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October 6, 2016

Board of Commissioners
Housing Authority of the City of New Albany
PO Box 11
New Albany, IN 47151-0011

We have reviewed the audit report prepared by Rector, Reeder & Lofton, P.C., Independent Public Accountants, for the period April 1, 2015 to March 31, 2016. 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 the Housing Authority of the City of New Albany as of March 31, 2016 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 NEW ALBANY
New Albany, Indiana**

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED MARCH 31, 2016

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**HOUSING AUTHORITY OF
THE CITY OF NEW ALBANY
New Albany, Indiana**

**REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2016



**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER INFORMATION – STATE OR LOCAL GOVERNMENTAL ENTITY**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the
City of New Albany
New Albany, IN

Chicago Regional Office
Public Housing Division
77 West Jackson Boulevard
Chicago, Illinois 60604

Report on Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of New Albany as of and for the year ended March 31, 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 the *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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of New Albany, as of March 31, 2016, and the respective changes in financial position and, where appropriate, cash flows for the year then ended in conformity 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 Management's Discussion and Analysis, as listed in the table of contents, should 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 inquires 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 procedure did not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Housing Authority of the City of New Albany. The accompanying Schedule of Expenditures of Federal Awards as required by the Uniform Guidance, as well as the Financial Data Schedules required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2016 on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Authority's internal control over financial reporting and compliance.

Rector, Reeder & Lofton, P.C.

Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
September 1, 2016

**HOUSING AUTHORITY OF
THE CITY OF NEW ALBANY
New Albany, Indiana**

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED MARCH 31, 2016

**Housing Authority of the City of New Albany
Management's Discussion and Analysis (MD&A)
March 31, 2016**

The management of the Housing Authority of the City of New Albany (the "Authority") offers readers this discussion and analysis of the Authority's financial statements, including a narrative overview and discussion of the financial activities of the Authority for the fiscal year ended March 31, 2016.

The MD&A is specifically designed to: 1) assist the reader in focusing on significant financial issues; 2) provide a broad scope overview of the Authority's financial activities; 3) identify and explain changes in the Authority's financial position; and 4) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial statements in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the Authority's audited financial statements.

This MD&A is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a special purpose government agency engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components; (a) fund financial statements and (b) a series of notes to the financial statements. These provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by the Department of Housing and Urban Development ("HUD") have been completed.

The Authority is governed by a five member Board of Commissioners who are appointed by the mayor of the City of New Albany. Under the oversight of that Board, the Authority functions independently from the City of New Albany government. All revenues, expenses, assets, and obligations of the Authority belong solely to the Authority, not the City of New Albany or any other entity.

Reporting on the Authority as a Whole

The Statement of Revenues, Expenses, and Changes in Net Position reports information about the Authority as a whole and about its activities in a format that helps the reader assess the results of operations for fiscal year 2016. Each statement is a condensed presentation of sources of funding and major activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Financial Highlights

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$28,903,216 at March 31, 2016. Net Position is categorized as follows:
 - ✓ Unrestricted net position of \$12,271,551 may be used to meet the Authority's ongoing obligations to citizens and creditors.
 - ✓ Restricted net position of \$291,002 includes Section 8 Housing Choice Voucher (HCV) funds to be used for their designated purpose according to HUD regulations of \$19,601 and unspent insurance reimbursement proceeds of \$271,401 to be used to replace the damaged assets in future years.
 - ✓ The remainder of \$16,340,663 represents the net (of depreciation) amount invested in land, buildings and improvements, and furniture and equipment, net of related debt.
- Total revenue increased approximately 5.97% from the prior fiscal year due primarily to an increase in grant funding provided by HUD. Public Housing operating subsidy revenue increased approximately \$166,000, Section 8 Housing Choice Voucher funding increased approximately \$260,000, ROSS grant funding increased approximately \$71,000 and FSS Coordinator grant funding increased approximately \$54,000. In addition, a special item-net gain of \$144,535 was reported in Business Activities for the year ended March 31, 2016 due to the write-off of a pollution remediation liability. During the year ended March, 31, 2016, asbestos removal activities were determined to have been significantly completed for all units.
- Total expenses increased by approximately .26% or \$27,431 from the prior fiscal year. Excluding a loss on dispositions of capital assets, expenses actually decreased by 2.9%. The Authority recorded a loss on dispositions of capital assets totaling approximately \$332,000 due primarily to an increase in the capitalization threshold. Assets not meeting the increased capitalization threshold were written off. The largest decrease in expenses was in utility costs. Milder temperatures resulted in decreased expenses of approximately \$187,000. For fiscal year 2016, the Authority switched insurance carriers and was able to obtain significantly better rates resulting in a decrease in insurance expense of \$64,583. In addition, depreciation expense decreased by approximately \$61,800.
- The Authority has long-term debt related to its Energy Performance Contract. The Authority made regularly scheduled repayments of that debt during fiscal year 2016 totaling \$170,765.

Financial Highlights (Continued)

- Each year the Authority receives a Public Housing Assessment System (PHAS) score from HUD. The score is based upon a 100 point scale, with a maximum of 25 points for indicators of financial performance, 25 points for indicators of management performance, 40 points for indicators of physical conditions, and 10 points for indicators of capital fund performance. For fiscal year 2015 the Authority received an overall score of 95 which ranked the Authority as a “High Performer”. That score includes a financial score of 23 out of 25. This is one indication of the financial strength of the Authority and the ability to meet future financial obligations even in the face of prorated and reduced funding from HUD. The fiscal year 2016 score is expected to be received in October 2016.

Fund Financial Statements

All of the funds of the Authority are reported as proprietary funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Enterprises operated by state and local governments, such as the Authority, use fund accounting to ensure compliance with finance-related legal requirements.

The Authority’s financial statements report its net position and changes in net position. The Authority’s net position – the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources – is one way to measure the Authority’s financial health, or financial position. Over time, increases and decreases in the Authority’s net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, also need to be considered, such as the changes in the Authority’s occupancy levels or its legal obligations to HUD, to assess the overall health of the Authority. Management of the Authority makes a concerted effort to be fiscally responsible and to operate at an operating cash flow level of breakeven or better each year.

Using This Annual Report

The Authority’s annual report consists of financial statements that show combined information about the Authority’s most significant programs, the Public and Indian Housing Program, Section 8 Housing Choice Vouchers Program, Public Housing Capital Fund Program, Resident Opportunity and Supportive Services – Service Coordinators Program, Family Self-Sufficiency Program, Nonfederal, and Valley View Court.

The Authority’s auditors provided assurance in their independent auditor’s report, located immediately preceding the MD&A, that the financial statements are presented fairly in all material respects in accordance with accounting principles generally accepted in the United States of America. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditor’s report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Authority's Most Significant Programs

The Authority's financial statements provide detailed information about the most significant programs. Some funds are required to be established by HUD. However, the Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other funds.

The Authority uses the following accounting approach for Proprietary funds. The focus of proprietary funds is on income measurement, which together with the maintenance of net position, is an important financial indicator. The basic financial statements include:

Statement of Net Position – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations, if any.

Statement of Revenues, Expenses and Changes in Net Position – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses.

Statement of Cash Flows – reports the Authority's net cash provided by or used for operating activities, investing activities, and capital and related financing activities.

The Authority maintains its books and records utilizing the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

The following is a description of the programs and services that the Authority provides for its residents:

Public and Indian Housing

The New Albany Housing Authority owns approximately 1,080 units in developments in the City of New Albany, Indiana. The 1,080 units owned by the Authority consist of elderly/disabled and family units. The Authority rents those units to individuals and families who meet HUD eligibility guidelines in order to provide them with decent, safe, and sanitary rental housing. The Authority is responsible for the management and maintenance of all units, sites and certain utilities. On an annual basis, the Authority submits a request for funding to HUD, known as the Calculation of Operating Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Operating Expense Level, Allowable Utilities Expenses Level, Allowable Add-ons and Audit Cost that becomes the Authority's Total Allowable Expenses. HUD will fund a portion of the difference between the Total Allowable Expenses and the amount of rents that the Authority can charge their tenants based upon HUD eligibility calculations. Funding is subject to proration due to congressional appropriation and may not be sufficient to fund 100% of the full eligibility amount. Operating subsidy has been prorated to approximately 90% of the full eligibility amount for calendar year 2016, up from approximately 85% for calendar year 2015.

Reporting the Authority's Most Significant Programs (Continued)

Section 8 Housing Choice Vouchers Program

This grant program provides rental assistance to help extremely low and very low-income families afford decent, safe, and sanitary rental housing. Qualifying tenants have their income analyzed utilizing HUD's guidelines and their rental assistance is calculated accordingly. The Authority is awarded a fixed amount of Budget Authority from HUD on an annual basis to assist participants. The Authority had approval and funding for 408 vouchers during the year ended March 31, 2016. Similar to Public Housing operating funding, Section 8 administrative funding from HUD is subject to proration due to Congressional appropriation. Section 8 administrative funding was prorated to approximately 82% of the full eligibility amount for calendar year 2015 and is expected to be approximately 84% for calendar year 2016.

Public Housing Capital Fund Program

HUD awards this grant program on an annual basis. The purpose of these grants are to maintain the physical appearance of the Authority's sites and the administrative management to ensure completion of site improvements in the most effective and efficient manner. The Authority requisitions funds from HUD as the Authority expends funds.

Resident Opportunity and Supportive Services – Service Coordinators and Family Self-Sufficiency

HUD awards this grant program on a competitive basis. Award periods vary with some lasting as long as three years. The purpose of these grants is to provide services to tenants that will assist them in obtaining suitable employment in order to enhance their life experiences and promote the economic and housing self-sufficiency of those tenants.

Non-federal Funds

These are grants awarded to the Authority by sources other than HUD. These grants were researched and applied for by the Authority and funds are intended to provide services for residents that were not funded under the HUD programs.

Valley View Court

Valley View Court consisted of 40 homes located in a subdivision in New Albany, Indiana and one duplex located at another location. The homes of Valley View Court were acquired in the 1930's as the original properties for the Housing Authority of the City of New Albany. The homes and improvements were fully depreciated before inclusion in these financial statements. The book value shown reflects original land value, recent purchases of vacant lots in the area and recent improvements.

The Authority had project-based 40 of their Section 8 vouchers for Valley View Court as allowed by HUD. Rents are calculated at fair market value.

Reporting the Authority's Most Significant Programs (Continued)

Valley View Court (Continued)

Subsequent to fiscal year end, assistance was transferred from 40 Public Housing units to the 40 Valley View Court units through a Rental Assistance Demonstration ("RAD") transaction. From that point forward, the Valley View Court development will be operated as a RAD project-based voucher development.

Central Office Cost Center

In addition to the programs noted above, the Authority maintains a Central Office Cost Center ("COCC") as mandated by HUD. All salaries and costs related to administrative functions of the Authority and other costs which do not directly support the specific programs noted above, are charged to the COCC. Funding flows into the COCC from fees which are allowed to be charged to the Public and Indian Housing program and the Section 8 Housing Choice Vouchers program, as well as administrative funding provided through the Capital Fund program. Once funds flow through to the COCC they are deemed to be "defederalized" and can then be used by the Authority in any way needed in order to support the Authority's mission.

Authority-Wide Condensed Financial Statements

Statement of Net Position

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Current & Other Assets			
Cash and cash equivalents	\$ 12,344,492	\$ 11,139,611	\$ 1,204,881
Other Current Assets	908,640	850,102	58,538
Capital Assets (Net)	<u>17,032,585</u>	<u>18,165,940</u>	<u>(1,133,355)</u>
Total Assets	<u>\$ 30,285,717</u>	<u>\$ 30,155,653</u>	<u>\$ 130,064</u>
Liabilities			
Accounts Payable	\$ 201,297	\$ 204,000	\$ (2,703)
Other Current Liabilities	722,594	609,699	112,895
Long Term Debt, noncurrent portion	398,297	706,480	(308,183)
Non-current Liabilities	<u>60,313</u>	<u>163,796</u>	<u>(103,483)</u>
Total Liabilities	<u>\$ 1,382,501</u>	<u>\$ 1,683,975</u>	<u>\$ (301,474)</u>
Net Position			
Net Investment in Capital Assets	\$ 16,340,663	\$ 17,303,253	\$ (962,590)
Restricted	291,002	278,609	12,393
Unrestricted	<u>12,271,551</u>	<u>10,889,816</u>	<u>1,381,735</u>
Total Net Position	<u>\$ 28,903,216</u>	<u>\$ 28,471,678</u>	<u>\$ 431,538</u>

Major Factors Affecting the Statement of Net Position

Total assets increased by \$130,064 from March 31, 2015 to March 31, 2016.

Cash and cash equivalents increased by approximately \$1.2 million due to efficiencies in program operation and conservation of cash for future projects. The Authority has a long-term plan to demolish and rebuild units through HUD's RAD program, so the intent is to maintain property and avoid unnecessary improvements so that cash is conserved for rebuilding units.

Included in other current assets of \$908,640 is an unrestricted investment in CD's totaling \$530,708, net inventory of \$166,447, prepaid expenses of \$138,898, and net accounts receivable totaling \$72,587. Accounts receivable includes reimbursements due the Authority from HUD for Capital Fund expenditures of \$13,118, ROSS expenditures of \$18,696 and FSS Coordinator grant expenditures of \$16,726.

Major Factors Affecting the Statement of Net Position (Continued)

Capital Assets (Net) are a major component of total assets, and are determined by taking the March 31, 2015 net capital assets balance and adding new capital assets purchased during the year ended March 31, 2016, subtracting capital assets disposed of during the year ended March 31, 2016 (less the related accumulated depreciation), and subtracting fiscal year 2016 depreciation expense. Accumulated depreciation reflects total depreciation expense (\$1,350,177 for the fiscal year ended March 31, 2016) which is recorded to recover the cost of capital assets over a specified period of time. Depreciation reduces the carrying value of the underlying asset but does not affect the cash flow of operations. The Statement of Capital Assets, included later, provides a detail of capital assets and accumulated depreciation.

Accounts payable at March 31, 2016 was comparable to the prior year balance. Other current liabilities is a combination of several accounts, most of which remained similar in amount to the prior year. Ledger accounts in the other current liabilities category include liabilities for payroll, prepaid tenant rent, tenant security deposits, a portion of FSS escrow accounts and the current portion of long-term debt. The current portion of long-term debt increased from \$156,207 at March 31, 2015 to \$293,625 at March 31, 2016 in anticipation of paying off the energy performance debt related to two projects expected to convert through HUD's RAD program during fiscal year 2017. All of the debt related to these two projects (\$169,729) is considered current at March 31, 2016.

The Authority has classified \$60,313 of its FSS escrow dollars as a non-current liability because the payouts do not meet the criteria for a current liability. The prior year balance of non-current liabilities also included \$110,018 of the long term portion of accrued expense at Valley View Court for asbestos removal. The liability for the removal of asbestos was no longer considered necessary during fiscal year 2016 and was written off as a special item-net gain in Business Activities.

Long term debt is the energy performance debt associated with unit improvements designed to increase energy efficiency. Each year HUD funds additional subsidy to cover the annual payments.

Net Position is presented in conformity with GASB 34. Total Net Position increased by \$431,538 from March 31, 2015 to March 31, 2016. This increase was partially due to increased funding compared to the prior year for both Public Housing and HCV funding of approximately \$426,000 as well as savings in utility costs of approximately \$187,000 due to milder weather. These increases were offset by a loss on disposal of capital assets of approximately \$332,000. The Authority had positive cash flow of \$1,204,881 for the year ended March 31, 2016.

The component Unrestricted Net Position increased by \$1,381,735 during the fiscal year. This component represents funds that can be used to meet future obligations.

Major Factors Affecting the Statement of Net Position (Continued)

Restricted Net Position increased by \$12,393 during the fiscal year. Restricted Net Position of \$291,002 consists of \$19,601 of funds restricted to provide housing assistance payments (“HAP”) for HCV participants in future years and \$271,401 of prior year insurance proceeds that remain unspent. Funds restricted for future HAP payments increased by \$19,067, which indicates that current year HAP revenues exceeded current year HAP expenses. As part of HUD’s cash management restrictions, HUD holds undisbursed budget authority on behalf of the Authority as “Program Reserves”, which will be disbursed to the Authority if HAP expenses exceed HAP income in future periods. Although HUD is holding those funds on the Authority’s behalf, they have mandated that such Program Reserves cannot be shown within the Authority’s Net Position. The balance of the Authority’s HUD-held program reserves at March 31, 2016 was \$126,780. Restrictions related to unspent insurance proceeds resulted from storm damage to several air conditioning units in a prior year. Several of the units are still in use and are replaced as the need arises by using these designated dollars. Restricted funds totaling \$6,674 were used to replace air conditioners during the year ending March 31, 2016.

Statement of Revenues

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Source			
Tenant Revenue	\$ 2,408,489	\$ 2,431,493	\$ (23,004)
HUD Operating Grants	7,370,322	6,892,628	477,694
Capital Grants	478,814	444,898	33,916
Other Income	410,176	434,606	(24,430)
Special item - change in pollution remediation liability	<u>144,535</u>	<u>-</u>	<u>144,535</u>
Total Revenues	<u>\$ 10,812,336</u>	<u>\$ 10,203,625</u>	<u>\$ 608,711</u>

Major Factors Affecting the Statement of Revenues

Overall HUD Operating Grant revenue for the year ended March 31, 2016 increased from prior year amounts by \$477,694. Public Housing operating subsidy revenue increased by \$165,755, ROSS grant revenue increased by \$70,988, FSS Coordinator grant revenue increased by \$54,296, and Section 8 grant revenue increased by \$260,473. Capital Fund operating grant revenue decreased by \$73,818.

HUD operating grants are as follows:

- Public Housing subsidy \$4,080,165 (increased 4.2%);
- Section 8 grants \$2,529,429 (increased 11.5%);
- ROSS grant \$230,941 (increased 44.4%);
- FSS Coordinator grant \$65,448 (increased 486.9%);
- Capital Fund soft costs \$464,339 (decreased 13.7%).

Major Factors Affecting the Statement of Revenues (Continued)

Public Housing operating subsidy increased despite the fact that HUD prorated the calendar year 2015 operating subsidy award to approximately 85% of the full subsidy calculation amount, but prorated the calendar year 2014 award to approximately 89%. The increase resulted from increases to the Project Expense Levels used by HUD to calculate operating subsidy amounts.

Current HUD regulations allow between 36% and 40% of a Capital Grant award to be used for soft cost operating expenses. The remaining portion of the Capital Grant award must be used for hard cost capital expenses. The decrease in Capital Grant operating revenue for soft costs in fiscal year 2015 was due primarily to charges related to technology costs of approximately \$58,000 that did not occur in fiscal year 2016. In fiscal year 2016, hard cost capital expenses and revenue totaled \$478,814. Those amounts were expended for capital assets which have been capitalized and will be depreciated over their useful lives. Capitalized dollars were utilized for various projects such as renovations at Riverview Towers, Riverside Terrace and Parkview Towers, a phone system and server upgrade and for the purchase of vehicles, a tractor and two all-terrain litter vacuums.

Section 8 HAP funding, Budget Authority, is based on historical information provided by the Authority through the Voucher Management System (VMS). This is a self-reporting of expenses required on a monthly basis which HUD uses to monitor program utilization and cost. The Authority's Budget Authority is determined by Congressional mandate and has been reduced to slightly less than 100% of the standard amount in recent years (usually around 99%). Section 8 Administrative funding is provided separately by HUD, and is based upon voucher utilization rates and other information which is also provided through VMS. Section 8 Administrative funding has been subject to significant Congressional budget cuts in recent years and was funded at approximately 82% of the full eligibility amount for calendar year 2015. Calendar year 2014 was funded at approximately 79% of the full eligibility amount. Calendar year 2016 funding is projected to be approximately 84%. Section 8 administrative fees received increased by \$24,285 from the prior year as a result of the increased proration percentage and voucher utilization.

Section 8 HAP funding received increased from the prior year by \$260,473 primarily as a result of increased voucher utilization and the corresponding increase in the receipt of monthly HAP renewal obligations and the use of HUD-held program reserves during fiscal year 2016.

The funding increases discussed above for Public Housing and HCV do not necessarily represent permanent increases in the amount of funding provided to the Authority by HUD.

Major Factors Affecting the Statement of Revenues (Continued)

The funding increase shown on the previous page for the ROSS grant is due to the fact that HUD experienced delays in awarding the 2014 ROSS Service Coordinator Grant. Ultimately, the Authority was awarded that grant in the amount of \$492,000 to be spent over a three year period. However, HUD did not award the grant and make the funds available until March 2015. Since the ROSS Service Coordinator grant from 2011, which the Authority Service Coordinator staff were previously operating under, expired in September 2014, a six month funding gap was experienced during fiscal year 2015. For fiscal year 2016, ROSS grant revenue returned to a level comparable to the fiscal year 2014 level.

The large percentage increase in the FSS Coordinator grant from fiscal year 2015 is due to the grant not being awarded until late in the 2015 fiscal year. Fiscal year 2016 was the first full year of grant funding under the program.

For fiscal year 2016, total Capital Grant funding of \$943,153 was drawn down as funding was obligated and expended for approved expenses outlined in the annual formula Capital Grant budget. HUD considers the Capital Fund program an expenditure driven grant program.

Other income decreased by \$24,430 from the prior year amount. Accounts included are interest, fraud recovery and miscellaneous income.

A special item-net gain of \$144,535 was reported in Business Activities for the year ended March 31, 2016 due to the write-off of a pollution remediation liability. During the year ended March, 31, 2016, asbestos removal activities were determined to have been significantly completed for all units.

Statement of Expenses

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Administrative	\$ 1,735,290	\$ 1,714,146	\$ 21,144
Tenant Services	380,562	344,283	36,279
Utilities	1,255,105	1,441,792	(186,687)
Maintenance	2,054,270	1,942,979	111,291
Housing Assistance Payments	2,137,371	2,233,426	(96,055)
Depreciation	1,350,177	1,411,977	(61,800)
Protective Services	178,695	154,669	24,026
General Expenses	918,390	1,054,670	(136,280)
Interest Expense	39,099	49,973	(10,874)
Loss on dispositions of capital assets	331,839	5,452	326,387
Total Expenses	<u>\$ 10,380,798</u>	<u>\$ 10,353,367</u>	<u>\$ 27,431</u>

Major Factors Affecting the Statement of Expenses

Total expenses increased by only .26% from fiscal year 2015. Excluding a loss on dispositions of capital assets, expenses decreased by 2.9%. Maintenance expense saw the largest increase while utilities and general expenses had the largest decrease. Depreciation expense has decreased as a result of an increase in the capitalization threshold from \$500 to \$2,500 and the write-off of all assets not meeting the increased threshold.

The largest increase in expenses was in maintenance costs. Maintenance materials increased \$73,383 primarily as a result of the increase in the capitalization threshold. Costs for such items as air conditioning units had been capitalized in prior years but were expensed through maintenance materials in the current year due to the increased capitalization threshold. General contract expenses were also higher by \$18,210 due to funds spent related to RAD and tax credit expenses.

The largest decrease in expenses was in utility costs. Milder temperatures resulted in decreased expenses of approximately \$187,000.

Tenant services increased primarily due to delays in awarding the 2014 ROSS Service Coordinator Grant. HUD did not award the grant and make the funds available until March 2015. Since the ROSS Service Coordinator grant from 2011, under which the Authority Service Coordinator staff were previously operating, expired in September 2014, a six month funding gap was experienced during fiscal year 2015.

Protective services has increased primarily due to an additional number of patrols on duty, and increased costs for security cameras and monitoring.

HAP expense within the Section 8 program is the direct expense of providing housing assistance payments on behalf of program participants and utility assistance payments to program participants. HAP expense decreased by \$96,055 despite the fact that 178 more unit months were leased in fiscal year 2016 as compared to fiscal year 2015, presumably due to overall increases in the income of program participants.

Depreciation expense decreased due to the increase in the Authority's capitalization threshold from \$500 in fiscal year 2014 to \$2,500 in June 2015 for assets with a useful life of greater than one year.

General expenses decreased approximately \$136,000 largely due to a \$74,675 decrease in Capital Fund soft cost expenses, a \$23,273 decrease in bad debt expense and a \$64,583 decrease in insurance expense. For fiscal year 2016, the Authority switched insurance carriers and was able to obtain significantly better rates. The decrease in general expenses, however, was offset by a \$38,057 increase in payments in lieu of taxes which occurred as a result of a decrease in utility costs and increase in public housing tenant revenue.

Major Factors Affecting the Statement of Expenses (Continued)

During fiscal year 2016, the Authority reported a loss on dispositions of capital assets of \$331,839 due primarily to an increase in the capitalization threshold. Assets not meeting the current capitalization threshold were written off. During fiscal year 2015, the Authority had a loss on sale of assets of only \$5,452.

Statement of Capital Assets

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Land	\$ 752,042	\$ 752,042	\$ -
Buildings and improvements	51,702,109	53,246,057	(1,543,948)
Equipment-Dwelling	-	333,352	(333,352)
Equipment-Administration	1,528,591	1,944,150	(415,559)
Accumulated Depreciation	(37,049,388)	(38,140,718)	1,091,330
Construction in Progress	<u>99,231</u>	<u>31,057</u>	<u>68,174</u>
Total	<u>\$ 17,032,585</u>	<u>\$ 18,165,940</u>	<u>\$ (1,133,355)</u>

Major Factors Affecting the Statement of Capital Assets

Capital assets, net of dispositions, decreased by \$2,224,685 before considering the effect of accumulated depreciation. Assets totaling \$2,827,528 were sold or scrapped due to obsolescence or the assets no longer meeting the current capitalization threshold. After considering accumulated depreciation and proceeds from sales, the dispositions resulted in a net loss on disposal of assets of \$331,839.

Capital grant funds of approximately \$141,000 were invested in Buildings and improvements at various AMPs, including renovations at Riverside Terrace, Broadmeade Terrace, Mark Elrod Towers and Parkview Towers.

Equipment-Administration purchases totaled approximately \$392,000. Of that amount, approximately \$338,000 was from Capital grant funds, and included new vehicles, a Kubota tractor, two all-terrain litter vacuums, security cameras, a server upgrade and a new phone system.

The decrease in accumulated depreciation is due to the accumulated depreciation on assets disposed of and written-off throughout the fiscal year exceeding current year depreciation expense.

Note E to the Authority's financial statements provides additional detail regarding the changes in capital assets during the year ended March 31, 2016.

Long Term Debt

The Authority has long-term debt associated with its Energy Performance Contract (“EPC”) that was completed in fiscal year 2011. Old National Bank services the debt. The EPC is a municipal lease and as such, is not a secured debt. Debt service is an add-on calculation to the annual Public Housing subsidy request so the Authority anticipates no out of pocket expense for the energy improvements put in place. The balance of the loan at March 31, 2016 was \$691,922. The Authority made regularly scheduled principal payments of \$170,765 during fiscal year 2016. At March 31, 2016, the Authority has classified 100% of the debt as current for two of its projects totaling \$169,729. That has been shown in anticipation of those projects converting to Project-Based Section 8 through RAD during the upcoming fiscal year which would necessitate a payoff of the EPC debt on those properties prior to conversion. The total current portion of long debt at March 31, 2016 is \$293,625.

Note H to the Authority’s financial statements provides additional detail regarding the changes in long term debt during the year ended March 31, 2016.

Currently Known Facts, Decisions, or Conditions Expected to Affect Future Financial Position or Results of Operations

The Authority is primarily dependent upon HUD for funding (approximately 76% of fiscal year 2016 revenue came from HUD grants); therefore, the Authority is generally affected more by the federal budget than by local economic conditions.

The amount that the Authority is eligible to receive to cover the gap between public housing rent revenues and operating costs is set by a federal formula. If Congress has failed to provide sufficient funding to cover the full subsidies that the Authority is eligible to receive under the formula, the Authority must find a way to raise revenue, cut costs, or tap other resources to make up for the shortfall. As noted previously, Congress only funded the operating subsidy revenue at approximately 85% of the full eligibility amount for calendar year 2015. Current projections from HUD show that they plan to fund the operating subsidy at approximately 90% of full eligibility for calendar year 2016.

Similar to Public Housing operating subsidy funding, HUD also utilizes a formula to determine the amount of Section 8 administrative funding they provide to the Authority. In recent years cuts to that funding have been even more extreme than the proration applied to Public Housing operating subsidy. For calendar year 2015 congress funded Section 8 administrative awards at only 82% of full eligibility. A proration level of 84% is expected for calendar year 2016 based upon current projections from HUD.

One HUD strategy for resolving their funding shortfall is a recapture of operating reserves. It is a strategy used to minimize their cash contributions to authorities by requiring the Authority to expend cash on hand, known as operating reserves. HUD utilized this strategy in fiscal year 2012, but has not used this strategy since that time. HUD reserves the right to utilize that strategy again at any time in the future.

Currently Known Facts, Decisions, or Conditions Expected to Affect Future Financial Position or Results of Operations (Continued)

The Authority's management takes great pride in consistently operating at a breakeven or better cash flow from operations each year. This commitment to fiscal responsibility is evidenced by the Authority's consistent positive cash flow from operations shown in prior years, as well as the fiscal year 2017 operating budget which shows a breakeven cash flow from operations. However, this fiscal responsibility in light of the funding prorations and potential for further reduced federal funding, sometimes forces the Authority to reduce staffing and services to the residents and the other low-income families who rely on the Authority for housing and other services. As shown in these financials, we will maintain a fiscally responsible approach regardless of the federal funding situation. This will be done to ensure the Authority is able to continue to serve low income families and individuals to the greatest extent possible for both the near-term and long-term future.

The Authority has submitted a phased-in application through HUD's Rental Assistance Demonstration ("RAD") to convert all Public Housing units in the Authority's stock to Project-Based Section 8 units. This conversion would change the HUD funding provided for those units from Public Housing Operating Subsidy and Public Housing Capital Funding to Project-Based Voucher Assistance. The Authority has decided to convert some units without outside financing, and has made the decision to apply for 4% or 9% tax credits on other units in order to rehab or demolish and reconstruct those units as part of the RAD conversion. The first two properties totaling 64 units converted effective July 1, 2016, and the current plan is for the complete conversion to be completed over the next seven to ten years. This will create significant changes to the federal funding stream, federal compliance requirements, organizational structure, and many other items for those Public Housing units. Management has made the decision to apply for conversion of those units through RAD after detailed analysis which showed that was the best way to obtain more stable funding from HUD. Management believes this will be the best way for the Authority to continue to provide quality affordable housing to low income families and individuals for the long-term.

Contacting the Housing Authority's Financial Management

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Mike Bainbridge, CPA
Director of Finance & HUD Compliance
New Albany Housing Authority
P.O. Box 11
New Albany, Indiana 47151-0011

**HOUSING AUTHORITY OF
THE CITY OF NEW ALBANY
New Albany, Indiana**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

STATEMENT OF NET POSITION

MARCH 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and cash equivalents - unrestricted	\$ 11,461,349
Cash and cash equivalents - restricted	883,143
Investments - unrestricted	530,708
Accounts receivable, net	72,587
Prepaid expenses	138,898
Inventories, net	<u>166,447</u>
 Total Current Assets	 <u>13,253,132</u>

Noncurrent Assets

Capital Assets:

Land	752,042
Buildings & improvements	51,702,109
Furniture & equipment	1,528,591
Construction in progress	<u>99,231</u>
	54,081,973
Less: Accumulated depreciation	<u>(37,049,388)</u>
Capital Assets, Net	<u>17,032,585</u>

Total Noncurrent Assets 17,032,585

Deferred Outflows of Resources

-

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES **\$ 30,285,717**

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities

Accounts payable	\$	201,297
Accrued liabilities		158,452
Unearned revenue		52,418
Current portion of long-term debt		293,625
Tenant security deposits		<u>218,099</u>
 Total Current Liabilities		 <u>923,891</u>

Noncurrent Liabilities

Long-term debt, net of current portion		398,297
Other noncurrent liabilities		<u>60,313</u>
 Total Noncurrent Liabilities		 <u>458,610</u>

TOTAL LIABILITIES		<u>1,382,501</u>
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Deferred Inflows of Resources

-

NET POSITION

Net investment in capital assets		16,340,663
Restricted		291,002
Unrestricted		<u>12,271,551</u>

TOTAL NET POSITION		<u>28,903,216</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	<u><u>30,285,717</u></u>
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HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2016

Operating Revenues

Tenant revenue	\$ 2,408,489
Governmental operating grants & subsidy	7,370,322
Other income	386,846
Total Operating Revenues	10,165,657

Operating Expenses

Administration	1,735,290
Tenant services	380,562
Utilities	1,255,105
Maintenance	2,054,270
Protective services	178,695
Insurance expense	385,677
Other general expenses	532,713
Housing assistance payments	2,137,371
Depreciation	1,350,177
Total Operating Expenses	10,009,860

Net Operating Income	155,797
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Nonoperating Revenues/(Expenses)

Loss on dispositions of capital assets	(331,839)
Interest income	23,330
Interest expense	(39,099)
Net Nonoperating Expenses	(347,608)

Net Loss Before Capital Grants and Special Item	(191,811)
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Special item - change in pollution remediation liability (Note O)	144,535
Capital grants	478,814
	623,349

Increase in Net Position	431,538
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Total Net Position - beginning of year	28,471,678
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Total Net Position - end of year	\$ 28,903,216
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The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants	\$	2,665,865
Governmental operating grants & subsidy		7,435,000
Payments to vendors		(3,834,892)
Payments for housing assistance		(2,137,371)
Payments to employees		<u>(2,662,067)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES		 <u>1,466,535</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments		(5,273)
Interest received		<u>23,330</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES		 <u>18,057</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Grant receipts - capital grants		478,814
Acquisition of capital assets		(576,417)
Proceeds from disposition of capital assets		27,756
Payment of interest		(39,099)
Repayment of long-term debt		<u>(170,765)</u>
 NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES		 <u>(279,711)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS		1,204,881
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR		<u>11,139,611</u>
 CASH AND CASH EQUIVALENTS END OF YEAR	 \$	 <u><u>12,344,492</u></u>

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

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED MARCH 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Net operating income	\$ 155,797
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	1,350,177
Decrease in accounts receivable, net	57,138
Increase in prepaid expenses	(82,630)
Increase in inventories, net	(27,773)
Decrease in accounts payable	(2,703)
Increase in accrued liabilities	15,292
Decrease in unearned revenue	(597)
Increase in tenant security deposits	1,834
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>1,466,535</u>

*Cash reconciliation as reported on the Statement of Net Position

Cash and cash equivalents - unrestricted	\$ 11,461,349
Cash and cash equivalents - restricted	<hr/> 883,143
CASH AND CASH EQUIVALENTS END OF YEAR	\$ <u>12,344,492</u>

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

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

1. Introduction:

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The following summary of the more significant accounting policies is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

2. Organization:

The Housing Authority of the City of New Albany (the "Authority"), is a special-purpose governmental unit, and was created pursuant to federal and state statute. The Authority is organized under the laws of the State of Indiana for the purpose of engaging in the development and administration of low-rent housing programs. The primary purpose of the Authority is to develop, acquire, and operate safe, decent, sanitary, and affordable housing for low-income families and to operate the housing programs in accordance with federal legislation. The Authority owns and operates 1,080 public housing units and administers 408 Section 8 vouchers under Annual Contributions Contract C-912 with the Department of Housing and Urban Development ("HUD"). The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

In evaluating the Authority as a reporting entity, the City of New Albany (the "City") does not bear responsibility for the Authority's operations. The Mayor of the City appoints an independent Board of Commissioners to oversee the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget; is not entitled to any surplus funds generated by the Authority's operations; and is not responsible for any deficits incurred by the Authority. Consequently, in accordance with the Governmental Accounting Standards Board ("GASB"), management has concluded that the Authority is a separate reporting entity

3. Reporting Entity:

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Government Accounting Standards Board and Financial Accounting Standards Board and Statement Number 14 & 61 of the Government Accounting Standards Board, the Financial Reporting Entity.*

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the City of New Albany and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of a Voting Majority - The Authority is governed by a five member Board of Commissioners appointed by the Mayor and has governance responsibilities over all activities related to all housing activities within the City of New Albany.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Continued)

3. Reporting Entity: (Continued)

Imposition of Will - The City has no influence over the management, budget, or policies of the Authority. The Authority's Board of Commissioners has the responsibility to significantly influence the Authority's operations. This includes, but is not limited to, adoption of the budget, personnel management, sole title to, and residual interest in all assets (including facilities and properties), signing contracts, issuing bonds, and deciding which programs are to be provided.

The Authority operated the following programs:

Public and Indian Housing – The Public and Indian Housing program include the asset management projects ("AMPs"), which collect both operating and capital fund subsidy.

The purpose of the Public and Indian housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained, and managed by the Authority. The developments/units are acquired, developed, and modernized under HUD's applicable capital grant programs. Funding of the program operations is provided by federal annual contributions, operating subsidies, tenant rentals (determined as a percentage of family income, adjusted for family composition, and other allowances), and other tenant revenue.

Public Housing Capital Fund Program – The objective of this program is to improve the physical condition of the Public and Indian Housing units.

Central Office Cost Center – The Central Office Cost Center ("COCC") is a business unit within the Authority that generates revenues primarily from fee income charged to other programs. The COCC provides central support services for the other programs.

Section 8 Housing Choice Voucher Program – The Section 8 Housing Choice Voucher program utilizes existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the program is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants. Administrative funding is also provided by HUD for the administrative costs of running and managing the program.

Resident Opportunity and Supportive Service – Service Coordinators Program and the Family Self-sufficiency Program – The purpose of these programs is to assist in the coordination of supportive services and resident empowerment activities designed to help participants attain economic and housing self-sufficiency.

Other Programs – The Authority operates a Business Activities and a State/Local fund made up of non-federally funded business units.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Continued)

4. Basis of Presentation, Basis of Accounting and Measurement Focus:

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the statement of net position. Proprietary fund equity is segregated into three broad components: Net investment in capital assets, Restricted net position, and Unrestricted net position. The Authority uses the following fund:

Proprietary fund:

Enterprise fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services.

Basis of Accounting - The Authority uses the accrual basis of accounting in the proprietary fund. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

5. Revenues and Expenses:

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses. The Authority applies expenditures to the Restricted Net Position first when both Restricted and Unrestricted Net Position is available.

6. Budgets:

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the program to which the budget applies. The Authority prepares annual operating budgets, which are formally adopted by its Governing Board of Commissioners.

7. Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Continued)

8. Assets, Liabilities, and Net Position:

a. Cash and cash equivalents:

For financial statement purposes, cash and cash equivalents are considered to be cash in banks and investments with original maturities of three months or less. Investments are stated at fair market value. The Authority reports all money market investments having a remaining maturity at time of purchase of one year or less at amortized cost.

b. Accounts Receivable, net:

Accounts receivable consist of revenues earned during the fiscal year and not yet received. Amounts due from HUD and other governments represent reimbursable expenses or grant subsidies earned that have not been collected as of March 31, 2016. The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. The allowance for doubtful accounts was \$21,639 for accounts receivable – tenants and the allowance for doubtful accounts was \$37,046 for accounts receivable – fraud recovery, for a total allowance for doubtful accounts of \$58,685. Those allowances have been deducted against the related accounts receivable balances to properly reflect the estimated realizable value at March 31, 2016. Management believes all other accounts receivable as of March 31, 2016 were collectible and no allowance was necessary.

c. Inventories, net:

Inventories, consisting principally of materials and supplies held for use or consumption, are stated at the lower of cost (determined by the weighted average method) or market, reported on a first-in, first-out basis. Management has established an allowance for obsolete inventory which totaled \$41,611 at March 31, 2016, and is deducted against supplies inventory to properly reflect the lower of cost or market value.

d. Capital Assets:

The Authority updated their capitalization policy limits during the audit period to capitalize equipment with a value in excess of \$2,500 and a useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at fair market value on the date contributed.

Depreciation has been calculated using the straight-line method over the estimated useful lives, which range as follows:

Land Improvements	10-30 Years
Buildings	10-30 Years
Buildings - refurbishing and improvements	10-30 Years
Furniture and equipment - dwelling	5-10 Years
Furniture and equipment - administrative	5-10 Years

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Continued)

8. Assets, Liabilities, and Net Position: (Continued)

e. Eliminations:

Inter-program due to/from:

In the normal course of operations, programs may temporarily advance cash to other programs. As of March 31, 2016, there was \$18,119 in outstanding inter-program receivables/payables. These inter-program receivables/payables are eliminated for the presentation of the consolidated financial statements.

Internal Fee Income & Expense:

The Authority's COCC charges various fees to the AMPs and programs of the Authority as allowed based upon HUD guidelines. These charges include management fees, bookkeeping fees, asset management fees and fees for services. For consolidated financial reporting purposes, \$1,226,924 of fee income/expense has been eliminated for the year ended March 31, 2016. \$183,310 of Housing Assistance Payment Income received for the Business Activities Program, and the rental income of \$29,489 generated from AMP 3 renting building space to the COCC, other AMPs and other programs for the year ended March 31, 2016 has also been eliminated from the financial statements.

f. Net Position:

In accordance with the clarity standards, GASB Statement No. 63, total net position as of March 31, 2016 is classified into three components:

Net investment in capital assets:

This category consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of notes or other borrowings that are attributable to the acquisition, construction and improvements of those assets.

Restricted Net Position:

This category consists of net position restricted in use by external groups such as grantors, creditors, or laws and regulations of other governments or law through constitutional provisions or enabling legislation. The statement of net position of the Authority reports \$291,002 of restricted net position, which includes \$271,401 of HVAC replacement reserves in the Public and Indian Housing program from unspent insurance proceeds received in a prior year, and \$19,601 of Housing Assistance Payment equity in the Section 8 Housing Choice Vouchers Program. The Authority applies expenditures to the Restricted Net Position first when both Restricted and Unrestricted Net Position is available.

Unrestricted Net Position:

This category includes all remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

9. Insurance:

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a \$5,000 deductible amount. The amount of the deductible directly corresponds with the amount of risk the agency wants to assume versus the cost of the applicable insurance. The Authority secures required insurance coverage through the competitive bid process. As of the date of the field work, the Authority had required coverage in force.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Continued)

10. Compensated Absences:

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leave. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, the Authority accrues the liability for those absences for which the employee has earned the rights to the benefits. The Authority's policy allows employees to receive paid time off. A maximum of 80 hours of paid time off can be carried forward at the end of each calendar year. All accrued paid time off is paid to the employee upon termination of employment. Accordingly, at March 31, 2016, a liability of \$63,089 has been recorded for accrued compensated absences at that date. This liability has been included in the "Accrued liabilities" on the Statement of Net Position.

11. Operating Revenue:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to tenants for rents. Operating expenses include administrative, utilities, maintenance and general expenses; and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the nonoperating revenues and expenses.

12. New Pronouncements:

During FY 2016, there were no new pronouncements implemented.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE B - CASH AND INVESTMENTS:

All cash deposits are maintained in fully insured or collateralized checking, savings, and certificates of deposits.

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

For deposits with financial institutions that do not participate in the bank collateral pool, federal statutes require that all deposits be collateralized by securities whose market value equal at least 100% of the uninsured amount of the deposits.

Interest rate risk – Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The Authority's investment policy limits investments to provide the optimum return on the investment consistent with the cash management program of the Authority.

Investments are made based upon prevailing market conditions at the time of the transaction. The Authority reviews its cash and investment needs in order to maintain adequate liquidity to meet its cash flow needs. Investments will typically be limited to securities maturing in periods of up to one year, or such lesser period that coincides with expected disbursements by the Authority. As of March 31, 2016, the Authority was not exposed to interest rate risk, since they have minimal investments.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America. As of March 31, 2016, the Authority was not exposed to credit risk.

Custodial credit risk – For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority does have a deposit policy for custodial credit risk, which requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of March 31, 2016, none of the Authority's bank balances were exposed to custodial credit risk.

Concentration of credit risk – The Authority places no limit on the amount that the Authority may invest in any one issuer.

At March 31, 2016, the Authority's deposits had a carrying amount of \$12,875,100 and bank balances of \$12,989,164. Of the bank balances held in various financial institutions, \$331,110 was covered by federal depository insurance with any remaining federal funds covered by the Dedicated Method with specific collateral as listed below. At March 31, 2016, the Authority's petty cash/change funds totaled \$100.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE B - CASH AND INVESTMENTS: (Continued)

Cash & investments at March 31, 2016 were as follows:

Checking accounts	\$ 3,278,560
Money markets	9,065,832
Certificates of deposit	530,708
Petty Cash	<u>100</u>
	<u>\$ 12,875,200</u>

Restricted deposits at March 31, 2016 were as follows:

Insurance Proceeds – use restricted	\$ 271,401
HCV HAP reserves	19,601
FSS escrow liabilities	80,417
Current portion – long-term debt	293,625
Security deposits	<u>218,099</u>
	<u>\$ 883,143</u>

Collateralization – The Authority had the following securities pledged as collateral as of March 31, 2016:

Security Type	CUSIP	Rate	Maturity Date	Value
		<i>PNC</i>		
FDUS	31381RSR6	4.05%	09/01/21	\$ 6,134,199
FNSM	31418WKK5	4.50%	08/01/40	3,699,246
FNMD	31417GWS1	3.00%	06/01/28	783,579
FNSM	31418RHT1	4.50%	04/01/24	<u>2,342,742</u>
				<u>\$ 12,959,766</u>

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE C - ACCOUNTS RECEIVABLE:

Accounts receivable including applicable allowances for uncollectible accounts at March 31, 2016, consisted of the following:

A/R – HUD	\$ 48,540
A/R – Portability payments due	1,101
A/R – miscellaneous	7,778
Tenants accounts receivable (net of allowance of \$21,639)	7,059
Fraud Recovery (net of allowance of \$37,046)	<u>8,109</u>
	<u>\$ 72,587</u>

NOTE D - OTHER CURRENT ASSETS:

Other current assets at March 31, 2016, consisted of the following:

Prepaid insurance and other prepaid assets	\$ 138,898
Materials inventory (net of allowance of \$41,611)	<u>166,447</u>
	<u>\$ 305,345</u>

NOTE E - CAPITAL ASSETS:

A summary of changes in capital assets are as follows:

	Beginning Balances	Increases	Decreases	Transfers/ Adjustments	Ending Balances
Enterprise Activities					
Capital assets not being depreciated:					
Land	\$ 752,042	\$ -	\$ -	\$ -	\$ 752,042
Construction in progress	<u>31,057</u>	<u>99,231</u>	<u>-</u>	<u>(31,057)</u>	<u>99,231</u>
Total capital assets not being depreciated	<u>783,099</u>	<u>99,231</u>	<u>-</u>	<u>(31,057)</u>	<u>851,273</u>
Buildings & improvements	53,246,057	83,697	(1,658,702)	31,057	51,702,109
Furniture & equipment	<u>2,277,502</u>	<u>393,489</u>	<u>(1,142,400)</u>	<u>-</u>	<u>1,528,591</u>
Total capital assets being depreciated	<u>55,523,559</u>	<u>477,186</u>	<u>(2,801,102)</u>	<u>31,057</u>	<u>53,230,700</u>
Less accumulated depreciation for:					
Buildings & improvements	(36,039,661)	(1,279,064)	1,336,656	-	(35,982,069)
Furniture & equipment	<u>(2,101,057)</u>	<u>(71,113)</u>	<u>1,104,851</u>	<u>-</u>	<u>(1,067,319)</u>
Total accumulated depreciation	<u>(38,140,718)</u>	<u>(1,350,177)</u>	<u>2,441,507</u>	<u>-</u>	<u>(37,049,388)</u>
Total capital assets being depreciated, net	<u>17,382,841</u>				<u>16,181,312</u>
Enterprise activity capital assets, net	<u>\$ 18,165,940</u>				<u>\$ 17,032,585</u>

A summary of the significant activity for the year is as follows:

Balance at April 1, 2015	\$ 18,165,940
Additions – capital fund	478,814
Additions – operations	97,603
Proceeds from dispositions	(27,756)
Disposal of capital assets	(331,839)
Depreciation expense	<u>(1,350,177)</u>
Balance at March 31, 2016	<u>\$ 17,032,585</u>

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE F - ACCOUNTS PAYABLE:

Accounts payable at March 31, 2016, consisted of the following:

Vendors & contractors	\$	81,202
A/P – HUD		10,623
Payments in lieu of taxes		<u>109,472</u>
	\$	<u>201,297</u>

NOTE G - ACCRUED LIABILITIES:

Accrued liabilities and other current liabilities at March 31, 2016, consisted of the following:

Accrued wages & taxes payable	\$	75,259
Accrued compensated absences		63,089
FSS Escrow liability – current portion		<u>20,104</u>
	\$	<u>158,452</u>

NOTE H - LONG-TERM DEBT:

On June 5, 2009, the Authority entered into a lease agreement with Old National Bank as part of an energy performance contract (“EPC”). The assets constructed through the lease agreement are included in “Capital Assets” on the Statement of Net Position and are amortized over their estimated useful lives. The capitalized cost of the assets under the capital lease totaled \$1,649,267 at March 31, 2016. The current balance of the Notes Payable at March 31, 2016 was \$691,922. The lease is payable in monthly installments of \$17,488 through April 2019. The lease is secured with the equipment and property placed into service and bears interest at a rate of 4.98%. According to HUD’s EPC program, each year, HUD funds additional subsidy to cover annual payments from the energy efficiency cost savings.

Future minimum payments are due as follows:

Year Ending March 31,	Principal	Interest	Total
2017	\$ 293,625	\$ 30,398	\$ 324,023
2018	187,829	22,034	209,863
2019	197,400	12,463	209,863
2020	<u>13,068</u>	<u>591</u>	<u>13,659</u>
	<u>\$ 691,922</u>	<u>\$ 65,486</u>	<u>\$ 757,408</u>

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE I - OTHER NONCURRENT LIABILITIES:

Other noncurrent liabilities at March 31, 2016, consisted of the following:

FSS escrow liabilities (net of current) \$ 60,313

	Balance	Increases	Decreases	Balance	Current Portion
	April 1, 2015			March 31, 2016	of Balance
FSS escrow deposits	\$ 71,703	\$ 65,886	\$ (57,172)	\$ 80,417	\$ 20,104
Remediation liability	146,690	-	(146,690)	-	-
Long-term Debt	<u>862,687</u>	<u>-</u>	<u>(170,765)</u>	<u>691,922</u>	<u>293,625</u>
Total noncurrent liabilities	<u>\$ 1,081,080</u>	<u>\$ 65,886</u>	<u>\$ (374,627)</u>	<u>\$ 772,339</u>	<u>\$ 313,729</u>

NOTE J - RESTRICTED NET POSITION:

In accordance with guidelines established by HUD, any housing assistance payment ("HAP") budget authority provided to a housing authority in excess of actual program expenses for the same period must be maintained as restricted net position to be used only for HAP payments incurred in the running of the Section 8 Housing Choice Vouchers program. Accordingly, the Authority has recorded \$19,601 as restricted net position at March 31, 2016, in the Section 8 Housing Choice Vouchers Program. In addition, the Authority has restricted net position of \$271,401 related to unspent insurance proceeds. Restricted net position totaled \$291,002 at March 31, 2016.

NOTE K - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, job related illness or injuries to employees and natural disasters. The Authority has purchased commercial insurance to mitigate its exposure to such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductible and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of such uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Insurance settlements have not exceeded insurance coverage in any of the past three years.

NOTE L - COMMITMENTS & CONTINGENCIES:

Grants and contracts:

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of March 31, 2016.

Capital Fund:

The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE M - RETIREMENT PLANS:

The Authority administers two retirement plans, as described below.

The Authority has a 457(b) deferred compensation plan through the Principal Financial Group and administered by the Housing Authority. The Plan Administrator has complete control of the administration of the plan, including complete discretions to interpret or construe the provisions of the Plan and under which contributions are established or may be amended. An employee shall first become an active participant on the earliest monthly date on which he/she is an eligible employee meeting the following requirements: 1) has been continuously employed by the Employer for one year, in which he/she has worked 1,000 hours of service, before his/her entry date; 2) is age 21 or older. Each employee who was an active participant under the plan on March 31, 2009 shall continue to be an active participant if he/she is still an eligible employee on April 1, 2009, and his/her entry date shall not change. Eligible employees may contribute a portion of their annual salary to the plan which shall be equal to a portion of his/her compensation as elective in his/her salary deferral agreement. The Authority will match contributions up to 6% on behalf of eligible employees. For the year ended March 31, 2016, the Authority contributed \$32,678 to the plan.

The Authority also has a non-contributory, defined contribution profit sharing plan through the Principal Financial Group, and administered by the Housing Authority, which covers substantially all employees who were employed prior to the adoption of the 457(b) plan. The plan is approved by HUD. Employees hired on or after January 1, 2002, are eligible for a matching contribution on any March 31, if they are an active participant on that date and have 1,000 or more hours of service in the plan year. The matching contribution equals 100% of the salary deferral contributions made to the Housing Authority's plan for the plan year. Salary deferrals over 6% of pay are not matched. Employees hired prior to January 1, 2002, will be given a discretionary basic contribution each plan year by the Authority. Total expense under this Plan was \$128,085 for the year ended March 31, 2016. The plan administrator has the full power to decide what the plan provisions mean and under which contributions are established or may be amended.

Other than the above mentioned pension plans, the Authority does not participate in Other Post-Employment Benefits.

NOTE N - RELATED PARTY TRANSACTIONS:

There were no related party transactions.

NOTE O - POLLUTION REMEDIATION OBLIGATIONS:

In Fiscal Year 2011, the Authority was made aware that asbestos existed within thirty-six units owned and operated by the Authority under the Business Activities program. Due to potential health risks, removal of the asbestos has been required by HUD upon its disturbance. During the year ended March 31, 2016, asbestos removal activities were deemed to have been significantly completed for all units. As a result, the remaining unexpended \$144,535 of accrued liabilities from prior period estimates was recognized as a special item in the Statement of Revenues, Expenses and Changes in Net Position for the current year.

NOTE P - CONCENTRATIONS:

For the year ended March 31, 2016, approximately 76% of revenues and 67% of net accounts receivable reflected in the basic financial statements are from HUD.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016
(Continued)

NOTE Q - IMPAIRMENT OF CAPITAL ASSETS:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets. Under the provisions of the statement, prominent events or changes in circumstances affecting capital assets are required to be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carrying value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written-off. No such impairment loss was incurred during the current year.

NOTE R - ECONOMIC DEPENDENCY:

The Public and Indian Housing Program and the Section 8 Housing Choice Vouchers program are economically dependent on annual contributions and grants from HUD. These programs operate at a loss prior to receiving the contributions and grants. Management does not anticipate any material change in funding.

NOTE S - SUPPLEMENTARY INFORMATION:

The supplementary information has been included in order to show the financial statements of the Authority on the GAAP basis of accounting but in the format of the HUD Handbook 7476.3, *Audit Guide*. This is due to the fact that some supplementary information is reviewed by the HUD field office and provides greater detail concerning the operations of the Authority.

NOTE T - SUBSEQUENT EVENTS:

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through September 1, 2016 (the date the financial statement were available to be issued) and concluded that there were no subsequent events required to be disclosed in the Notes to the Financial Statements.

Effective July 1, 2016, a 24 unit Public Housing development and 40 units of a 78 unit Public Housing development within project IN012000003 converted to project based voucher developments through HUD's Rental Assistance Demonstration.

**HOUSING AUTHORITY OF
THE CITY OF NEW ALBANY
New Albany, Indiana**

SINGLE AUDIT SECTION

YEAR ENDED MARCH 31, 2016



**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**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the
City of New Albany
New Albany, IN

Chicago Regional Office
Public Housing Division
77 West Jackson Boulevard
Chicago, Illinois 60604

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of New Albany, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of New Albany's basic financial statements, and have issued our report thereon dated September 1, 2016.

Internal Control Over Financial Reporting

Management of the Housing Authority of the City of New Albany is responsible for establishing and maintaining effective 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 opinions on the financial statements, but not for the purpose of 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be 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 of the City of New Albany'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 the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rector, Reeder & Lofton, P.C.

Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
September 1, 2016



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the
City of New Albany
New Albany, IN

Chicago Regional Office
Public Housing Division
77 West Jackson Boulevard
Chicago, Illinois 60604

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of New Albany's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of New Albany's major federal programs for the year ended March 31, 2016. The Housing Authority of the City of New Albany's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the City of New Albany'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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 of the City of New Albany'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 on the Housing Authority of the City of New Albany's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the City of New Albany complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2016.

Report on Internal Control Over Compliance

The management of the Housing Authority of the City of New Albany 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 Housing Authority of the City of New Albany's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rector, Reeder & Lofton, P.C.

Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
September 1, 2016

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2015, contained one audit finding. Its status is as follows:

Finding 2015-001 – Inventory of Equipment – Other Matter – CFDA # 14.850

Condition: The PHA failed to complete an annual inventory of all nonexpendable equipment and compare this with the general ledger and detailed depreciation schedule during the last two years. We could not accurately determine whether certain equipment items were still under the Housing Authority’s ownership and control. The differences noted were immaterial to the financial statements.

Status: A full inventory of all nonexpendable equipment was conducted on September 22, 2015 and September 23, 2015, and the results were compared with the detailed depreciation schedule. The total net book value of all capital assets and nonexpendable equipment that couldn’t be located and was written off was \$24,282.08, or 0.15% of the total capital assets net book value. A revised capitalization policy which included the requirement for inventory of equipment was also prepared and approved by the Board of Commissioners in September 2015 through Board Resolution 16-35. **This finding is cleared.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results:

Financial Statements

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported

Type of report issued on the compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported under 2 CFR §200.516(a)?	No
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Identification of major programs:

-CFDA #14.850	Public and Indian Housing
-CFDA #14.872	Public Housing Capital Fund
-CFDA #14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Low Risk Auditee under 2 CFR §200.520?	Yes
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**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

NONE REPORTED

Section III – Federal Award Findings and Questioned Costs for Federal Awards

NONE REPORTED

**HOUSING AUTHORITY OF
THE CITY OF NEW ALBANY
New Albany, Indiana**

SUPPLEMENTARY INFORMATION

YEAR ENDED MARCH 31, 2016

**Housing Authority of the City of New Albany
New Albany, Indiana**

**FINANCIAL DATA SUBMISSION SUMMARY
STATEMENT OF NET POSITION ACCOUNTS
MARCH 31, 2016**

<u>Account Description</u>	Section 8 Housing Choice Vouchers 14.871	Public and Indian Housing 14.850	ROSS 14.870	FSS Program 14.896	State / Local
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
ASSETS:					
CURRENT ASSETS:					
Cash:					
Cash - unrestricted	\$ 2,471	\$ 7,583,265	\$ 0	\$ 0	\$ 328,631
Cash - restricted - modernization and development	0	271,401	0	0	0
Cash - other restricted	43,365	36,549	0	0	0
Cash - tenant security deposits	0	200,342	0	0	0
Cash - restricted for payment of current liabilities	7,921	305,808	0	0	0
Total Cash	53,757	8,397,365	0	0	328,631
Accounts and notes receivables:					
Accounts receivable - PHA projects	1,101	0	0	0	0
Accounts receivable - HUD	0	13,118	18,696	16,726	0
Accounts receivable - other government	0	0	0	0	0
Accounts receivable - miscellaneous	0	3,008	0	0	0
Accounts receivable - tenants	0	27,049	0	0	0
Allowance for doubtful accounts-tenants	0	(21,639)	0	0	0
Allowance for doubtful accounts-other	0	0	0	0	0
Notes receivable - current	0	0	0	0	0
Fraud recovery	4,611	40,544	0	0	0
Allowance for doubtful accounts - fraud	(4,611)	(32,435)	0	0	0
Accrued interest receivable	0	0	0	0	0
Total receivables - net	1,101	29,645	18,696	16,726	0
Current investments:					
Investments - unrestricted	0	530,708	0	0	0
Prepaid expenses and other assets	9,357	109,133	0	0	0
Inventories	0	208,058	0	0	0
Allowance for obsolete inventories	0	(41,611)	0	0	0
Interprogram due from	0	0	0	0	0
Assets held for sale	0	0	0	0	0
TOTAL CURRENT ASSETS	64,215	9,233,298	18,696	16,726	328,631
NONCURRENT ASSETS:					
Capital Assets:					
Land	0	594,371	0	0	0
Buildings	0	44,520,188	0	0	0
Furniture & equipment - dwellings	0	0	0	0	0
Furniture & equipment - administration	55,104	1,224,623	0	0	0
Improvements	0	6,491,409	0	0	0
Construction in process	0	99,231	0	0	0
Accumulated depreciation	(53,900)	(36,635,716)	0	0	0
Total capital assets - net	1,204	16,294,106	0	0	0
Notes receivable - noncurrent	0	0	0	0	0
Investment in joint ventures	0	0	0	0	0
Other Assets	0	0	0	0	0
TOTAL NONCURRENT ASSETS	1,204	16,294,106	0	0	0
TOTAL ASSETS	65,419	25,527,404	18,696	16,726	328,631
DEFERRED OUTFLOWS OF RESOURCES	0	0	0	0	0
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 65,419	\$ 25,527,404	\$ 18,696	\$ 16,726	\$ 328,631

Business Activities	Central Office Cost Center	Elimination	TOTAL
\$ 3,220,460	\$ 326,522	\$ 0	\$ 11,461,349
0	0	0	271,401
0	0	0	79,914
17,757	0	0	218,099
0	0	0	313,729
<u>3,238,217</u>	<u>326,522</u>	<u>0</u>	<u>12,344,492</u>
0	0	0	1,101
0	0	0	48,540
0	0	0	0
4	4,766	0	7,778
1,649	0	0	28,698
0	0	0	(21,639)
0	0	0	0
0	0	0	0
0	0	0	45,155
0	0	0	(37,046)
0	0	0	0
<u>1,653</u>	<u>4,766</u>	<u>0</u>	<u>72,587</u>
0	0	0	530,708
0	20,408	0	138,898
0	0	0	208,058
0	0	0	(41,611)
0	18,119	(18,119)	0
0	0	0	0
<u>3,239,870</u>	<u>369,815</u>	<u>(18,119)</u>	<u>13,253,132</u>
157,671	0	0	752,042
99,734	266,534	0	44,886,456
0	0	0	0
0	248,864	0	1,528,591
324,244	0	0	6,815,653
0	0	0	99,231
(97,868)	(261,904)	0	(37,049,388)
<u>483,781</u>	<u>253,494</u>	<u>0</u>	<u>17,032,585</u>
0	0	0	0
0	0	0	0
0	0	0	0
<u>483,781</u>	<u>253,494</u>	<u>0</u>	<u>17,032,585</u>
<u>3,723,651</u>	<u>623,309</u>	<u>(18,119)</u>	<u>30,285,717</u>
0	0	0	0
<u>\$ 3,723,651</u>	<u>\$ 623,309</u>	<u>\$ (18,119)</u>	<u>\$ 30,285,717</u>

**Housing Authority of the City of New Albany
New Albany, Indiana**

**FINANCIAL DATA SUBMISSION SUMMARY
STATEMENT OF NET POSITION ACCOUNTS - CONTINUED
MARCH 31, 2016**

<u>Account Description</u>	Section 8					State / Local
	Housing Choice Vouchers 14.871	Public and Indian Housing 14.850	ROSS 14.870	FSS Program 14.896		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:						
LIABILITIES:						
CURRENT LIABILITIES:						
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Accounts payable < 90 days	407	74,393	150	22	464	0
Accrued wages/payroll taxes payable	3,495	45,003	3,684	2,824	0	0
Accrued compensated absences - current portion	3,812	32,484	0	0	0	0
Accrued interest payable	0	0	0	0	0	0
Accounts payable - HUD PHA programs	0	0	7,202	3,421	0	0
Accounts payable - other gov.	0	109,472	0	0	0	0
Tenant security deposits	0	200,342	0	0	0	0
Unearned revenue	0	52,411	0	0	0	0
Current portion of L-T debt - capital projects	0	293,625	0	0	0	0
Current portion of L-T debt - operating	0	0	0	0	0	0
Other current liabilities	7,921	12,183	0	0	0	0
Accrued liabilities - other	0	0	0	0	0	0
Interprogram due to	0	0	7,660	10,459	0	0
TOTAL CURRENT LIABILITIES	<u>15,635</u>	<u>819,913</u>	<u>18,696</u>	<u>16,726</u>	<u>464</u>	<u>0</u>
NONCURRENT LIABILITIES:						
Long-term debt, net of current - capital projects	0	398,297	0	0	0	0
Long-term debt, net of current - operating	0	0	0	0	0	0
Accrued comp. absences - non-current	0	0	0	0	0	0
Loan Liability - non-current	0	0	0	0	0	0
Noncurrent liabilities - other	23,764	36,549	0	0	0	0
TOTAL NONCURRENT LIABILITIES	<u>23,764</u>	<u>434,846</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>39,399</u>	<u>1,254,759</u>	<u>18,696</u>	<u>16,726</u>	<u>464</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET POSITION:						
Net investment in capital assets	1,204	15,602,184	0	0	0	0
Restricted	19,601	271,401	0	0	0	0
Unrestricted	5,215	8,399,060	0	0	328,167	0
TOTAL NET POSITION	<u>26,020</u>	<u>24,272,645</u>	<u>0</u>	<u>0</u>	<u>328,167</u>	<u>0</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 65,419</u>	<u>\$ 25,527,404</u>	<u>\$ 18,696</u>	<u>\$ 16,726</u>	<u>\$ 328,631</u>	<u>\$ 0</u>

<u>Business Activities</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
\$ 0	\$ 0	\$ 0	\$ 0
0	5,766	0	81,202
0	20,253	0	75,259
0	26,793	0	63,089
0	0	0	0
0	0	0	10,623
0	0	0	109,472
17,757	0	0	218,099
0	7	0	52,418
0	0	0	293,625
0	0	0	0
0	0	0	20,104
0	0	0	0
0	0	(18,119)	0
<u>17,757</u>	<u>52,819</u>	<u>(18,119)</u>	<u>923,891</u>
0	0	0	398,297
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	60,313
<u>0</u>	<u>0</u>	<u>0</u>	<u>458,610</u>
<u>17,757</u>	<u>52,819</u>	<u>(18,119)</u>	<u>1,382,501</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
483,781	253,494	0	16,340,663
0	0	0	291,002
<u>3,222,113</u>	<u>316,996</u>	<u>0</u>	<u>12,271,551</u>
<u>3,705,894</u>	<u>570,490</u>	<u>0</u>	<u>28,903,216</u>
<u>\$ 3,723,651</u>	<u>\$ 623,309</u>	<u>\$ (18,119)</u>	<u>\$ 30,285,717</u>

Housing Authority of the City of New Albany
New Albany, Indiana

FINANCIAL DATA SUBMISSION SUMMARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2016

Account Description	Section 8	Public and			
	Choice Vouchers 14,871	Indian Housing 14,850	ROSS 14,870	FSS Program 14,896	State / Local
REVENUES:					
Net tenant rental revenue	\$ 0	\$ 2,343,708	\$ 0	\$ 0	\$ 0
Tenant revenue - other	0	0	0	0	0
Total tenant revenue	0	2,343,708	0	0	0
HUD PHA operating grants	2,529,429	4,544,504	230,941	65,448	0
Capital grants	0	478,814	0	0	0
Management fee	0	0	0	0	0
Asset management fee	0	0	0	0	0
Bookkeeping fee	0	0	0	0	0
Front line service fee	0	0	0	0	0
Other fees	0	0	0	0	0
Other government grants	0	0	0	0	0
Investment income - unrestricted	0	21,386	0	0	0
Mortgage interest income	0	0	0	0	0
Proceeds from disposition of assets held for sale	0	0	0	0	0
Cost of sale of assets	0	0	0	0	0
Fraud recovery	4,021	52,688	0	0	0
Other revenue	48,132	301,875	0	0	97
Gain/(loss) on disposition of capital assets	2,199	(292,506)	0	0	0
Investment income - restricted	0	0	0	0	0
TOTAL REVENUES	\$ 2,583,781	\$ 7,450,469	\$ 230,941	\$ 65,448	\$ 97
EXPENSES:					
Administrative					
Administrative salaries	\$ 87,536	\$ 334,065	\$ 0	\$ 0	\$ 0
Auditing fees	3,370	15,163	0	0	0
Management fees	57,672	885,012	0	0	0
Bookkeeping fees	36,045	94,995	0	0	0
Advertising & marketing	0	0	0	0	0
Employee benefits - administrative	35,999	104,674	0	0	0
Office expense	31,226	219,063	0	0	0
Legal expense	152	24,679	0	0	0
Travel expense	0	459	0	0	0
Other operating - administrative	1,482	4,248	2,514	0	0
Total Administrative	253,482	1,682,358	2,514	0	0
Asset management fee	0	129,600	0	0	0
Tenant services					
Tenant services - salaries	0	44,045	141,483	47,001	0
Relocation costs	0	0	0	0	0
Employee benefits - tenant services	0	13,396	41,015	15,884	0
Other tenant services	0	71,216	0	0	0
Total Tenant Services	0	128,657	182,498	62,885	0
Utilities					
Water	0	175,985	0	0	0
Electricity	0	431,264	0	0	0
Gas	0	223,512	0	0	0
Labor	0	0	0	0	0
Sewer	0	391,762	0	0	0
Other utilities expense	0	26,472	0	0	0
Total Utilities	0	1,248,995	0	0	0
Ordinary Maintenance & Operations					
Labor	0	647,745	0	0	0
Materials	0	380,155	0	0	0
Ordinary maintenance and operations contracts	0	685,785	0	0	0
Employee benefits - ordinary maintenance	0	198,348	0	0	0
Total Ordinary Maintenance & Operations	0	1,912,033	0	0	0
Protective Services					
Protective services - salaries	0	40,545	0	0	0
Other contract costs	0	124,914	0	0	0
Employee benefits - protective services	0	12,686	0	0	0
Other protective services	0	0	0	0	0
Total Protective Services	0	178,145	0	0	0

Business Activities	Central Office Cost Center	Elimination	TOTAL
\$ 64,781	\$ 0	\$ 0	\$ 2,408,489
0	0	0	0
64,781	0	0	2,408,489
0	0	0	7,370,322
0	0	0	478,814
0	942,684	(942,684)	0
0	129,600	(129,600)	0
0	131,040	(131,040)	0
0	23,600	(23,600)	0
0	0	0	0
183,310	0	(183,310)	0
1,208	736	0	23,330
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	56,709
8,411	1,111	(29,489)	330,137
(42,518)	986	0	(331,839)
0	0	0	0
\$ 215,192	\$ 1,229,757	\$ (1,439,723)	\$ 10,335,962

\$ 16,293	\$ 535,639	\$ 0	\$ 973,533
758	1,765	0	21,056
0	0	(942,684)	0
0	0	(131,040)	0
0	523	0	523
3,626	164,022	0	308,321
2,919	122,135	(29,489)	345,854
872	3,056	(23,600)	5,159
0	9,504	0	9,963
48	62,589	0	70,881
24,516	899,233	(1,126,813)	1,735,290

0	0	(129,600)	0
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0	1,864	0	234,393
4,500	0	0	4,500
0	158	0	70,453
0	0	0	71,216
4,500	2,022	0	380,562

1,239	0	0	177,224
1,474	0	0	432,738
1,344	0	0	224,856
0	0	0	0
2,053	0	0	393,815
0	0	0	26,472
6,110	0	0	1,255,105

0	9,125	0	656,870
73,820	3,962	0	457,937
0	3,650	0	689,435
0	0	0	198,348
73,820	16,737	0	2,002,590

0	550	0	41,095
0	0	0	124,914
0	0	0	12,686
0	0	0	0
0	550	0	178,695

Housing Authority of the City of New Albany
New Albany, Indiana

FINANCIAL DATA SUBMISSION SUMMARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - CONTINUED
FOR THE YEAR ENDED MARCH 31, 2016

Account Description	Section 8	Public and	ROSS	FSS Program	State / Local
	Housing Choice Vouchers 14.871	Indian Housing 14.850	14.870	14.896	
Insurance Premiums					
Property insurance	0	239,967	0	0	0
Liability insurance	0	41,426	0	0	0
Workmen's compensation	2,396	33,861	0	0	0
Insurance - other	1,792	1,024	0	0	0
Total Insurance Premiums	4,188	316,278	0	0	0
Other General Expenses					
Other general expenses	15,373	59,517	27,842	2,563	0
Compensated absences	9,425	99,430	18,087	0	0
Payments in lieu of taxes	0	109,472	0	0	0
Bad debt - tenant rents	0	121,685	0	0	0
Bad debt - other	6,521	0	0	0	0
Severance expense	0	0	0	0	0
Total Other General Expenses	31,319	390,104	45,929	2,563	0
Interest Expense and Amortization Cost					
Interest expense - mortgage payable	0	0	0	0	0
Interest expense - notes payable	0	39,099	0	0	0
Amortization - issuance costs	0	0	0	0	0
Total Interest Expense and Amortization Cost	0	39,099	0	0	0
TOTAL OPERATING EXPENSE	288,989	6,025,269	230,941	65,448	0
EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSE	2,294,792	1,425,200	0	0	97
Other Expenses					
Extraordinary maintenance	0	51,680	0	0	0
Casualty losses	0	0	0	0	0
Housing assistance payments	2,277,821	0	0	0	0
HAP portability-in	42,860	0	0	0	0
Depreciation expense	366	1,305,214	0	0	0
Fraud Losses	0	0	0	0	0
Total Other Expenses	2,321,047	1,356,894	0	0	0
TOTAL EXPENSES	\$ 2,610,036	\$ 7,382,163	\$ 230,941	\$ 65,448	\$ 0
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (26,255)	\$ 68,306	\$ 0	\$ 0	\$ 97
Operating transfer in	0	286,461	0	0	0
Operating transfer out	0	(286,461)	0	0	0
Special Items (Net Gain/Loss)	0	0	0	0	0
Transfers between program and project - in	41,000	3,500	0	0	0
Transfers between program and project - out	0	0	0	0	0
Transfer of equity	0	0	1,728	0	0
Beginning Net Position	11,275	24,200,839	(1,728)	0	328,070
Ending Net Position	\$ 26,020	\$ 24,272,645	\$ 0	\$ 0	\$ 328,167
Administrative Fee Equity	6,419	0	0	0	0
Housing Assistance Payments Equity	19,601	0	0	0	0
Unit Months Available	4,896	12,670	0	0	0
Unit Months Leased	4,806	12,398	0	0	0
Excess Cash	0	7,339,692	0	0	0
Land Purchases	0	0	0	0	0
Building Purchases	0	130,057	0	0	0
Furniture & Equipment - Dwelling Purchases	0	0	0	0	0
Furniture & Equipment - Administrative Purchases	0	337,961	0	0	0
Leasehold Improvements Purchases	0	10,796	0	0	0
Infrastructure Purchases	0	0	0	0	0

Business Activities	Central Office Cost Center	Elimination	TOTAL
4,544	6,780	0	251,291
1,119	35,174	0	77,719
0	15,437	0	51,694
2,157	0	0	4,973
<u>7,820</u>	<u>57,391</u>	<u>0</u>	<u>385,677</u>
832	1,664	0	107,791
0	55,091	0	182,033
0	0	0	109,472
5,211	0	0	126,896
0	0	0	6,521
0	0	0	0
<u>6,043</u>	<u>56,755</u>	<u>0</u>	<u>532,713</u>
0	0	0	0
0	0	0	39,099
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>39,099</u>
122,809	1,032,688	(1,256,413)	6,509,731
<u>92,383</u>	<u>197,069</u>	<u>(183,310)</u>	<u>3,826,231</u>
0	0	0	51,680
0	0	0	0
0	0	(183,310)	2,094,511
0	0	0	42,860
21,566	23,031	0	1,350,177
0	0	0	0
<u>21,566</u>	<u>23,031</u>	<u>(183,310)</u>	<u>3,539,228</u>
\$ 144,375	\$ 1,055,719	\$ (1,439,723)	\$ 10,048,959
\$ 70,817	\$ 174,038	\$ 0	\$ 287,003
0	0	0	286,461
0	0	0	(286,461)
144,535	0	0	144,535
0	0	0	44,500
0	(44,500)	0	(44,500)
0	(1,728)	0	0
<u>3,490,542</u>	<u>442,680</u>	<u>0</u>	<u>28,471,678</u>
\$ 3,705,894	\$ 570,490	\$ 0	\$ 28,903,216
0	0	0	6,419
0	0	0	19,601
480	0	0	18,046
409	0	0	17,613
0	0	0	7,339,692
0	0	0	0
0	0	0	130,057
0	0	0	0
0	54,191	0	392,152
0	0	0	10,796
0	0	0	0

**Housing Authority of the City of New Albany
New Albany, Indiana**

**FINANCIAL DATA SUBMISSION SUMMARY
STATEMENT OF NET POSITION ACCOUNTS - AMPs
MARCH 31, 2016**

Account Description	IN012-01	IN012-03	IN012-04	Other Project	TOTAL
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
ASSETS:					
CURRENT ASSETS:					
Cash:					
Cash - unrestricted	\$ 1,292,379	\$ 4,788,467	\$ 1,502,419	\$ 0	\$ 7,583,265
Cash - restricted - modernization and development	0	271,401	0	0	271,401
Cash - other restricted	7,407	29,109	33	0	36,549
Cash - tenant security deposits	44,017	79,070	77,255	0	200,342
Cash - restricted for payment of current liabilities	103,576	78,948	123,284	0	305,808
Total Cash	1,447,379	5,246,995	1,702,991	0	8,397,365
Accounts and notes receivables:					
Accounts receivable - HUD	4,079	4,358	4,681	0	13,118
Accounts receivable - other government	0	0	0	0	0
Accounts receivable - miscellaneous	0	692	2,316	0	3,008
Accounts receivable - tenants	8,231	11,374	7,444	0	27,049
Allowance for doubtful accounts-tenants	(6,585)	(9,099)	(5,955)	0	(21,639)
Allowance for doubtful accounts-other	0	0	0	0	0
Notes receivable - current	0	0	0	0	0
Fraud recovery	1,160	39,384	0	0	40,544
Allowance for doubtful accounts - fraud	(928)	(31,507)	0	0	(32,435)
Accrued interest receivable	0	0	0	0	0
Total receivables - net	5,957	15,202	8,486	0	29,645
Current investments:					
Investments - unrestricted	111,228	247,647	171,833	0	530,708
Prepaid expenses and other assets	20,741	42,004	46,388	0	109,133
Inventories	44,621	101,917	61,520	0	208,058
Allowance for obsolete inventories	(8,924)	(20,383)	(12,304)	0	(41,611)
Interprogram due from	0	0	0	0	0
Assets held for sale	0	0	0	0	0
TOTAL CURRENT ASSETS	1,621,002	5,633,382	1,978,914	0	9,233,298
NONCURRENT ASSETS:					
Capital Assets:					
Land	295,883	2,605	295,883	0	594,371
Buildings	9,089,265	23,229,848	12,201,075	0	44,520,188
Furniture & equipment - dwellings	0	0	0	0	0
Furniture & equipment - administration	178,520	849,519	196,584	0	1,224,623
Improvements	1,710,044	3,367,651	1,413,714	0	6,491,409
Construction in process	0	3,336	95,895	0	99,231
Accumulated depreciation	(8,086,398)	(17,420,905)	(11,128,413)	0	(36,635,716)
Total capital assets - net	3,187,314	10,032,054	3,074,738	0	16,294,106
Notes receivable - noncurrent	0	0	0	0	0
Investment in joint ventures	0	0	0	0	0
Other assets	0	0	0	0	0
TOTAL NONCURRENT ASSETS	3,187,314	10,032,054	3,074,738	0	16,294,106
TOTAL ASSETS	4,808,316	15,665,436	5,053,652	0	25,527,404
DEFERRED OUTFLOWS OF RESOURCES					
	0	0	0	0	0
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,808,316	\$ 15,665,436	\$ 5,053,652	\$ 0	\$ 25,527,404

**Housing Authority of the City of New Albany
New Albany, Indiana**

**FINANCIAL DATA SUBMISSION SUMMARY
STATEMENT OF NET POSITION ACCOUNTS - AMPs - CONTINUED
MARCH 31, 2016**

<u>Account Description</u>	<u>IN012-01</u>	<u>IN012-03</u>	<u>IN012-04</u>	<u>Other Project</u>	<u>TOTAL</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:					
LIABILITIES:					
CURRENT LIABILITIES:					
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	11,279	28,944	34,170	0	74,393
Accrued wages/payroll taxes payable	7,701	26,140	11,162	0	45,003
Accrued compensated absences - current portion	7,217	16,367	8,900	0	32,484
Accrued interest payable	0	0	0	0	0
Accounts payable - HUD PHA programs	0	0	0	0	0
Accounts payable - other gov.	21,655	30,880	56,937	0	109,472
Tenant security deposits	44,017	79,070	77,255	0	200,342
Unearned revenue	8,250	17,504	26,657	0	52,411
Current portion of L-T debt - capital projects	101,107	69,245	123,273	0	293,625
Other current liabilities	2,469	9,703	11	0	12,183
Accrued liabilities - other	0	0	0	0	0
Interprogram due to	0	0	0	0	0
TOTAL CURRENT LIABILITIES	<u>203,695</u>	<u>277,853</u>	<u>338,365</u>	<u>0</u>	<u>819,913</u>
NONCURRENT LIABILITIES:					
Long-term debt, net of current - capital projects	60,111	222,608	115,578	0	398,297
Long-term debt, net of current - operating	0	0	0	0	0
Accrued comp. absences - non-current	0	0	0	0	0
Noncurrent liabilities - other	7,407	29,109	33	0	36,549
TOTAL NONCURRENT LIABILITIES	<u>67,518</u>	<u>251,717</u>	<u>115,611</u>	<u>0</u>	<u>434,846</u>
TOTAL LIABILITIES	<u>271,213</u>	<u>529,570</u>	<u>453,976</u>	<u>0</u>	<u>1,254,759</u>
DEFERRED INFLOWS OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET POSITION:					
Net investment in capital assets	3,026,096	9,740,201	2,835,887	0	15,602,184
Restricted	0	271,401	0	0	271,401
Unrestricted	1,511,007	5,124,264	1,763,789	0	8,399,060
TOTAL NET POSITION	<u>4,537,103</u>	<u>15,135,866</u>	<u>4,599,676</u>	<u>0</u>	<u>24,272,645</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 4,808,316</u>	<u>\$ 15,665,436</u>	<u>\$ 5,053,652</u>	<u>\$ 0</u>	<u>\$ 25,527,404</u>

**Housing Authority of the City of New Albany
New Albany, IN**

**FINANCIAL DATA SUBMISSION SUMMARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - AMPs
FOR THE YEAR ENDED MARCH 31, 2016**

<u>Account Description</u>	<u>IN012-01</u>	<u>IN012-03</u>	<u>IN012-04</u>	<u>Other Project</u>	<u>TOTAL</u>
REVENUES:					
Net tenant rental revenue	\$ 457,939	\$ 855,315	\$ 1,030,454	\$ 0	\$ 2,343,708
Tenant revenue - other	0	0	0	0	0
Total tenant revenue	457,939	855,315	1,030,454	0	2,343,708
HUD PHA operating grants	973,212	2,428,679	1,142,613	0	4,544,504
Capital grants	127,951	220,980	129,883	0	478,814
Management fee	0	0	0	0	0
Asset management fee	0	0	0	0	0
Bookkeeping fee	0	0	0	0	0
Front line service fee	0	0	0	0	0
Other government grants	0	0	0	0	0
Investment income - unrestricted	4,010	12,142	5,234	0	21,386
Mortgage interest income	0	0	0	0	0
Fraud recovery	1,212	51,476	0	0	52,688
Other revenue	48,770	161,159	91,946	0	301,875
Gain/(loss) on disposition of capital assets	(52,225)	(46,722)	(193,559)	0	(292,506)
Investment income - restricted	0	0	0	0	0
TOTAL REVENUES	\$ 1,560,869	\$ 3,683,029	\$ 2,206,571	\$ 0	\$ 7,450,469
EXPENSES:					
Administrative					
Administrative salaries	\$ 77,387	\$ 156,365	\$ 100,313	\$ 0	\$ 334,065
Auditing fees	3,304	7,169	4,690	0	15,163
Management fees	191,633	414,979	278,400	0	885,012
Bookkeeping fees	20,543	44,467	29,985	0	94,995
Advertising & marketing	0	0	0	0	0
Employee benefits - administrative	27,291	42,207	35,176	0	104,674
Office expense	48,147	110,927	59,989	0	219,063
Legal expense	5,394	16,957	2,328	0	24,679
Travel expense	100	217	142	0	459
Other operating - administrative	743	2,625	880	0	4,248
Total Administrative	374,542	795,913	511,903	0	1,682,358
Asset management fee	28,080	61,320	40,200	0	129,600
Tenant services					
Tenant services - salaries	11,991	25,680	6,374	0	44,045
Relocation costs	0	0	0	0	0
Employee benefits - tenant services	4,229	6,932	2,235	0	13,396
Other tenant services	13,608	54,979	2,629	0	71,216
Total Tenant Services	29,828	87,591	11,238	0	128,657
Utilities					
Water	44,294	107,103	24,588	0	175,985
Electricity	11,956	52,690	366,618	0	431,264
Gas	82,498	123,975	17,039	0	223,512
Sewer	94,033	249,478	48,251	0	391,762
Other utilities expense	8,607	13,272	4,593	0	26,472
Total Utilities	241,388	546,518	461,089	0	1,248,995
Ordinary Maintenance & Operations					
Labor	135,663	359,981	152,101	0	647,745
Materials	92,962	138,539	148,654	0	380,155
Ordinary maintenance and operations contracts	146,289	351,450	188,046	0	685,785
Employee benefits - ordinary maintenance	47,842	97,170	53,336	0	198,348
Total Ordinary Maintenance & Operations	422,756	947,140	542,137	0	1,912,033

**Housing Authority of the City of New Albany
New Albany, IN**

**FINANCIAL DATA SUBMISSION SUMMARY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - AMPs - CONTINUED
FOR THE YEAR ENDED MARCH 31, 2015**

<u>Account Description</u>	<u>IN012-01</u>	<u>IN012-03</u>	<u>IN012-04</u>	<u>Other Project</u>	<u>TOTAL</u>
Protective Services					
Protective services - salaries	8,840	19,176	12,529	0	40,545
Other contract costs	23,431	40,210	61,273	0	124,914
Employee benefits - protective services	3,117	5,176	4,393	0	12,686
Other protective services	0	0	0	0	0
Total Protective Services	35,388	64,562	78,195	0	178,145
Insurance Premiums					
Property insurance	53,016	115,384	71,567	0	239,967
Liability insurance	9,024	19,595	12,807	0	41,426
Workmen's compensation	7,779	17,877	8,205	0	33,861
Insurance - other	0	0	1,024	0	1,024
Total Insurance Premiums	69,819	152,856	93,603	0	316,278
Other General Expenses					
Other general expenses	15,473	15,439	28,605	0	59,517
Compensated absences	23,846	51,262	24,322	0	99,430
Payments in lieu of taxes	21,655	30,880	56,937	0	109,472
Bad debt - tenant rents	34,875	78,155	8,655	0	121,685
Bad debt - mortgages	0	0	0	0	0
Severance expense	0	0	0	0	0
Total Other General Expenses	95,849	175,736	118,519	0	390,104
Interest Expense and Amortization Cost					
Interest expense - mortgage payable	0	0	0	0	0
Interest expense - notes payable	9,110	16,488	13,501	0	39,099
Amortization - issuance costs	0	0	0	0	0
Total Interest Expense and Amortization Cost	9,110	16,488	13,501	0	39,099
TOTAL OPERATING EXPENSE	1,306,760	2,848,124	1,870,385	0	6,025,269
EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSE	254,109	834,905	336,186	0	1,425,200
Other Expenses					
Extraordinary maintenance	6,047	8,801	36,832	0	51,680
Casualty losses	0	0	0	0	0
Housing assistance payments	0	0	0	0	0
Depreciation expense	256,476	810,784	237,954	0	1,305,214
Total Other Expenses	262,523	819,585	274,786	0	1,356,894
TOTAL EXPENSES	\$ 1,569,283	\$ 3,667,709	\$ 2,145,171	\$ 0	\$ 7,382,163
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ (8,414)	\$ 15,320	\$ 61,400	\$ 0	\$ 68,306
Operating transfer in	69,631	6,430	210,400	0	286,461
Operating transfer out	(69,631)	(6,430)	(210,400)	0	(286,461)
Transfer between program and project - in	0	3,500	0	0	3,500
Transfer of equity	0	0	0	0	0
Prior period adjustments	0	0	0	0	0
Beginning Net Position	4,545,517	15,117,046	4,538,276	0	24,200,839
Ending Net Position	\$ 4,537,103	\$ 15,135,866	\$ 4,599,676	\$ 0	\$ 24,272,645
Unit Months Available	2,808	5,875	3,987	0	12,670
Unit Months Leased	2,744	5,683	3,971	0	12,398
Excess Cash	1,247,169	4,699,786	1,392,737	0	7,339,692
Land Purchases	0	0	0	0	0
Building Purchases	30,826	3,336	95,895	0	130,057
Furniture & Equipment - Dwelling Purchases	0	0	0	0	0
Furniture & Equipment - Administrative Purchases	97,125	206,848	33,988	0	337,961
Leasehold Improvements Purchases	0	10,796	0	0	10,796

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana**

**SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2016**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Type</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>	<u>Amounts to Subrecipients</u>
<u>RECEIVED DIRECTLY FROM THE U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u>				
Public and Indian Housing	A - Major	14.850	\$ 4,080,165	\$ -
Resident Opportunity & Supportive Services- Service Coordinators	B - Nonmajor	14.870	230,941	-
Family Self-sufficiency Program	B - Nonmajor	14.896	65,448	-
Public Housing Capital Fund	A - Major	14.872	943,153	-
Section 8 Housing Choice Vouchers	A - Major	14.871	<u>2,529,429</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL AWARDS			\$ <u>7,849,136</u>	\$ <u>-</u>
Threshold for Type A & Type B			\$ <u>750,000</u>	

The accompanying notes are an integral part of this schedule.

HOUSING AUTHORITY OF THE CITY OF NEW ALBANY
New Albany, Indiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of New Albany and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance.

NOTE B - SUBRECIPIENTS:

The Housing Authority of the City of New Albany provided no federal awards to subrecipients during the fiscal year ended March 31, 2016.

NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:

- The Housing Authority of the City of New Albany received no federal awards of non-monetary assistance that are required to be disclosed for the year ended March 31, 2016.
- The Housing Authority of the City of New Albany had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended March 31, 2016.
- The Housing Authority elected not to use the 10% de minimis cost rate as allowed in the Uniform Guidance §200.414 Indirect costs.
- The Housing Authority of the City of New Albany maintains the following limits of insurance as of March 31, 2016:

Property	\$	105,225,854
General Liability	\$	1,000,000
Commercial Auto	\$	1,000,000
Worker Compensation	\$	1,000,000
Employee Dishonesty	\$	100,000
Public Officials	\$	1,000,000

Settled claims have not exceeded the above commercial insurance coverage limits over the past three years.