Restricted | 49,733 | 139,047 | (89,314) |
| Unrestricted | 6,792,507 | 5,842,426 | 950,081 |
| Total Net Position | <u>\$ 24,169,691</u> | <u>\$ 26,597,999</u> | <u>\$ (2,428,308)</u> |

Current assets increased by \$872,389 or by 13.23 percent. This is a result of several factors:

- This is due to the very good cash position of the component units- primarily Garfield Gardens.
- The increase also reflects the profit between the sale of Deming Center and purchase of the 27 Light House Mission Units.
- Current receivables are very high compared to FY 2014. The \$216,981 receivable represents LIHDC 571's developer fee receivable from the Warren Village project.

The current liabilities category decreased by 5.8 percent as a result of the better planning and timing of the payments to vendors.

The increase in the unrestricted asset category can be primarily attributed to reclassification done by the auditors.

The increase in non-current liabilities represents the 500,000 AHP loan payable to the Federal Home Loan Bank of Indianapolis only under circumstances we violate the grant agreement.

Net position may serve, over time, as a useful indicator of a governmental entity's financial position. As stated in the table above, assets exceeded liabilities by \$24,169,691 at the close of the year ended September 30, 2015.

For the calendar year 2015, the administrative fee reimbursement rate is based on the number of units leased as of the last day of each month, extended by the per unit rate established by HUD, and by the HUD pro-ratio to equate expenditures to the total appropriated funds.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued
SEPTEMBER 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued:

ANALYSIS OF FINANCIAL STATEMENTS - Continued:

Statement of Revenue, Expenses, and Changes in Net Position

| | YEAR ENDED | | Change |
|---|------------------------------|-----------------------------|------------------------------|
| | SEPTEMBER 30 | | |
| | <u>2015</u> | <u>2014</u> | |
| <u>Revenue and Contributions</u> | | | |
| Operating Revenue | | | |
| Dwelling rental revenue | \$ 1,817,967 | \$ 2,158,193 | \$ (340,226) |
| Operating grants | 7,474,234 | 8,230,948 | (756,714) |
| Other income | 1,263,307 | 889,025 | 374,282 |
| Total Operating Revenue | <u>\$ 10,555,508</u> | <u>\$ 11,278,166</u> | <u>\$ (722,658)</u> |
| Operating Expenses | | | |
| Administrative expenses | \$ 1,508,938 | \$ 1,543,695 | \$ (34,757) |
| Tenant services | 304,667 | 281,612 | 23,055 |
| Utilities | 1,204,991 | 1,365,009 | (160,018) |
| Maintenance and operations | 1,876,582 | 2,213,595 | (337,013) |
| Protective services | 197,894 | 209,382 | (11,488) |
| Insurance | 367,997 | 397,189 | (29,192) |
| General expenses | 261,871 | 185,823 | 76,048 |
| Housing assistance payments | 3,808,370 | 3,806,239 | 2,131 |
| Depreciation | 1,110,792 | 1,208,630 | (97,838) |
| Total Operating Expense | <u>\$ 10,642,102</u> | <u>\$ 11,211,174</u> | <u>\$ (569,072)</u> |
| <u>Nonoperating Revenue and Expenses</u> | | | |
| Administrative expenses | \$ 27,383 | \$ 85,491 | \$ (58,108) |
| Gain (loss) on disposition | (2,384,545) | 2,480 | (2,387,025) |
| Interest expense | (84,179) | (89,096) | 4,917 |
| Total Nonoperating (Expenses) | <u>\$ (2,441,341)</u> | <u>\$ (1,125)</u> | <u>\$ (2,440,216)</u> |

- Tenant rental revenue decreased by 15.76 percent compared to 2014. This is primarily a result of the sale of Deming Center.
- Otherwise the rental revenue of the Public Housing Units increased by almost 7%.
- As these are combined financial statements of Public Housing six AMPs, COCC and component units, the major fluctuations in the movements of the expenses and revenues categories are due to the sales of Deming Center, which was part of LIHDC, a component unit of THHA.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued
SEPTEMBER 30, 2015

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY DURING THE YEAR:

Capital Assets

| | <u>SEPTEMBER 30</u> | | <u>Change</u> |
|----------------------------------|-----------------------------|-----------------------------|------------------------------|
| | <u>2015</u> | <u>2014</u> | |
| Land | \$ 767,450 | \$ 819,950 | \$ (52,500) |
| Buildings & improvements | 45,020,304 | 47,696,233 | (2,675,929) |
| Furniture, equipment & machinery | 1,026,099 | 1,001,223 | 24,876 |
| Accumulated depreciation | (27,722,016) | (27,018,672) | (703,344) |
| Construction in progress | 33,077 | 52,344 | (19,267) |
| Capital Assets, net | <u>\$ 19,124,914</u> | <u>\$ 22,551,078</u> | <u>\$ (3,426,164)</u> |

- Capital Assets - The Housing Authority's capital assets, as of September 30, 2015, totals \$19,124,914 (net of accumulated depreciation). Capital assets include land, buildings, improvements, equipment, and construction in progress.
- Decrease in Land and Buildings is a result of the sale of Deming Center.

Long-Term Debt

At the end of the current fiscal year, the Housing Authority had outstanding debt obligations of \$2,785,380; an increase of \$378,616 from 2014.

| | <u>SEPTEMBER 30</u> | |
|----------------------------|----------------------------|----------------------------|
| | <u>2015</u> | <u>2014</u> |
| Compensated absences | \$ 86,385 | \$ 89,612 |
| Notes payable | 2,570,533 | 2,218,034 |
| Tenant FSS escrow | 128,462 | 99,118 |
| Capital Assets, net | <u>\$ 2,785,380</u> | <u>\$ 2,406,764</u> |

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide a general overview of the Housing Authority's finances for all interested parties. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Executive Director:

Mr. Jeff Stewart
2001 N. 19th Street
Terre Haute, IN 47804

**HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana**

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT OF NET POSITION

| <u>ASSETS</u> | <u>PRIMARY GOVERNMENT SEPTEMBER 30, 2015</u> | <u>COMPONENT UNITS DECEMBER 31, 2014</u> | <u>TOTAL (MEMORANDUM ONLY)</u> |
|---|--|--|--|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 5,331,653 | \$ 245,800 | \$ 5,577,453 |
| Cash and cash equivalents - restricted | | | |
| Tenant security deposits | 219,645 | 35,751 | 255,396 |
| Other restricted | 178,195 | 72,646 | 250,841 |
| Investments | 752,868 | - | 752,868 |
| Receivables | | | |
| Tenants, net of allowance for doubtful accounts | 70,471 | 31,023 | 101,494 |
| Other, net of allowance for doubtful accounts | 581,132 | 146,274 | 727,406 |
| Due from other governments | 25,510 | 31,644 | 57,154 |
| Inventory | 62,714 | - | 62,714 |
| Prepaid expenses | 223,383 | 42,372 | 265,755 |
| Note receivable - current portion | 18,901 | - | 18,901 |
| TOTAL CURRENT ASSETS | <u>7,464,472</u> | <u>605,510</u> | <u>8,069,982</u> |
| NONCURRENT ASSETS | | | |
| Note receivable | 754,169 | - | 754,169 |
| Other asset | 38,425 | 116,380 | 154,805 |
| Land | 767,450 | 226,579 | 994,029 |
| Buildings and improvements | 45,020,304 | 18,381,277 | 63,401,581 |
| Equipment | 1,026,099 | 1,005,284 | 2,031,383 |
| Construction in progress | 33,077 | - | 33,077 |
| Less accumulated depreciation | <u>(27,722,016)</u> | <u>(3,689,975)</u> | <u>(31,411,991)</u> |
| TOTAL NONCURRENT ASSETS | <u>19,917,508</u> | <u>16,039,545</u> | <u>35,957,053</u> |
| TOTAL ASSETS | <u>\$ 27,381,980</u> | <u>\$ 16,645,055</u> | <u>\$ 44,027,035</u> |

The accompanying notes are an integral part of these financial statements.

| | PRIMARY GOVERNMENT SEPTEMBER 30, 2015 | COMPONENT UNITS DECEMBER 31, 2014 | TOTAL (MEMORANDUM ONLY) |
|---|--|--|-------------------------------|
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 28,801 | \$ 153,354 | \$ 182,155 |
| Accrued payroll and payroll liabilities | 14,002 | - | 14,002 |
| Accrued expenses | 83,626 | 64,594 | 148,220 |
| Compensated absences | 66,542 | - | 66,542 |
| Tenants' security deposits | 219,645 | 35,751 | 255,396 |
| Unearned revenue | 12,092 | 1,783 | 13,875 |
| Current portion of notes payable | 139,964 | 11,753,354 | 11,893,318 |
| Due to related party | - | 231,105 | 231,105 |
| Due to other governments | 68,743 | - | 68,743 |
| TOTAL CURRENT LIABILITIES | <u>633,415</u> | <u>12,239,941</u> | <u>12,873,356</u> |
| NONCURRENT LIABILITIES | | | |
| Compensated absences | 19,843 | - | 19,843 |
| Tenants' FSS escrow | 128,462 | - | 128,462 |
| Long-term liabilities | - | 650,000 | 650,000 |
| Notes payable | 2,430,569 | 2,297,292 | 4,727,861 |
| TOTAL NONCURRENT LIABILITIES | <u>2,578,874</u> | <u>2,947,292</u> | <u>5,526,166</u> |
| TOTAL LIABILITIES | <u>3,212,289</u> | <u>15,187,233</u> | <u>18,399,522</u> |
| NET POSITION | | | |
| Net investment in capital assets | 17,327,451 | 1,872,519 | 19,199,970 |
| Restricted | 49,733 | 72,646 | 122,379 |
| Unrestricted | 6,792,507 | (487,343) | 6,305,164 |
| TOTAL NET POSITION | <u>24,169,691</u> | <u>1,457,822</u> | <u>25,627,513</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 27,381,980</u> | <u>\$ 16,645,055</u> | <u>\$ 44,027,035</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

| | PRIMARY GOVERNMENT | COMPONENT UNITS | TOTAL (MEMORANDUM ONLY) |
|---|-----------------------------|----------------------------|-------------------------------|
| | YEAR ENDED | | |
| | SEPTEMBER 30, 2015 | DECEMBER 31, 2014 | |
| OPERATING REVENUE | | | |
| Dwelling rental | \$ 1,817,967 | \$ 612,779 | \$ 2,430,746 |
| Operating grants | 7,474,234 | - | 7,474,234 |
| Other operating revenue | 1,263,307 | 47,232 | 1,310,539 |
| TOTAL OPERATING REVENUE | <u>10,555,508</u> | <u>660,011</u> | <u>11,215,519</u> |
| OPERATING EXPENSES | | | |
| Administration | 1,508,938 | 199,475 | 1,708,413 |
| Tenant services | 304,667 | - | 304,667 |
| Utilities | 1,204,991 | 56,533 | 1,261,524 |
| Maintenance and operations | 1,876,582 | 237,827 | 2,114,409 |
| General expenses | 261,871 | 195,972 | 457,843 |
| Protective services | 197,894 | - | 197,894 |
| Insurance expense | 367,997 | 45,053 | 413,050 |
| Housing assistance payments | 3,808,370 | - | 3,808,370 |
| Depreciation and amortization | 1,110,792 | 425,811 | 1,536,603 |
| TOTAL OPERATING EXPENSES | <u>10,642,102</u> | <u>1,160,671</u> | <u>11,802,773</u> |
| OPERATING (LOSS) | <u>(86,594)</u> | <u>(500,660)</u> | <u>(587,254)</u> |
| NONOPERATING REVENUE (EXPENSE) | | | |
| Interest income | 27,383 | - | 27,383 |
| (Loss) on disposition of capital assets | (2,384,545) | - | (2,384,545) |
| Interest (expense) | (84,179) | (58,645) | (142,824) |
| NET NONOPERATING (EXPENSE) | <u>(2,441,341)</u> | <u>(58,645)</u> | <u>(2,499,986)</u> |
| CHANGE IN NET POSITION BEFORE CAPITAL GRANTS | <u>(2,527,935)</u> | <u>(559,305)</u> | <u>(3,087,240)</u> |
| CAPITAL GRANTS | <u>99,627</u> | <u>-</u> | <u>99,627</u> |
| CHANGE IN NET POSITION | <u>(2,428,308)</u> | <u>(559,305)</u> | <u>(2,987,613)</u> |
| NET POSITION AT BEGINNING OF YEAR | 26,597,999 | 827,302 | 27,425,301 |
| PRIOR PERIOD ADJUSTMENTS | <u>-</u> | <u>1,189,825</u> | <u>1,189,825</u> |
| NET POSITION AT END OF YEAR | <u>\$ 24,169,691</u> | <u>\$ 1,457,822</u> | <u>\$ 25,627,513</u> |

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT OF CASH FLOWS

| | PRIMARY GOVERNMENT | COMPONENT UNITS | TOTAL (MEMORANDUM ONLY) |
|---|----------------------------|--------------------------|-------------------------------|
| | YEAR ENDED | | |
| | SEPTEMBER 30, 2015 | DECEMBER 31, 2014 | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from tenants/participants | \$ 1,802,844 | \$ 623,958 | \$ 2,426,802 |
| Cash received from operating grants | 7,442,839 | - | 7,442,839 |
| Other income received | 1,056,753 | 47,481 | 1,104,234 |
| Cash payments to vendors | (3,365,119) | (827,751) | (4,192,870) |
| Cash payments to employees | (2,243,475) | - | (2,243,475) |
| Cash payments for housing assistance | (3,808,370) | - | (3,808,370) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>885,472</u> | <u>(156,312)</u> | <u>729,160</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Capital grants | 99,627 | - | 99,627 |
| Payments on note receivable | 17,708 | - | 17,708 |
| Issuance of notes receivable | (500,000) | - | (500,000) |
| Acquisition of capital assets | (922,951) | (11,074,108) | (11,997,059) |
| Proceeds from sale of capital assets | 853,778 | - | 853,778 |
| Issuance of note payable | 500,000 | 11,602,507 | 12,102,507 |
| Principal payments | (147,501) | (107,264) | (254,765) |
| Interest paid | (70,973) | (58,645) | (129,618) |
| NET CASH (USED IN) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(170,312)</u> | <u>362,490</u> | <u>192,178</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 27,383 | - | 27,383 |
| Purchase of investments | 7,668 | - | 7,668 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>35,051</u> | <u>-</u> | <u>35,051</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 750,211 | 206,178 | 956,389 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>4,979,282</u> | <u>130,977</u> | <u>5,110,259</u> |
| PRIOR PERIOD ADJUSTMENT | <u>-</u> | <u>17,042</u> | <u>17,042</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 5,729,493</u> | <u>\$ 354,197</u> | <u>\$ 6,066,648</u> |

The accompanying notes are an integral part of these financial statements. (Continued on page 14)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT OF CASH FLOWS - Continued

| | PRIMARY GOVERNMENT | COMPONENT UNITS | |
|---|----------------------------|----------------------------|-------------------------------|
| | YEAR ENDED | | |
| | SEPTEMBER 30, 2015 | DECEMBER 31, 2014 | TOTAL (MEMORANDUM ONLY) |
| <u>RECONCILIATION OF CASH AND CASH EQUIVALENTS</u> | | | |
| <u>PER STATEMENT OF CASH FLOWS TO THE</u> | | | |
| <u>STATEMENT OF NET POSITION</u> | | | |
| Cash and cash equivalents | \$ 5,331,653 | \$ 245,800 | \$ 5,577,453 |
| Cash and cash equivalents - restricted | 397,840 | 108,397 | 506,237 |
| CASH AND CASH EQUIVALENTS PER | | | |
| STATEMENT OF NET POSITION | <u>\$ 5,729,493</u> | <u>\$ 354,197</u> | <u>\$ 6,083,690</u> |
| <u>RECONCILIATION OF (LOSS) FROM OPERATIONS TO</u> | | | |
| <u>NET CASH PROVIDED BY (USED IN) OPERATING</u> | | | |
| <u>ACTIVITIES</u> | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating (loss) | \$ (86,594) | \$ (500,660) | \$ (587,254) |
| Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities | | | |
| Depreciation and amortization | 1,110,792 | 425,811 | 1,536,603 |
| Changes in assets and liabilities | | | |
| (Increase) decrease in assets | | | |
| Accounts receivable | (295,088) | (139,576) | (434,664) |
| Due from other governments | 58,804 | (18,071) | 40,733 |
| Inventory | 3,757 | - | 3,757 |
| Prepaid expenses | 102,973 | (26,614) | 76,359 |
| Increase (decrease) in liabilities | | | |
| Accounts payable | (85,814) | 14,348 | (71,466) |
| Accrued liabilities - other | 58,784 | 38,845 | 97,629 |
| Unearned revenue | (1,910) | 1,503 | (407) |
| Due to other governments | 7,921 | 27,857 | 35,778 |
| Tenants' FSS escrow | 29,344 | - | 29,344 |
| Tenants' security deposits | (17,497) | 20,245 | 2,748 |
| NET CASH PROVIDED BY (USED IN) | | | |
| OPERATING ACTIVITIES | <u>\$ 885,472</u> | <u>\$ (156,312)</u> | <u>\$ 729,160</u> |

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity - The Housing Authority of the City of Terre Haute ("Terre Haute Housing Authority") or (the "Housing Authority") is a governmental, public corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition, and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in Terre Haute, Indiana. The Housing Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Housing Authority is governed by a board of seven members who serve four year terms. The governing board is essentially autonomous but responsible to the United States Department of Housing and Urban Development ("HUD"). An executive director is appointed by the Housing Authority's board to manage the day-to-day operations of the Housing Authority.

In accordance with Statement No. 61, Government Accounting Standards (GASB), the basis criterion for including a legally separate organization as a component unit is the degree of financial accountability the Housing Authority has with the Organization. The following circumstances set forth the Housing Authority's financial accountability for a legally separate organization:

- a. The Housing Authority is financially accountable if it appoints a voting majority of the Organization's governing body and (1) it is able to impose its will on the Organization or (2) there is a potential for the Organization to provide specific financial benefits to, or impose specific financial burdens on the Housing Authority.
- b. The Housing Authority may be financially accountable if an organization is fiscally dependent on the Housing Authority regardless of whether the Organization has (1) a separately elected governed board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Based upon the application of these criteria, this report includes the following component units:

Low Income Housing Development Corporation "LIHDC"

LIHDC was established on September 8, 2009 to develop, finance, construct, and/or operate three housing projects known as Garfield Gardens, Deming Center, and Seven Homes through Neighborhood Stabilization Program grants. LIHDC is a wholly owned not-for-profit subsidiary of the Housing Authority, the Board of Directors of LIHDC is identical to the Housing Authority's Board of Commissioners and the operations of LIHDC are included in the accompanying blended financial statements.

Terre Haute Development Corporation ("THHADC")

THHADC was established by the Terre Haute Housing Authority in 1975 to provide low-rent housing for qualified individuals. THHADC is a wholly owned not-for-profit subsidiary of the Housing Authority, the Board of Directors of THHADC is almost identical (5 of the 6 Board members are the same as the Housing Authority's Board) to the Housing Authority's Board of Commissioners and the operations of THHADC are included in the Housing Authority's financial statements as a blended component unit.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 1 - Summary of Significant Accounting Policies - Continued

The Housing Authority of the City of Terre Haute also has three discretely presented component units, High I, L.P., High II, L.P., and Warren Village. The entities are shown as discretely presented because the Housing Authority is financially accountable, but they do not have full ownership over the entities. High I, L.P. consists of 30 housing units, High II, L.P. consists of 35 housing units, and Warren Village consists of 111 housing units. Separate financial statements for the component units are available through request of the Housing Authority.

Programs Administered by the Housing Authority - The programs of the Housing Authority are recorded in one enterprise fund. Each program is maintained using a separate set of self-balancing accounts. The programs include a Central Office Cost Center (COCC), Public Housing, Capital Funds, Section 8 Choice Vouchers, Resident Opportunities and Self-Sufficient grant program (ROSS), blended component units, and state/local programs.

Basis of Accounting and Measurement Focus - The Housing Authority's basic financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Housing Authority applies all GASB pronouncements as well as U.S. GAAP, as codified by Financial Accounting Standards Board.

All activities of the Housing Authority are accounted for within one proprietary (enterprise) fund. A proprietary fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A proprietary fund distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Housing Authority are rents collected from tenants and operating grants. Operating expenses for proprietary funds include the cost of operating properties owned, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The accounting and financial reporting treatment applied to the Housing Authority is determined by its measurement focus. The transactions of the Housing Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets, restricted, and unrestricted. When both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 1 - Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents - Restricted - Restricted cash and cash equivalents are segregated resources for tenants' security deposits, tenants' family self-sufficiency (FSS) escrow deposits, and for unspent housing assistance payments. The component unit restricted cash is for required partnership reserves and tenant security deposits.

Accounts Receivable - Accounts receivable are recorded at gross amount, less an allowance for doubtful accounts. The allowance for doubtful accounts was \$5,309 for Public Housing, \$174,776 for Section 8, and \$2,168 for blended component units at September 30, 2015.

Prepaid Expenses - Prepaid expenses represent payments made by the Housing Authority for which benefits extend beyond September 30, 2015.

Insurance - The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Inventory - Inventory is valued at cost using the first-in, first-out (FIFO) method.

Capital Assets - Purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Buildings and equipment are carried at cost or estimated fair value and depreciated using a straight-line method of depreciation over their estimated useful lives as follows:

| | |
|----------------------------|-------------|
| Buildings and improvements | 10-40 years |
| Equipment | 3-10 years |

The Housing Authority has established a capitalization threshold of \$2,000.

Impairment of Long-Lived Assets - The Housing Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized for the year ended September 30, 2015.

Other Asset - Other asset of the Housing Authority consists of the investment in the partnership of High I, L.P. As of September 30, 2015, the balance consists of \$38,425.

Other Asset - Component Unit - Other asset of the component unit consists of financing costs and tax credit fees of \$129,161 and accumulated amortization of \$12,781.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with GASB Standards. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Housing Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Housing Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

The amount of accumulated benefits at September 30, 2015, was \$86,385 and is recorded as a liability in the applicable programs.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 1 - Summary of Significant Accounting Policies - Continued

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expenditure) until then. The Housing Authority does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Housing Authority does not have any items that qualify for reporting in this category.

Net Position Classifications - Net position represents the difference between the total assets and the total liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Federal Aids - Federal aids for reimbursable programs are recognized as revenue in the year the related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenue.

Employee Retirement Plan - The Housing Authority has a retirement plan covering substantially all of its eligible employees, which is funded through contributions to Mass Mutual.

Due To/From Other Programs - During the course of operations, numerous transactions occur between individual programs for goods provided or services rendered. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net position and have been eliminated in the basic financial statements.

Interprogram Transactions - Quasi-external transactions are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a program for expenses initially made from it that are properly applicable to another program, are recorded as expenses in the reimbursing program and as reductions of expenses in the program that is reimbursed.

Rental Income - Rental income is recognized as rents become due.

Use of Estimates - The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Construction Projects - There are certain construction projects in progress at September 30, 2015. These include modernizing rental units at many different projects. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 1 - Summary of Significant Accounting Policies - Continued

Subsequent Events - The Housing Authority has evaluated subsequent events through February 8, 2016, the date which the financial statements were available to be issued.

NOTE 2 - Cash and Cash Equivalents

HUD regulations and statutes authorize the Housing Authority to have deposits in checking accounts, certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

At September 30, 2015, the Housing Authority reported cash and cash equivalents as follows:

| | |
|--|----------------------------|
| Cash and cash equivalents | \$ 5,331,653 |
| Cash and cash equivalents - restricted | <u>397,840</u> |
| TOTAL | <u>\$ 5,729,493</u> |

The difference between cash and cash equivalents and the bank balance reported below is due to reconciling items such as outstanding checks and deposits in transit.

Fair Value of Deposits - Deposits are reported at fair value. At September 30, 2015, the fair value of the Housing Authority's deposits approximated original cost; therefore, no fair value adjustments were necessary.

Determining Fair Value - Fair value of the Housing Authority's deposits are determined as follows: deposits with stated interest rates (operating and savings accounts) are stated at cost.

Income Allocation - Interest income is generally allocated to the program that owns the certificate of deposit, money market account, and savings account.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk. As of September 30, 2015, \$5,333,233 of the Housing Authority's bank balance of \$5,833,233 was exposed to custodial risk as follows:

| | |
|-----------------------------------|----------------------------|
| Uninsured, collateralized by bank | <u>\$ 5,333,233</u> |
|-----------------------------------|----------------------------|

At December 31, 2014, the Component Unit reported cash and cash equivalents as follows:

| | |
|--|--------------------------|
| Cash and cash equivalents | \$ 245,800 |
| Cash and cash equivalents - restricted | <u>108,397</u> |
| | <u>\$ 354,197</u> |

The difference between cash and cash equivalents and the bank balance reported below is due to reconciling items such as outstanding checks and deposits in transit.

Fair Value of Deposits - Deposits are reported at fair value. At December 31, 2014, the fair value of the Component Unit's deposits approximated original cost; therefore, no fair value adjustments were necessary.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 2 - Cash and Cash Equivalents - Continued

Determining Fair Value - Fair value of the Component Unit's deposits are determined as follows: deposits with stated interest rates (operating, savings accounts, certificates of deposit, repurchase agreements, and money market accounts) are stated at cost.

Income Allocation - Interest income is generally allocated to the program that owns the operating account, savings account, certificates of deposit, repurchase agreement, or money market account.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the Housing Authority's deposits may not be returned to it. The Component Unit does not have a deposit policy for custodial credit risk. As of December 31, 2014, \$0- of the Component Unit's bank balance of \$354,197, was exposed to custodial risk.

NOTE 3 - Investments

The Housing Authority's investments as of September 30, 2015, are as follows:

| | |
|--------------------|--------------------------|
| Mutual Funds | \$ 730,029 |
| Money Market Funds | 184 |
| Real Estate Funds | <u>22,655</u> |
| | <u>\$ 752,868</u> |

NOTE 4 - Fair Value Measurements

The Housing Authority has determined the fair value of certain assets in accordance with the provisions of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Housing Authority has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 4 - Fair Value Measurements - Continued

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2015.

Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Housing Authority are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Housing Authority are deemed to be actively traded.

Real Estate Funds - Valued at the closing price reported on the active market on which the individual funds are traded.

Money Market Funds - Valued at closing price reported on the active market.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Housing Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Housing Authority's investments at fair value as of September 30, 2015.

| | SEPTEMBER 30, 2015 | QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1) | SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2) | SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) |
|--------------------|--------------------------|---|---|--|
| Mutual Funds | | | | |
| Equity funds | \$ 420,246 | \$ 420,246 | \$ - | \$ - |
| Fixed income funds | 309,783 | 309,783 | - | - |
| Total Mutual Funds | <u>730,029</u> | <u>730,029</u> | <u>-</u> | <u>-</u> |
| Real Estate Funds | <u>22,655</u> | <u>22,655</u> | - | - |
| Money Market Funds | <u>184</u> | <u>184</u> | - | - |
| TOTALS | <u>\$ 752,868</u> | <u>\$ 752,868</u> | <u>\$ -</u> | <u>\$ -</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 5 - Note Receivable

At September 30, 2015, the note receivable consisted of:

| | |
|--|--------------------------|
| THHADDC has a note receivable from High II, L.P., interest 6.56 percent, payments of \$3,021.09 are due monthly. Note receivable matures February 28, 2026 | \$ 273,070 |
| LIHDC has a note receivable from Warren Village, interest 5.00 percent, principal and interest will be due on December 31, 2042. Interest receivable of \$44,778 is accrued but is considered uncollectible, therefore, an allowance of \$44,778 is also recorded. | 500,000 |
| Current portion | (18,901) |
| LONG-TERM PORTION | <u>\$ 754,169</u> |

NOTE 6 - Capital Assets

A summary of changes in capital assets for the Housing Authority is as follows:

| | BALANCES 10/1/14 | ADDITIONS | RETIREMENTS | TRANSFERS | BALANCES 9/30/15 |
|---|-----------------------------|----------------------------|------------------------------|--------------------|-----------------------------|
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$ 819,950 | \$ 37,500 | \$ (90,000) | \$ - | \$ 767,450 |
| Construction in progress | 52,344 | 33,077 | - | (52,344) | 33,077 |
| TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED | 872,294 | 70,577 | (90,000) | (52,344) | 800,527 |
| <i>Capital assets being depreciated:</i> | | | | | |
| Buildings and improvements | 47,696,233 | 778,672 | (3,506,945) | 52,344 | 45,020,304 |
| Equipment | 1,001,223 | 73,702 | (48,826) | - | 1,026,099 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 48,697,456 | 852,374 | (3,555,771) | 52,344 | 46,046,403 |
| Less accumulated depreciation | (27,018,672) | (1,110,792) | 407,448 | - | (27,722,016) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET OF ACCUMULATED DEPRECIATION | 21,678,784 | (258,418) | (3,148,323) | 52,344 | 18,324,387 |
| NET CAPITAL ASSETS | <u>\$ 22,551,078</u> | <u>\$ (185,841)</u> | <u>\$ (3,238,323)</u> | <u>\$ -</u> | <u>\$ 19,124,914</u> |

A summary of changes in capital assets for the Component Unit is as follows:

| | BALANCE 1/1/14 | ADDITIONS | RETIREMENTS | ADJUSTMENTS | BALANCE 12/31/14 |
|---|----------------------------|----------------------------|--------------------|----------------------------|----------------------------|
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$ 172,423 | \$ - | \$ - | \$ 54,156 | \$ 226,579 |
| <i>Capital assets being depreciated:</i> | | | | | |
| Buildings and improvements | 5,441,586 | 10,113,309 | - | 2,826,382 | 18,381,277 |
| Equipment | 44,485 | 960,799 | - | - | 1,005,284 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 5,486,071 | 11,074,108 | - | 2,826,382 | 19,386,561 |
| Less accumulated depreciation | (3,267,728) | (422,247) | - | - | (3,689,975) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET OF ACCUMULATED DEPRECIATION | 2,218,343 | 10,651,861 | - | 2,826,382 | 15,696,586 |
| NET CAPITAL ASSETS | <u>\$ 2,390,766</u> | <u>\$10,651,861</u> | <u>\$ -</u> | <u>\$ 2,880,538</u> | <u>\$15,923,165</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 7 - Long-Term Obligations

Details of the Housing Authority's long-term obligations are set forth below:

Summary of Long-Term Obligations

| | BALANCE 10/1/14 | ADDITIONS | REDUCTIONS | BALANCE 9/30/15 | AMOUNT DUE WITHIN ONE YEAR |
|----------------------|---------------------|-------------------|---------------------|---------------------|----------------------------------|
| Compensated absences | \$ 89,612 | \$ 86,476 | \$ (89,703) | \$ 86,385 | \$ 66,542 |
| Notes payable | 2,218,034 | 500,000 | (147,501) | 2,570,533 | 139,964 |
| Tenants' FSS escrow | 99,117 | 58,296 | (28,951) | 128,462 | - |
| | <u>\$ 2,406,763</u> | <u>\$ 644,772</u> | <u>\$ (266,155)</u> | <u>\$ 2,785,380</u> | <u>\$ 206,506</u> |

At September 30, 2015, long-term debt consists of:

| | |
|--|--|
| The COCC has a loan from a bank with interest at 4.36 percent requiring monthly payments of \$3,289. The loan is secured by property and matures May 2026. | \$ 325,373 |
| The COCC has a loan from a bank with interest at 4.88 percent requiring monthly payments of \$2,311. The loan is secured by property and matures April 2027. | 246,569 |
| THHADC has a loan from a bank with interest at 4.75 percent requiring monthly payments of \$1,907. The loan is secured by property and matures February 2023. | 156,889 |
| THHADC has a loan from the City of Terre Haute Department of Redevelopment for 7 properties. The loan is forgivable over a 20-year period at 5 percent each year. | 448,799 |
| THHADC has a loan from the City of Terre Haute Department of Redevelopment for 19 properties. The loan is forgivable over a 15-year period at 20 percent each year. | 5,346 |
| THHADC has a loan from the City of Terre Haute Department of Redevelopment. The interest rate is 6.02 percent with required monthly payments of \$736. The loan is secured by mortgage of rental payments and is due June 2028. | 78,808 |
| THHADC loaned High I, L.P. HOME funds that it had borrowed from the Terre Haute Department of Redevelopment. The interest rate is 6.56 percent with required monthly payments of \$3,021. The note is collateralized by a mortgage and is due in February 2026. | 265,478 |
| THHADC currently has 35 loans among four different lending institutions. Interest rates range from 4.57 - 6.00 percent and maturity dates vary between November 2014 and April 2036 and each individual mortgage due to the nature of the market and date of acquisition. | 543,271 |
| LIHDC loaned Warren Village an AHP loan (Affordable Housing Program) through the Federal Home Loan Bank of Indianapolis by and through its member bank, First Federal Bank, N.A. The interest rate is 5.00 percent, principal and interest will be due December 31, 2035. The loan is secured by a mortgage. | 500,000 |
| Less current portion | 2,570,533 |
| TOTAL | <u>(139,964)</u> <u>\$ 2,430,569</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 7 - Long-Term Obligations - Continued

Maturities of Long-Term Debt

Maturities of the long-term debt at September 30, 2015, are:

| <u>YEARS</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> |
|--------------|----------------------------|----------------------------|
| 2016 | \$ 139,964 | \$ 101,967 |
| 2017 | 144,858 | 96,145 |
| 2018 | 145,607 | 90,378 |
| 2019 | 151,619 | 84,373 |
| 2020 | 157,944 | 78,070 |
| 2021-2025 | 875,854 | 283,923 |
| 2026-2030 | 297,108 | 169,742 |
| 2031-2035 | 142,053 | 143,016 |
| 2036 | 515,526 | 25,224 |
| | <u>\$ 2,570,533</u> | <u>\$ 1,072,858</u> |

Details of the Component Unit's long-term obligations are set forth below:

Summary of Long-Term Obligations

| | <u>BALANCE</u> <u>1/01/14</u> | <u>ADDITIONS</u> | <u>REDUCTIONS</u> | <u>ADJUSTMENTS</u> | <u>BALANCE</u> <u>12/31/14</u> | <u>AMOUNT</u> <u>DUE WITHIN</u> <u>ONE YEAR</u> |
|-----------------------|----------------------------------|----------------------------|----------------------------|----------------------------|-----------------------------------|---|
| Notes payable | \$ 1,460,523 | \$11,602,507 | \$ (107,264) | \$ 1,094,880 | \$14,050,646 | \$11,753,354 |
| Long-term liabilities | <u>-</u> | <u>-</u> | <u>(550,000)</u> | <u>1,200,000</u> | <u>650,000</u> | <u>-</u> |
| | <u>\$ 1,460,523</u> | <u>\$12,668,866</u> | <u>\$ (628,743)</u> | <u>\$ 1,200,000</u> | <u>\$14,700,646</u> | <u>\$11,753,354</u> |

At December 31, 2014, long-term debt consists of:

| | |
|---|------------|
| High I has a loan through THHADC with Terre Haute Home monies for use in construction. Interest at a rate of 6.56 percent requiring monthly payments of \$3,021 available from cash flow. The loan is secured by mortgage and matures in 2026. | \$ 286,460 |
| High I has a loan from a bank with interest currently at 2.29 percent. (Interest is based on Federal Home Loan Bank Community Investment rate plus 1 percent). Requires monthly payments of \$3,421. The loan is secured by a mortgage on the properties and matures November 1, 2026. | 427,758 |
| High II has a loan from a bank with interest at 5.52 percent requiring monthly payments of \$5,666. Loan is secured by property and matures May 15, 2029. | 667,562 |
| Warren Village has a loan from a bank with interest at 3.25 percent. On September 27, 2015, the lender will extend the maturity date by 15 years, provided the balance of the mortgage is \$1,200,000 or less among other requirements. The interest rate on the loan during the extension period will be 6 percent. The remaining portion of the note not extended will be repaid using the second capital contribution from the Limited Partner. Milestone Ventures, Inc. has guaranteed to LIHDC the repayment of this loan I the amount equal to the fees converted to permanent debt. See subsequent event footnote for more detail. | 11,668,866 |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 7 - Long-Term Obligations - Continued

Warren Village has a loan from the Indiana Housing and Community Development Authority with interest at 1 percent. Payments on the loan will be made based upon the lesser of \$74,314 or 100 percent of available cash as set forth in the agreement. Annual payments will commence on April 1, 2016. Principal and accrued interest will be due on April 30, 2022. The loan is secured by a mortgage.

\$ 500,000

Warren Village has a loan from LIHDC with interest at 5 percent. Principal and accrued interest will be due on December 31, 2042. The loan is secured by a mortgage.

500,000

14,050,646

(11,753,354)

Less current portion

TOTAL

\$ 2,297,292

Maturities of Long-Term Debt

Maturities of the long-term debt at December 31, 2014, are:

| <u>YEARS</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> |
|--------------|----------------------------|----------------------------|
| 2015 | \$11,753,354 | \$ 248,671 |
| 2016 | 85,333 | 89,963 |
| 2017 | 89,294 | 86,002 |
| 2018 | 93,468 | 81,828 |
| 2019 | 97,869 | 77,427 |
| 2020-2024 | 1,064,226 | 302,254 |
| 2025-2029 | 367,102 | 158,881 |
| 2030-2034 | - | 125,000 |
| 2035-2039 | - | 125,000 |
| 2040-2042 | <u>500,000</u> | <u>75,000</u> |
| | <u>\$14,050,646</u> | <u>\$ 1,370,026</u> |

As of December 31, 2014, Warren Village has a development fee outstanding to LIHDC for its services in connection with development of the property. As of December 31, 2014, Warren Village has a consulting agreement with Milestone Ventures, Inc. to provide services set forth in the consulting agreement. For financial statement purposes, both items are included as long-term liabilities and the balances as of December 31, 2014 is \$650,000.

NOTE 8 - Pension Plan

The Housing Authority provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amount contributed to the plan plus investment earnings. Employees who choose to participate can contribute some of their regular wages, on a tax-deferred basis, to their retirement account. Enrollment in the plan occurs once per year, on October 1. New full time employees who are at least age 20 ½ and have completed at least six months of service as of October 1 will be enrolled in the plan.

Employees may contribute up to the maximum amount allowable by law to the retirement plan. The Housing Authority will contribute an amount equal to 2.5 percent of the employee's regular wages. Additionally, the Housing Authority will match employee contributions up to 6 percent.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2015

NOTE 8 - Pension Plan - Continued

The Housing Authority's total eligible payroll in year ended September 30, 2015, approximated \$1,516,235. The Housing Authority's contributions were calculated using a defined contribution pension plan. For the year ended September 30, 2015, the Housing Authority's portion approximated \$98,813, which has been charged to the employee fringe benefit account.

NOTE 9 - Net Position

The following is a summary of individual net position restrictions of the Housing Authority at September 30, 2015:

| <u>Program</u> | <u>Purpose</u> | <u>Amount</u> |
|---------------------------|-------------------------|------------------|
| Section 8 Choice Vouchers | Future HAP expenditures | <u>\$ 49,733</u> |

The following is a summary of individual net position restrictions of the Component Unit at December 31, 2014:

| <u>Program</u> | <u>Purpose</u> | <u>Amount</u> |
|----------------|----------------------|------------------|
| Component Unit | Replacement reserves | <u>\$ 72,646</u> |

NOTE 10 - Risk Management

Insured Risk - The Housing Authority purchases commercial insurance with various deductibles and coverages to cover liability, property, workers' compensation, errors, omissions, and employee defalcation risk. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 11 - Economic Dependency

The Housing Authority received approximately 92 percent of its total revenue from the United States Department of Housing and Urban Development. This funding is subject to federal government budget appropriations and potential funding reductions.

NOTE 12 - Prior Period Adjustment - Component Unit

The prior period adjustment for the Component Unit is to record beginning balances for Warren Village.

NOTE 13 - Subsequent Event

As of December 31, 2015, the discretely components units, High I, L.P. and High II L.P. have been dissolved and now are owned by the Housing Authority. The Housing Authority assumed debt of High I, L.P. of \$657,314 and the debt of High II, L.P. of \$632,376.

Warren Village - City Real Estate Advisors, Inc. (CREA) made a \$10,506,290 wire transfer directly to First Financial Bank in July 2015. Of this transfer \$10,468,866 was used to pay down the balance on the loan from \$11,668,866 to \$1,200,000. The remaining balance of the wire transfer was used to pay \$37,404 of interest payable on the loan and a \$20 wire transfer fee.

**HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana**

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

| ASSETS | PUBLIC HOUSING | | | | | | CAPITAL FUNDS | HOUSING CHOICE VOUCHERS |
|---|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|------------------|-------------------------|
| | AMP 1 | AMP 2 | AMP 3 | AMP 4 | AMP 5 | AMP 6 | | |
| CURRENT ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 346,815 | \$ 76,225 | \$ 52,858 | \$ 72,471 | \$ 130,415 | \$ 99,905 | \$ - | \$ 112,588 |
| Cash and cash equivalents - restricted | | | | | | | | |
| Tenant security deposits | 58,432 | 23,385 | 14,889 | 9,947 | 29,399 | 50,722 | - | - |
| Other restricted | - | 20,019 | 891 | 144 | - | 47,469 | - | 109,672 |
| Investments | - | - | - | - | - | - | - | - |
| Receivables | | | | | | | | |
| Tenants, net of allowance for doubtful accounts | 2,214 | 5,711 | 3,341 | 2,734 | 4,555 | 29,218 | - | 3,190 |
| Other, net of allowance for doubtful accounts | - | - | - | - | - | - | - | 54,188 |
| Due from other governments | - | - | - | - | - | - | 23,190 | - |
| Due from other programs | - | - | - | - | - | - | - | - |
| Inventory | 12,100 | 8,477 | 6,281 | 2,101 | 5,146 | - | - | - |
| Prepaid expenses | 29,954 | 28,745 | 18,286 | 17,291 | 13,281 | 61,204 | - | 2,274 |
| Note receivable - current portion | - | - | - | - | - | - | - | - |
| TOTAL CURRENT ASSETS | <u>449,515</u> | <u>162,562</u> | <u>96,546</u> | <u>104,688</u> | <u>182,796</u> | <u>288,518</u> | <u>23,190</u> | <u>281,912</u> |
| NONCURRENT ASSETS | | | | | | | | |
| Note receivable | - | - | - | - | - | - | - | - |
| Other asset | - | - | - | - | - | - | - | - |
| Land | 154,997 | 172,000 | 61,483 | - | - | 200,972 | - | - |
| Buildings and improvements | 3,690,080 | 3,338,809 | 3,659,985 | 2,108,233 | 5,700,369 | 17,291,556 | - | - |
| Equipment | 66,928 | 61,882 | 105,826 | 107,538 | 286,015 | 101,896 | - | 21,940 |
| Construction in progress | - | - | - | - | - | - | 33,077 | - |
| Less accumulated depreciation | (3,364,746) | (2,720,392) | (2,036,732) | (1,630,026) | (4,426,503) | (10,458,803) | - | (6,582) |
| TOTAL NONCURRENT ASSETS | <u>547,259</u> | <u>852,299</u> | <u>1,790,562</u> | <u>585,745</u> | <u>1,559,881</u> | <u>7,135,621</u> | <u>33,077</u> | <u>15,358</u> |
| TOTAL ASSETS | <u>\$ 996,774</u> | <u>\$ 1,014,861</u> | <u>\$ 1,887,108</u> | <u>\$ 690,433</u> | <u>\$ 1,742,677</u> | <u>\$ 7,424,139</u> | <u>\$ 56,267</u> | <u>\$ 297,270</u> |

(Continued on page 28)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF NET POSITION - Continued
SEPTEMBER 30, 2015

| ASSETS | COMPONENT UNITS | | ROSS | COCC | SUBTOTAL | ELIMINATING ENTRY | TOTAL |
|---|----------------------------|----------------------------|------------------------|----------------------------|-----------------------------|---------------------------|-----------------------------|
| | LIHDC | THHADDC | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 3,472,120 | \$ 16,334 | \$ - | \$ 951,922 | \$ 5,331,653 | \$ - | \$ 5,331,653 |
| Cash and cash equivalents - restricted | | | | | | | |
| Tenant security deposits | 16,856 | 16,015 | - | - | 219,645 | - | 219,645 |
| Other restricted | - | - | - | - | 178,195 | - | 178,195 |
| Investments | - | 752,868 | - | - | 752,868 | - | 752,868 |
| Receivables | | | | | | | |
| Tenants, net of allowance for doubtful accounts | 4,319 | 15,189 | - | - | 70,471 | - | 70,471 |
| Other, net of allowance for doubtful accounts | 216,981 | 219,970 | - | 89,993 | 581,132 | - | 581,132 |
| Due from other governments | - | - | 2,320 | - | 25,510 | - | 25,510 |
| Due from other programs | 97 | - | - | 65,491 | 65,588 | (65,588) | - |
| Inventory | - | - | - | 28,609 | 62,714 | - | 62,714 |
| Prepaid expenses | 14,893 | 20,039 | - | 17,416 | 223,383 | - | 223,383 |
| Note receivable - current portion | - | 18,901 | - | - | 18,901 | - | 18,901 |
| TOTAL CURRENT ASSETS | <u>3,725,266</u> | <u>1,059,316</u> | <u>2,320</u> | <u>1,153,431</u> | <u>7,530,060</u> | <u>(65,588)</u> | <u>7,464,472</u> |
| NONCURRENT ASSETS | | | | | | | |
| Note receivable | 500,000 | 254,169 | - | - | 754,169 | - | 754,169 |
| Other asset | - | 38,425 | - | - | 38,425 | - | 38,425 |
| Land | 100,000 | 64,973 | - | 13,025 | 767,450 | - | 767,450 |
| Buildings and improvements | 4,262,205 | 3,658,768 | - | 1,310,299 | 45,020,304 | - | 45,020,304 |
| Equipment | - | 33,515 | - | 240,559 | 1,026,099 | - | 1,026,099 |
| Construction in progress | - | - | - | - | 33,077 | - | 33,077 |
| Less accumulated depreciation | (407,647) | (2,031,981) | - | (638,604) | (27,722,016) | - | (27,722,016) |
| TOTAL NONCURRENT ASSETS | <u>4,454,558</u> | <u>2,017,869</u> | <u>-</u> | <u>925,279</u> | <u>19,917,508</u> | <u>-</u> | <u>19,917,508</u> |
| TOTAL ASSETS | <u>\$ 8,179,824</u> | <u>\$ 3,077,185</u> | <u>\$ 2,320</u> | <u>\$ 2,078,710</u> | <u>\$ 27,447,568</u> | <u>\$ (65,588)</u> | <u>\$ 27,381,980</u> |

(Continued on page 29)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF NET POSITON - Continued
SEPTEMBER 30, 2015

| LIABILITIES AND NET POSITION | PUBLIC HOUSING | | | | | | CAPITAL FUNDS | HOUSING CHOICE VOUCHERS |
|---|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|------------------|-------------------------|
| | AMP 1 | AMP 2 | AMP 3 | AMP 4 | AMP 5 | AMP 6 | | |
| CURRENT LIABILITIES | | | | | | | | |
| Accounts payable | \$ 2,488 | \$ 2,846 | \$ 2,160 | \$ 609 | \$ 2,239 | \$ 4,755 | \$ - | \$ 1,654 |
| Accrued payroll and payroll liabilities | - | - | - | - | - | - | - | - |
| Accrued expenses | 16,992 | 14,102 | 7,270 | 6,520 | 9,570 | 1,050 | 23,190 | - |
| Compensated absences | 4,603 | 3,692 | 2,461 | 1,230 | 3,075 | 6,018 | - | 7,729 |
| Tenants' security deposits | 58,432 | 23,385 | 14,889 | 9,947 | 29,399 | 50,722 | - | - |
| Unearned revenue | 1,449 | 1,761 | 1,867 | 298 | 1,170 | 1,457 | - | - |
| Current portion of notes payable | - | - | - | - | - | - | - | - |
| Due to other programs | - | - | - | - | - | - | - | 37,423 |
| Due to other governments | 28,675 | - | - | - | 17,217 | 22,851 | - | - |
| TOTAL CURRENT LIABILITIES | 112,639 | 45,786 | 28,647 | 18,604 | 62,670 | 86,853 | 23,190 | 46,806 |
| NONCURRENT LIABILITIES | | | | | | | | |
| Compensated absences | 1,161 | 1,444 | 963 | 867 | 2,168 | 3,308 | - | 4,696 |
| Tenants' FSS escrow | - | 20,019 | 890 | 144 | - | 47,470 | - | 59,939 |
| Notes payable | - | - | - | - | - | - | - | - |
| TOTAL NONCURRENT LIABILITIES | 1,161 | 21,463 | 1,853 | 1,011 | 2,168 | 50,778 | - | 64,635 |
| TOTAL LIABILITIES | 113,800 | 67,249 | 30,500 | 19,615 | 64,838 | 137,631 | 23,190 | 111,441 |
| NET POSITION | | | | | | | | |
| Net investment in capital assets | 547,259 | 852,299 | 1,790,562 | 585,745 | 1,559,881 | 7,135,621 | 33,077 | 15,358 |
| Restricted | - | - | - | - | - | - | - | 49,733 |
| Unrestricted | 335,715 | 95,313 | 66,046 | 85,073 | 117,958 | 150,887 | - | 120,738 |
| TOTAL NET POSITION | 882,974 | 947,612 | 1,856,608 | 670,818 | 1,677,839 | 7,286,508 | 33,077 | 185,829 |
| TOTAL LIABILITIES AND NET POSITION | \$ 996,774 | \$ 1,014,861 | \$ 1,887,108 | \$ 690,433 | \$ 1,742,677 | \$ 7,424,139 | \$ 56,267 | \$ 297,270 |

(Continued on page 30)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF NET POSITION - Continued
SEPTEMBER 30, 2015

| <u>LIABILITIES AND NET POSITION</u> | <u>COMPONENT UNITS</u> | | | | <u>SUBTOTAL</u> | <u>ELIMINATING ENTRY</u> | <u>TOTAL</u> |
|---|------------------------|---------------------|-----------------|---------------------|----------------------|--------------------------|----------------------|
| | <u>LIHDC</u> | <u>THHADC</u> | <u>ROSS</u> | <u>COCC</u> | | | |
| CURRENT LIABILITIES | | | | | | | |
| Accounts payable | \$ 504 | \$ 667 | \$ - | \$ 10,879 | \$ 28,801 | \$ - | \$ 28,801 |
| Accrued payroll and payroll liabilities | - | - | - | 14,002 | 14,002 | - | 14,002 |
| Accrued expenses | 3,174 | 405 | - | 1,353 | 83,626 | - | 83,626 |
| Compensated absences | 1,845 | - | 2,427 | 33,462 | 66,542 | - | 66,542 |
| Tenants' security deposits | 16,856 | 16,015 | - | - | 219,645 | - | 219,645 |
| Unearned revenue | 1,055 | 3,035 | - | - | 12,092 | - | 12,092 |
| Current portion of notes payable | 12,397 | 85,553 | - | 42,014 | 139,964 | - | 139,964 |
| Due to other programs | 10,435 | 19,794 | (2,161) | 97 | 65,588 | (65,588) | - |
| Due to other governments | - | - | - | - | 68,743 | - | 68,743 |
| TOTAL CURRENT LIABILITIES | <u>46,266</u> | <u>125,469</u> | <u>266</u> | <u>101,807</u> | <u>699,003</u> | <u>(65,588)</u> | <u>633,415</u> |
| NONCURRENT LIABILITIES | | | | | | | |
| Compensated absences | 1,301 | - | 2,054 | 1,881 | 19,843 | - | 19,843 |
| Tenants' FSS escrow | - | - | - | - | 128,462 | - | 128,462 |
| Notes payable | 644,376 | 1,256,176 | - | 530,017 | 2,430,569 | - | 2,430,569 |
| TOTAL NONCURRENT LIABILITIES | <u>645,677</u> | <u>1,256,176</u> | <u>2,054</u> | <u>531,898</u> | <u>2,578,874</u> | <u>-</u> | <u>2,578,874</u> |
| TOTAL LIABILITIES | <u>691,943</u> | <u>1,381,645</u> | <u>2,320</u> | <u>633,705</u> | <u>3,277,877</u> | <u>(65,588)</u> | <u>3,212,289</u> |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 3,797,785 | 656,616 | - | 353,248 | 17,327,451 | - | 17,327,451 |
| Restricted | - | - | - | - | 49,733 | - | 49,733 |
| Unrestricted | 3,690,096 | 1,038,924 | - | 1,091,757 | 6,792,507 | - | 6,792,507 |
| TOTAL NET POSITION | <u>7,487,881</u> | <u>1,695,540</u> | <u>-</u> | <u>1,445,005</u> | <u>24,169,691</u> | <u>-</u> | <u>24,169,691</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 8,179,824</u> | <u>\$ 3,077,185</u> | <u>\$ 2,320</u> | <u>\$ 2,078,710</u> | <u>\$ 27,447,568</u> | <u>\$ (65,588)</u> | <u>\$ 27,381,980</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2015

| | PUBLIC HOUSING | | | | | | CAPITAL FUNDS | HOUSING CHOICE VOUCHERS |
|---|-------------------|-------------------|---------------------|-------------------|---------------------|---------------------|------------------|-------------------------|
| | AMP 1 | AMP 2 | AMP 3 | AMP 4 | AMP 5 | AMP 6 | | |
| OPERATING REVENUE | | | | | | | | |
| Dwelling rental | \$ 507,082 | \$ 127,651 | \$ 61,077 | \$ 84,310 | \$ 422,037 | \$ 251,420 | \$ - | \$ - |
| Operating grants | 543,856 | 689,149 | 434,020 | 248,762 | 300,320 | 504,974 | - | 4,109,926 |
| Other operating revenue | 106,675 | 59,841 | 42,579 | 44,018 | 47,362 | 304,041 | - | 70,961 |
| TOTAL OPERATING REVENUE | 1,157,613 | 876,641 | 537,676 | 377,090 | 769,719 | 1,060,435 | - | 4,180,887 |
| OPERATING EXPENSES | | | | | | | | |
| Administration | 325,319 | 182,992 | 122,068 | 66,770 | 190,122 | 198,440 | - | 420,573 |
| Tenant services | 55,649 | 28,878 | 18,782 | 10,055 | 34,893 | 31,473 | - | - |
| Utilities | 245,227 | 226,659 | 136,642 | 143,123 | 250,955 | 37,730 | - | - |
| Maintenance and operations | 257,639 | 304,673 | 217,424 | 106,022 | 200,618 | 534,209 | - | 59,735 |
| General expenses | 28,947 | 15,788 | 11,943 | 8,216 | 21,875 | 123,019 | - | 9,942 |
| Insurance expenses | 46,366 | 42,233 | 31,090 | 25,221 | 26,372 | 90,314 | - | 12,417 |
| Protective services | 20,064 | 93,817 | 47,097 | 551 | 35,424 | 64 | - | - |
| Housing assistance payments | - | - | - | - | - | - | - | 3,808,370 |
| Depreciation | 41,135 | 52,911 | 120,058 | 40,181 | 112,468 | 470,571 | - | 4,388 |
| TOTAL OPERATING EXPENSES | 1,020,346 | 947,951 | 705,104 | 400,139 | 872,727 | 1,485,820 | - | 4,315,425 |
| OPERATING INCOME (LOSS) | 137,267 | (71,310) | (167,428) | (23,049) | (103,008) | (425,385) | - | (134,538) |
| NONOPERATING REVENUE (EXPENSE) | | | | | | | | |
| Interest income | - | - | - | - | - | - | - | 158 |
| (Loss) on disposition of capital assets | - | - | - | - | - | - | - | - |
| Operating transfer in (out) | (59,000) | - | 50,000 | - | 5,000 | 4,000 | - | - |
| Interest (expense) | - | - | - | - | - | - | - | - |
| NET NONOPERATING REVENUE (EXPENSE) | (59,000) | - | 50,000 | - | 5,000 | 4,000 | - | 158 |
| CHANGE IN NET POSITION BEFORE CAPITAL GRANTS | 78,267 | (71,310) | (117,428) | (23,049) | (98,008) | (421,385) | - | (134,380) |
| CAPITAL GRANTS | - | - | - | - | - | - | 99,627 | - |
| CHANGE IN NET POSITION | 78,267 | (71,310) | (117,428) | (23,049) | (98,008) | (421,385) | 99,627 | (134,380) |
| NET POSITION AT BEGINNING OF YEAR | 752,363 | 1,018,922 | 1,974,036 | 693,867 | 1,709,297 | 7,707,893 | 52,344 | 320,209 |
| PRIOR PERIOD ADJUSTMENTS | - | - | - | - | - | - | - | - |
| RESIDUAL EQUITY TRANSFER IN (OUT) | 52,344 | - | - | - | 66,550 | - | (118,894) | - |
| NET POSITION AT END OF YEAR | \$ 882,974 | \$ 947,612 | \$ 1,856,608 | \$ 670,818 | \$ 1,677,839 | \$ 7,286,508 | \$ 33,077 | \$ 185,829 |

(Continued on page 32)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - Continued
YEAR ENDED SEPTEMBER 30, 2015

| | COMPONENT UNITS | | ROSS | STATE/LOCAL | COCC | SUBTOTAL | ELIMINATING ENTRY | TOTAL |
|---|----------------------------|----------------------------|--------------------|--------------------|----------------------------|-----------------------------|--------------------|-----------------------------|
| | LIHDC | THHADDC | | | | | | |
| OPERATING REVENUE | | | | | | | | |
| Dwelling rental | \$ 221,660 | \$ 142,730 | \$ - | \$ - | \$ - | \$ 1,817,967 | \$ - | \$ 1,817,967 |
| Operating grants | 263,455 | 226,531 | 73,625 | 79,616 | - | 7,474,234 | - | 7,474,234 |
| Other operating revenue | 521,601 | 42,349 | - | - | 1,113,823 | 2,353,250 | (1,089,943) | 1,263,307 |
| TOTAL OPERATING REVENUE | <u>1,006,716</u> | <u>411,610</u> | <u>73,625</u> | <u>79,616</u> | <u>1,113,823</u> | <u>11,645,451</u> | <u>(1,089,943)</u> | <u>10,555,508</u> |
| OPERATING EXPENSES | | | | | | | | |
| Administration | 91,721 | 63,370 | 72,284 | 5,438 | 766,104 | 2,505,201 | (996,263) | 1,508,938 |
| Tenant services | 17,440 | 9,903 | - | 96,584 | 1,010 | 304,667 | - | 304,667 |
| Utilities | 111,361 | 20,566 | - | 579 | 32,149 | 1,204,991 | - | 1,204,991 |
| Maintenance and operations | 97,120 | 145,324 | - | - | 47,498 | 1,970,262 | (93,680) | 1,876,582 |
| General expenses | 12,360 | 23,599 | 1,341 | - | 4,841 | 261,871 | - | 261,871 |
| Insurance expenses | 45,371 | 18,547 | - | - | 30,066 | 367,997 | - | 367,997 |
| Protective services | 813 | - | - | - | 64 | 197,894 | - | 197,894 |
| Housing assistance payments | - | - | - | - | - | 3,808,370 | - | 3,808,370 |
| Depreciation | 143,526 | 72,711 | - | - | 52,843 | 1,110,792 | - | 1,110,792 |
| TOTAL OPERATING EXPENSES | <u>519,712</u> | <u>354,020</u> | <u>73,625</u> | <u>102,601</u> | <u>934,575</u> | <u>11,732,045</u> | <u>(1,089,943)</u> | <u>10,642,102</u> |
| OPERATING INCOME (LOSS) | <u>487,004</u> | <u>57,590</u> | <u>-</u> | <u>(22,985)</u> | <u>179,248</u> | <u>(86,594)</u> | <u>-</u> | <u>(86,594)</u> |
| NONOPERATING REVENUE (EXPENSE) | | | | | | | | |
| Interest income | 1,337 | 25,888 | - | - | - | 27,383 | - | 27,383 |
| (Loss) on disposition of capital assets | (2,384,545) | - | - | - | - | (2,384,545) | - | (2,384,545) |
| Operating transfer in (out) | - | - | - | 9,280 | (9,280) | - | - | - |
| Interest (expense) | (8,612) | (46,619) | - | - | (28,948) | (84,179) | - | (84,179) |
| NET NONOPERATING REVENUE (EXPENSE) | <u>(2,391,820)</u> | <u>(20,731)</u> | <u>-</u> | <u>9,280</u> | <u>(38,228)</u> | <u>(2,441,341)</u> | <u>-</u> | <u>(2,441,341)</u> |
| CHANGE IN NET POSITION BEFORE CAPITAL GRANTS | <u>(1,904,816)</u> | <u>36,859</u> | <u>-</u> | <u>(13,705)</u> | <u>141,020</u> | <u>(2,527,935)</u> | <u>-</u> | <u>(2,527,935)</u> |
| CAPITAL GRANTS | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>99,627</u> | <u>-</u> | <u>99,627</u> |
| CHANGE IN NET POSITION | <u>(1,904,816)</u> | <u>36,859</u> | <u>-</u> | <u>(13,705)</u> | <u>141,020</u> | <u>(2,428,308)</u> | <u>-</u> | <u>(2,428,308)</u> |
| NET POSITION AT BEGINNING OF YEAR | <u>9,392,697</u> | <u>1,653,731</u> | <u>-</u> | <u>13,705</u> | <u>1,308,935</u> | <u>26,597,999</u> | <u>-</u> | <u>26,597,999</u> |
| PRIOR PERIOD ADJUSTMENTS | <u>-</u> | <u>4,950</u> | <u>-</u> | <u>-</u> | <u>(4,950)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| RESIDUAL EQUITY TRANSFER IN (OUT) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION AT END OF YEAR | <u>\$ 7,487,881</u> | <u>\$ 1,695,540</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,445,005</u> | <u>\$ 24,169,691</u> | <u>\$ -</u> | <u>\$ 24,169,691</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2015

| | PUBLIC HOUSING | | | | | | CAPITAL FUNDS | SECTION 8 |
|---|--------------------------|--------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------|--------------------------|
| | AMP 1 | AMP 2 | AMP 3 | AMP 4 | AMP 5 | AMP 6 | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Cash received from tenants/participants | \$ 508,165 | \$ 125,545 | \$ 62,078 | \$ 85,777 | \$ 422,832 | \$ 244,625 | \$ - | \$ - |
| Cash received from interfund services provided | - | - | - | - | - | - | - | 6,622 |
| Cash received from operating grants | 543,856 | 689,149 | 434,020 | 248,762 | 300,320 | 504,974 | 29,154 | 4,128,993 |
| Other income received | 106,902 | 59,692 | 40,899 | 43,975 | 46,708 | 303,198 | - | 68,362 |
| Cash payments to vendors | (747,508) | (668,034) | (432,054) | (298,261) | (620,466) | (616,641) | 23,190 | (200,388) |
| Cash payments to employees | (216,930) | (205,311) | (138,134) | (49,645) | (121,831) | (369,332) | - | (276,843) |
| Cash payments for housing assistance | - | - | - | - | - | - | - | (3,808,370) |
| Cash payments for interfund services used | - | - | - | - | - | - | (52,344) | - |
| | <u>194,485</u> | <u>1,041</u> | <u>(33,191)</u> | <u>30,608</u> | <u>27,563</u> | <u>66,824</u> | <u>-</u> | <u>(81,624)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Capital grants | - | - | - | - | - | - | 99,627 | - |
| Payments on notes receivable | - | - | - | - | - | - | - | - |
| Issuance of notes receivable | - | - | - | - | - | - | - | - |
| Acquisition of capital assets | (6,875) | - | - | - | (66,550) | - | (33,077) | - |
| Proceeds from sale of capital assets | - | - | - | - | - | - | - | - |
| Issuance of notes payable | - | - | - | - | - | - | - | - |
| Principal payments | - | - | - | - | - | - | - | - |
| Interest paid | - | - | - | - | - | - | - | - |
| NET CASH (USED IN) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(6,875)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(66,550)</u> | <u>-</u> | <u>66,550</u> | <u>-</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Equity transfer in (out) | - | - | - | - | 66,550 | - | (66,550) | - |
| Operating transfers (out) in | (59,000) | - | 50,000 | - | 5,000 | 4,000 | - | - |
| NET CASH (USED IN) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>(59,000)</u> | <u>-</u> | <u>50,000</u> | <u>-</u> | <u>71,550</u> | <u>4,000</u> | <u>(66,550)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Interest received | - | - | - | - | - | - | - | 158 |
| Purchase of investments | - | - | - | - | - | - | - | - |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>158</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 128,610 | 1,041 | 16,809 | 30,608 | 32,563 | 70,824 | - | (81,466) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>276,637</u> | <u>118,588</u> | <u>51,829</u> | <u>51,954</u> | <u>127,251</u> | <u>127,272</u> | <u>-</u> | <u>303,726</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 405,247</u> | <u>\$ 119,629</u> | <u>\$ 68,638</u> | <u>\$ 82,562</u> | <u>\$ 159,814</u> | <u>\$ 198,096</u> | <u>\$ -</u> | <u>\$ 222,260</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED SEPTEMBER 30, 2015

| | COMPONENT UNITS | | ROSS | STATE & LOCAL | COCC | ELIMINATING ENTRY | TOTAL |
|---|----------------------------|-------------------------|--------------------|--------------------|--------------------------|----------------------|----------------------------|
| | LIHDC | THHADC | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Cash received from tenants/participants | \$ 207,078 | \$ 146,744 | \$ - | \$ - | \$ - | \$ - | \$ 1,802,844 |
| Cash received from interfund services provided | 16,481 | - | - | 8,196 | 52,862 | (84,161) | - |
| Cash received from operating grants | 263,455 | 226,531 | 73,625 | - | - | - | 7,442,839 |
| Other income received | 303,424 | 15,413 | - | 91,583 | 1,066,540 | (1,089,943) | 1,056,753 |
| Cash payments to vendors | (343,091) | (180,870) | (8,858) | (62,620) | (299,461) | 1,089,943 | (3,365,119) |
| Cash payments to employees | (82,949) | (94,186) | (62,048) | (41,777) | (584,489) | - | (2,243,475) |
| Cash payments for housing assistance | - | - | - | - | - | - | (3,808,370) |
| Cash payments for interfund services used | (1,155) | (11,431) | (2,719) | (4,662) | (11,850) | 84,161 | - |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>363,243</u> | <u>102,201</u> | <u>-</u> | <u>(9,280)</u> | <u>223,602</u> | <u>-</u> | <u>885,472</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Capital grants | - | - | - | - | - | - | 99,627 |
| Payments on notes receivable | - | 17,708 | - | - | - | - | 17,708 |
| Issuance of notes receivable | (500,000) | - | - | - | - | - | (500,000) |
| Acquisition of capital assets | (759,361) | (15,463) | - | - | (41,625) | - | (922,951) |
| Proceeds from sale of capital assets | 853,778 | - | - | - | - | - | 853,778 |
| Issuance of notes payable | 500,000 | - | - | - | - | - | 500,000 |
| Principal payments | (11,060) | (98,194) | - | - | (38,247) | - | (147,501) |
| Interest paid | (8,612) | (46,619) | - | - | (15,742) | - | (70,973) |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>74,745</u> | <u>(142,568)</u> | <u>-</u> | <u>-</u> | <u>(95,614)</u> | <u>-</u> | <u>(170,312)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Equity transfer in (out) | - | - | - | 9,280 | (9,280) | - | - |
| Operating transfers in (out) | - | - | - | - | - | - | - |
| NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,280</u> | <u>(9,280)</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Interest received | 1,337 | 25,888 | - | - | - | - | 27,383 |
| Purchase of investments | - | 7,668 | - | - | - | - | 7,668 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>1,337</u> | <u>33,556</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>35,051</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>439,325</u> | <u>(6,811)</u> | <u>-</u> | <u>-</u> | <u>118,708</u> | <u>-</u> | <u>750,211</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>3,049,651</u> | <u>39,160</u> | <u>-</u> | <u>-</u> | <u>833,214</u> | <u>-</u> | <u>4,979,282</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 3,488,976</u> | <u>\$ 32,349</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 951,922</u> | <u>\$ -</u> | <u>\$ 5,729,493</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED SEPTEMBER 30, 2015

| | PUBLIC HOUSING | | | | | | CAPITAL FUNDS | SECTION 8 |
|---|--------------------------|--------------------------|---------------------------|-------------------------|--------------------------|--------------------------|--------------------|---------------------------|
| | AMP 1 | AMP 2 | AMP 3 | AMP 4 | AMP 5 | AMP 6 | | |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION | | | | | | | | |
| Cash and cash equivalents | \$ 346,815 | \$ 76,225 | \$ 52,858 | \$ 72,471 | \$ 130,415 | \$ 99,905 | \$ - | \$ 112,588 |
| Cash and cash equivalents - restricted | 58,432 | 43,404 | 15,780 | 10,091 | 29,399 | 98,191 | - | 109,672 |
| CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION | <u>\$ 405,247</u> | <u>\$ 119,629</u> | <u>\$ 68,638</u> | <u>\$ 82,562</u> | <u>\$ 159,814</u> | <u>\$ 198,096</u> | <u>\$ -</u> | <u>\$ 222,260</u> |
| RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | | | | | |
| Operating income (loss) | \$ 137,267 | \$ (71,310) | \$(167,428) | \$ (23,049) | \$(103,008) | \$(425,385) | \$ - | \$(134,538) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | | | | |
| Depreciation | 41,135 | 52,911 | 120,058 | 40,181 | 112,468 | 470,571 | - | 4,388 |
| Prior period adjustments | - | - | - | - | - | - | - | - |
| Changes in assets and liabilities | | | | | | | | |
| (Increase) decrease in assets | | | | | | | | |
| Accounts receivable | (235) | 1,435 | 2,333 | 445 | 2,056 | (7,785) | - | (3,834) |
| Due from other governments | - | - | - | - | - | - | 29,154 | 19,067 |
| Due from other funds | - | - | - | - | - | - | - | - |
| Inventory | 3,257 | 1,667 | 348 | 2,638 | (416) | - | - | - |
| Prepaid expenses | 6,583 | 8,152 | 7,110 | 4,961 | 5,660 | 22,484 | - | 4,982 |
| Increase (decrease) in liabilities | | | | | | | | |
| Accounts payable | (213) | (937) | 1,088 | (1,999) | 1,086 | (551) | - | 1,263 |
| Accrued expenses | 5,704 | 12,935 | 6,832 | 6,308 | 9,431 | (3,571) | 23,190 | (4,780) |
| Unearned revenue | 227 | (149) | (1,680) | (43) | (654) | (843) | - | - |
| Due to other governments | (558) | - | - | - | 2,201 | 6,278 | - | - |
| Due to other funds | - | - | - | - | - | - | (52,344) | 6,622 |
| Tenants' FSS escrow | - | (122) | (520) | 144 | - | 4,636 | - | 25,206 |
| Tenants' security deposits | 1,318 | (3,541) | (1,332) | 1,022 | (1,261) | 990 | - | - |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 194,485</u> | <u>\$ 1,041</u> | <u>\$ (33,191)</u> | <u>\$ 30,608</u> | <u>\$ 27,563</u> | <u>\$ 66,824</u> | <u>\$ -</u> | <u>\$ (81,624)</u> |

(Continued on page 36)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED SEPTEMBER 30, 2015

| | COMPONENT UNITS | | ROSS | STATE & LOCAL | COCC | ELIMINATING ENTRY | TOTAL |
|--|----------------------------|--------------------------|--------------------|--------------------------|--------------------------|----------------------|----------------------------|
| | LIHDC | THHADDC | | | | | |
| <u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u> | | | | | | | |
| Cash and cash equivalents | \$ 3,472,120 | \$ 16,334 | \$ - | \$ - | \$ 951,922 | \$ - | \$ 5,331,653 |
| Cash and cash equivalents - restricted | 16,856 | 16,015 | - | - | - | - | 397,840 |
| CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION | <u>\$ 3,488,976</u> | <u>\$ 32,349</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 951,922</u> | <u>\$ -</u> | <u>\$ 5,729,493</u> |
| <u>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u> | | | | | | | |
| Operating income (loss) | \$ 487,004 | \$ 57,590 | \$ - | \$ (22,985) | \$ 179,248 | \$ - | \$ (86,594) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | | | |
| Depreciation | 143,526 | 72,711 | - | - | 52,843 | - | 1,110,792 |
| Prior period adjustments | - | 4,950 | - | - | (4,950) | - | - |
| Changes in assets and liabilities | | | | | | | |
| (Increase) decrease in assets | | | | | | | |
| Accounts receivable | (213,890) | (28,330) | - | - | (47,283) | - | (295,088) |
| Due from other governments | - | - | (1,384) | 11,967 | - | - | 58,804 |
| Due from other funds | 16,481 | - | - | 8,196 | 52,862 | (77,539) | - |
| Inventory | 1,661 | - | - | - | (5,398) | - | 3,757 |
| Prepaid expenses | 32,625 | 2,320 | - | - | 8,096 | - | 102,973 |
| Increase (decrease) in liabilities | | | | | | | |
| Accounts payable | (83,720) | (1,134) | - | (901) | 204 | - | (85,814) |
| Accrued expenses | (420) | 117 | 4,103 | (895) | (170) | - | 58,784 |
| Unearned revenue | (1,196) | 2,428 | - | - | - | - | (1,910) |
| Due to other governments | - | - | - | - | - | - | 7,921 |
| Due to other funds | (1,155) | (11,431) | (2,719) | (4,662) | (11,850) | 77,539 | - |
| Tenants' FSS escrow | - | - | - | - | - | - | 29,344 |
| Tenants' security deposits | (17,673) | 2,980 | - | - | - | - | (17,497) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 363,243</u> | <u>\$ 102,201</u> | <u>\$ -</u> | <u>\$ (9,280)</u> | <u>\$ 223,602</u> | <u>\$ -</u> | <u>\$ 885,472</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF NET POSITION -
COMPONENT UNITS
DECEMBER 31, 2014

| ASSETS | COMPONENT UNITS | | | TOTAL |
|---|-------------------|---------------------|----------------------|----------------------|
| | HIGH 1 | HIGH 2 | WARREN VILLAGE | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 871 | \$ - | \$ 244,929 | 245,800 |
| Cash and cash equivalents- restricted | | | | |
| Tenant security deposits | 7,107 | 8,763 | 19,881 | 35,751 |
| Other restricted | 62,672 | 9,974 | - | 72,646 |
| Receivables | | | | |
| Tenants, net of allowance for doubtful accounts | 4,976 | 21,930 | 4,117 | 31,023 |
| Other, net of allowance for doubtful accounts | | | 146,274 | 146,274 |
| Due from other governments | 31,644 | - | - | 31,644 |
| Prepaid expenses | 10,692 | 9,012 | 22,668 | 42,372 |
| TOTAL CURRENT ASSETS | 117,962 | 49,679 | 437,869 | 605,510 |
| NONCURRENT ASSETS | | | | |
| Other assets | 4,000 | 5,186 | 107,194 | 116,380 |
| Land | 49,923 | 122,500 | 54,156 | 226,579 |
| Buildings and improvements | 2,391,606 | 3,049,980 | 12,939,691 | 18,381,277 |
| Equipment | 20,522 | 23,963 | 960,799 | 1,005,284 |
| Less accumulated depreciation | (1,652,131) | (1,807,450) | (230,394) | (3,689,975) |
| TOTAL NONCURRENT ASSETS | 813,920 | 1,394,179 | 13,831,446 | 16,039,545 |
| TOTAL ASSETS | \$ 931,882 | \$ 1,443,858 | \$ 14,269,315 | \$ 16,645,055 |
| LIABILITIES AND NET POSITION | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 47,473 | \$ 50,025 | \$ 55,856 | \$ 153,354 |
| Accrued expenses | - | - | 64,594 | 64,594 |
| Tenants' security deposits | 7,107 | 8,763 | 19,881 | 35,751 |
| Unearned revenue | 15 | 514 | 1,254 | 1,783 |
| Current portion of notes payable | 49,587 | 34,901 | 11,668,866 | 11,753,354 |
| Due to other governments | 117,699 | 113,406 | - | 231,105 |
| TOTAL CURRENT LIABILITIES | 221,881 | 207,609 | 11,810,451 | 12,239,941 |
| NONCURRENT LIABILITIES | | | | |
| Long-term liabilities | - | - | 650,000 | 650,000 |
| Notes payable | 664,631 | 632,661 | 1,000,000 | 2,297,292 |
| TOTAL NONCURRENT LIABILITIES | 664,631 | 632,661 | 1,650,000 | 2,947,292 |
| TOTAL LIABILITIES | 886,512 | 840,270 | 13,460,451 | 15,187,233 |
| NET POSITION | | | | |
| Net investment in capital assets | 95,702 | 721,431 | 1,055,386 | 1,872,519 |
| Restricted | 62,672 | 9,974 | - | 72,646 |
| Unrestricted | (113,004) | (127,817) | (246,522) | (487,343) |
| TOTAL NET POSITION | 45,370 | 603,588 | 808,864 | 1,457,822 |
| TOTAL LIABILITIES AND NET POSITION | \$ 931,882 | \$ 1,443,858 | \$ 14,269,315 | \$ 16,645,055 |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION -
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2014

| | COMPONENT UNITS | | | TOTAL |
|--|------------------|-------------------|-------------------|---------------------|
| | HIGH 1 | HIGH 2 | WARREN VILLAGE | |
| OPERATING REVENUE | | | | |
| Dwelling rental | \$ 212,354 | \$ 179,172 | \$ 221,253 | \$ 612,779 |
| Other operating revenue | 13,188 | 28,113 | 5,931 | 47,232 |
| TOTAL OPERATING REVENUE | <u>225,542</u> | <u>207,285</u> | <u>227,184</u> | <u>660,011</u> |
| OPERATING EXPENSES | | | | |
| Administration | 41,107 | 40,048 | 118,320 | 199,475 |
| Utilities | 3,709 | 7,258 | 45,566 | 56,533 |
| Maintenance and operations | 70,248 | 129,093 | 38,486 | 237,827 |
| General expenses | 23,399 | - | 172,573 | 195,972 |
| Insurance expenses | 11,464 | 33,589 | - | 45,053 |
| Depreciation and amortization | 84,028 | 108,583 | 233,200 | 425,811 |
| TOTAL OPERATING EXPENSES | <u>233,955</u> | <u>318,571</u> | <u>608,145</u> | <u>1,160,671</u> |
| OPERATING (LOSS) INCOME | (8,413) | (111,286) | (380,961) | (500,660) |
| NONOPERATING (EXPENSE) | | | | |
| Interest expense | <u>(28,768)</u> | <u>(29,877)</u> | - | <u>(58,645)</u> |
| CHANGE IN NET POSITION | (37,181) | (141,163) | (380,961) | (559,305) |
| NET POSITION AT BEGINNING OF YEAR | 82,551 | 744,751 | - | 827,302 |
| PRIOR PERIOD ADJUSTMENTS | <u>-</u> | <u>-</u> | <u>1,189,825</u> | <u>1,189,825</u> |
| NET POSITION AT END OF YEAR | <u>\$ 45,370</u> | <u>\$ 603,588</u> | <u>\$ 808,864</u> | <u>\$ 1,457,822</u> |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2014

| | COMPONENT UNITS | | | TOTAL |
|--|-------------------------|-------------------------|--------------------------|--------------------------|
| | HIGH 1 | HIGH 2 | WARREN VILLAGE | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from tenants/participants | \$ 228,493 | \$ 174,212 | \$ 221,253 | \$ 623,958 |
| Other income received | 13,133 | 28,417 | 5,931 | 47,481 |
| Cash payments to vendors | <u>(178,771)</u> | <u>(169,686)</u> | <u>(479,294)</u> | <u>(827,751)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>62,855</u> | <u>32,943</u> | <u>(252,110)</u> | <u>(156,312)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | - | - | (11,074,108) | (11,074,108) |
| Issuance of note payable | - | - | 11,602,507 | 11,602,507 |
| Principal payments | (47,737) | (31,006) | (28,521) | (107,264) |
| Interest paid | <u>(28,768)</u> | <u>(29,877)</u> | <u>-</u> | <u>(58,645)</u> |
| NET CASH (USED IN) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(76,505)</u> | <u>(60,883)</u> | <u>499,878</u> | <u>362,490</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (13,650) | (27,940) | 247,768 | 206,178 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 84,300 | 46,677 | - | 130,977 |
| PRIOR PERIOD ADJUSTMENT | <u>-</u> | <u>-</u> | <u>17,042</u> | <u>17,042</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 70,650</u> | <u>\$ 18,737</u> | <u>\$ 264,810</u> | <u>\$ 354,197</u> |

(Continued on page 40)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE

Terre Haute, Indiana

COMBINING STATEMENT OF CASH FLOWS

COMPONENT UNITS - Continued

YEAR ENDED DECEMBER 31, 2014

| | COMPONENT UNITS | | | TOTAL |
|---|------------------|------------------|---------------------|---------------------|
| | HIGH 1 | HIGH 2 | WARREN VILLAGE | |
| <u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u> | | | | |
| Cash and cash equivalents | \$ 871 | \$ - | \$ 244,929 | \$ 245,800 |
| Cash and cash equivalents - restricted | 69,779 | 18,737 | 19,881 | 108,397 |
| CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION | \$ 70,650 | \$ 18,737 | \$ 264,810 | \$ 354,197 |
| <u>RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u> | | | | |
| Operating (loss) | \$ (8,413) | \$ (111,286) | \$ (380,961) | \$ (500,660) |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities | | | | |
| Depreciation and amortization | 84,028 | 108,583 | 233,200 | 425,811 |
| Changes in assets and liabilities | | | | |
| (Increase) decrease in assets | | | | |
| Accounts receivable | 15,941 | (5,126) | (150,391) | (139,576) |
| Due from other governments | (26,641) | 8,570 | - | (18,071) |
| Prepaid expenses | (3,607) | (339) | (22,668) | (26,614) |
| Increase (decrease) in liabilities | | | | |
| Accounts payable - operations | 4,891 | 3,199 | 6,258 | 14,348 |
| Accrued expenses | (801) | (1,671) | 41,317 | 38,845 |
| Unearned revenue | (55) | 304 | 1,254 | 1,503 |
| Due to other governments | (2,686) | 30,543 | - | 27,857 |
| Tenants' security deposits | 198 | 166 | 19,881 | 20,245 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | \$ 62,855 | \$ 32,943 | \$ (252,110) | \$ (156,312) |

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT AND CERTIFICATION OF ACTUAL ROSS COSTS
SEPTEMBER 30, 2015

ANNUAL CONTRIBUTIONS CONTRACT

1. The Actual ROSS Costs for the Locally-Owned Projects are as follows:

| | <u>IN021RFS195A013</u> |
|--|------------------------|
| Funds approved | \$ 64,188 |
| Funds expended | 64,188 |
| EXCESS (DEFICIENCY) OF FUNDS APPROVED | \$ - |
| | |
| HUD grants | \$ 64,188 |
| Funds expended | 64,188 |
| EXCESS (DEFICIENCY) OF FUNDS EXPENDED | \$ - |

2. The distribution of costs as shown on the Federal Financial Report - ROSS dated February 19, 2015, submitted to HUD are in agreement with the Housing Authority's records.
3. All ROSS costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015

| <u>GRANTOR/PASS THROUGH AGENCY/ PROGRAM TITLE AND GRANT NUMBER</u> | <u>FEDERAL CATALOG NUMBER</u> | <u>PASS-THRU GRANT IDENTIF- CATION NUMBER</u> | <u>AWARD AMOUNT</u> | <u>FEDERAL EXPENDITURES</u> |
|--|---------------------------------------|---|-------------------------|---------------------------------|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| Section 8 Choice Vouchers | | | | |
| Housing Choice Vouchers | 14.871 | N/A | \$ 4,058,459 | \$ 4,058,459 |
| Other Public Housing Authorities | | | 51,467 | 51,467 |
| Quadel Section 8 Pass through | | | 263,455 | 263,455 |
| THHADC Pass Through | | | 198,057 | <u>198,057</u> |
| TOTAL 14.871 | | | | <u>4,571,438</u> |
| Public and Indian Housing | 14.850 | N/A | | |
| IN021-00000114D | | | 126,173 | 126,173 |
| IN021-00000115D | | | 417,683 | 417,683 |
| IN021-00000214D | | | 169,365 | 169,365 |
| IN021-00000215D | | | 519,784 | 519,784 |
| IN021-00000314D | | | 99,233 | 99,233 |
| IN021-00000315D | | | 334,787 | 334,787 |
| IN021-00000414D | | | 59,225 | 59,225 |
| IN021-00000415D | | | 189,537 | 189,537 |
| IN021-00000514D | | | 69,263 | 69,263 |
| IN021-00000515D | | | 231,057 | 231,057 |
| IN021-00000614D | | | 121,276 | 121,276 |
| IN021-00000615D | | | 383,698 | <u>383,698</u> |
| TOTAL 14.850 | | | | <u>2,721,081</u> |
| ROSS | 14.870 | N/A | | |
| IN021RFS093A013 | | | 64,188 | <u>24,744</u> |
| Public Housing Capital Fund | 14.872 | N/A | | |
| IN36P021501-12 | | | 1,036,913 | <u>99,627</u> |
| Family Self Sufficiency Program | | | | |
| IN021FSH233A014 | 14.896 | N/A | 99,166 | <u>48,881</u> |
| Indian Housing and Community Development Authority - Pass Through | | | | |
| Housing Opportunities for Persons with AIDS | 14.421 | CC-014-007 | 45,000 | <u>33,616</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | <u>\$ 7,499,387</u> |

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Terre Haute and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana**

OTHER REPORTS

**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**

To the Board of Commissioners
Housing Authority of the City of Terre Haute
Terre Haute, 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 basic financial statements of the Housing Authority of the City of Terre Haute ("Housing Authority"), as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated February 8, 2016.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing 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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
February 8, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners
Housing Authority of the City of Terre Haute
Terre Haute, Indiana

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Terre Haute's ("Housing Authority") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. The Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Terre Haute, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Housing Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hankins Ash CPAs, LLP

La Crosse, Wisconsin
February 8, 2016

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of federal major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program</u> |
|-----------------------|--------------------------------|
| 14.850 | Public and Indian Housing |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings - NONE

Section III - Federal and State Award Findings and Questioned Costs - NONE

Section IV - Status of Prior Year Findings - NONE