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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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October 23, 2023

Board of Directors
Indianapolis Housing Agency
1919 North Meridian Street
Indianapolis, IN 46202

We have reviewed the audit report of Indianapolis Housing Agency, which was opined upon by Somerset CPAs and Advisors, PC, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indianapolis Housing Agency, as of December 31, 2022 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report on pages 52-60. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. The Agency's Corrective Action Plan appears on pages 61-64.

In our opinion, Somerset CPAs and Advisors, PC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

Tammy R White

Tammy R. White, CPA
Deputy State Examiner

INDIANAPOLIS HOUSING AGENCY
(A COMPONENT UNIT OF THE CITY OF INDIANAPOLIS)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2022

INDIANAPOLIS HOUSING AGENCY
(A Component Unit of the City of Indianapolis)

CONTENTS

SOMERSET
CPAs AND ADVISORS

Independent Auditor's Report

To the Board of Commissioners
Indianapolis Housing Agency
Indianapolis, Indiana

Opinion

We have audited the financial statements of Indianapolis Housing Agency (A Component Unit of the City of Indianapolis) (the "Agency") which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net position of the Agency as of December 31, 2022, and the results of its revenues, expenses and changes in net position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP (the Limited Partnership blended component units) which collectively reflect assets constituting 69% of total assets and net position constituting 20% of the total net position at December 31, 2022, and revenues constituting 65% of total revenues for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Limited Partnership blended component units is based solely on the reports of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements section* of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of IHA Housing Partners I, LP; IHA Housing Partners II, LP; Barton Block, LP; Indiana Avenue Apartments, LP were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the Agency adopted Governmental Accounting Standards Board Statement Number 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and the schedules of the Agency's proportionate share of the net pension liability and Agency contributions and the related notes on pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Indianapolis Housing Agency's basic financial statements. The schedule of expenditures of federal awards on page 40 is presented for purposes of additional analysis, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 October 13, 2023, on our consideration of Indianapolis Housing Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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 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 Agency's internal control over financial reporting and compliance.

Somerset CPAs PC

Indianapolis, Indiana
October 13, 2023

This section of Indianapolis Housing Agency's (the "Agency") annual financial report provides management's discussion and analysis of the financial performance during the year ended December 31, 2022. The Agency in this section refers to Indianapolis Housing Agency and Insight Development Corporation ("Insight"), one of the Agency's blended component units. Please read it in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Cash increased by $3.2 million or 12 percent from 2021 to 2022, and is more aligned with the balance in 2020. The increase was primarily due to significant repairs and maintenance done in the current year, offset by net proceeds of $5.1 million from the sale of Millikan II.
- Capital assets decreased by $16.1 million or 10 percent from 2021 to 2022 as a result of the sale of Millikan II in 2022 and current year depreciation expense exceeding capital asset additions.
- Loans and interest payable decreased by $6.2 million or 33 percent from 2021 to 2022 due to the payoff of the loan related to Millikan II.
- Intergovernmental grants decreased by $12.6 million from 2021 to 2022. This was primarily caused by COVID-19 relief funds and support provided by the City of Indianapolis received in 2021 that were not repeated in 2022.
- Capital grants and contributions decreased by $1.2 million due primarily to HUD grants received for the Barton Tower HVAC modernization in 2021 that was not repeated in 2022. In addition, CARES Act funds associated with capital grants were being used in 2021 that were not issued again in 2022.

OTHER HIGHLIGHTS

- Total revenue for all programs, net of interfund eliminations, was approximately $73.6 million for the year. Tenant rental revenue generated approximately $8.6 million, and HUD operating subsidy and grants provided approximately $63.6 million.
- Total operating expenses for all programs, net of interfund eliminations, was approximately $89.5 million. Significant expense categories were housing assistance payments to landlords on behalf of tenants representing $51.6 million, administrative expense representing $10.9 million, salaries and wages expense representing $7.1 million, depreciation expense on capital assets representing $7.5 million, and utility expense representing $6.0 million.
- The assets of the Agency exceeded its liabilities at the close of the year by $167.6 million. Of that amount, $17.9 million was considered unrestricted and $19.0 million was restricted with the remaining balance of $129.1 million representing net investment in capital assets.
- The Agency's total net position decreased by $11.5 million (Table 2) as a result of current year activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Agency's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses and Changes in Net Position.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All assets, deferred inflows of resources, liabilities, and deferred outflows of resources associated with the operation of the Agency are included in the Statement of Net Position. The financial statements provide both current and non-current information about the Agency's overall financial status. The financial statements also include notes that provide additional information and detailed data.

We did not audit the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP (the Limited Partnership blended component units). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Limited Partnership blended component units is based solely on the reports of the other auditors.

FINANCIAL ANALYSIS

Statements of Net Position

The Agency's total assets and deferred outflows of resources totaled $198.2 million at December 31, 2022. This represents a decrease of 4% from the prior year, due to the sale of Millikan II and the payoff of the related loan, and current year depreciation expense offset by an increase in total receivables. Total liabilities and deferred inflows of resources amounted to $32.1 million at December 31, 2022, representing an increase of 5%, which primarily relates to an increase in due to other governmental units as a result of HUD repayments for disallowed and questionable costs, an increase in accounts payable and deferred revenue. Total net position was $166.1 million, which is a decline from the prior year (See Table 1).

FINANCIAL ANALYSIS (CONTINUED)

Statements of Net Position (Continued)

Table 1

	2022	2021	Dollar Change	Percentage Change
Assets and Deferred Outflows of Resources				
Current assets	$ 35,280,228	$ 28,440,964	$ 6,839,264	24%
Capital assets, (net)	150,377,990	166,439,385	(16,061,395)	-10%
Other noncurrent assets	11,744,521	10,813,322	931,199	9%
Deferred outflows of resources	832,531	817,998	14,533	2%
Total assets and deferred outflows of resources	$ 198,235,270	$ 206,511,669	$ (8,276,399)	-4%
Liabilities and Deferred Inflows of Resources				
Current liabilities	14,053,499	13,419,212	634,287	5%
Noncurrent liabiliities	16,573,650	14,778,792	1,794,858	12%
Deferred inflows of resources	1,520,993	2,313,767	(792,774)	-34%
Total liabilities and deferred inflows of resources	32,148,142	30,511,771	1,636,371	5%
Net Position				
Net investment in capital assets	129,122,271	144,728,311	(15,606,040)	-11%
Restricted for Section 8 vouchers (VASH and EHV)	5,341,001	4,507,636	833,365	18%
Restricted for reserves and escrow	11,320,989	12,905,614	(1,584,625)	-12%
Restricted for other programs	2,377,965	281,941	2,096,024	743%
Unrestricted	17,924,902	13,576,396	4,348,506	32%
Total net position	166,087,128	175,999,898	(9,912,770)	-6%
Total liabilities, deferred inflows of resources and net postion	$ 198,235,270	$ 206,511,669	$ (8,276,399)	-4%

Statements of Revenues, Expenses and Changes in Net Position

The Agency's and Insight's net position at December 31, 2022, declined from the prior year. The Agency's and Insight's total operating revenues decreased by 19% primarily due to decrease in other income. Total operating expenses decreased 19% primarily related to a decrease in housing assistance payments. The changes in net position are detailed in Table 2. Operating expenses and budgetary analysis are detailed in Tables 3 and 4.

FINANCIAL ANALYSIS (CONTINUED)

Statements of Revenues, Expenses and Changes in Net Position (Continued)

Intergovernmental revenues of $61.9 and $74.6 million during 2022 and 2021, respectively, primarily represents funding for housing assistance and voucher payments, which are classified as non-operating revenues for financial statement purposes but are used to directly offset the operating expenses of the Agency.

Table 2

	2022	2021	Dollar Change	Percentage Change
Assets and Deferred Outflows of Resources				
Current assets	$ 35,280,228	$ 28,440,964	$ 6,839,264	24%
Capital assets, (net)	150,377,990	166,439,385	(16,061,395)	-10%
Other noncurrent assets	11,744,521	10,813,322	931,199	9%
Deferred outflows of resources	832,531	817,998	14,533	2%
Total assets and deferred outflows of resources	$ 198,235,270	$ 206,511,669	$ (8,276,399)	-4%
Liabilities and Deferred Inflows of Resources				
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Total liabilities and deferred inflows of resources	32,148,142	30,511,771	1,636,371	5%
Net Position				
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Unrestricted	17,924,902	13,576,396	4,348,506	32%
Total net position	166,087,128	175,999,898	(9,912,770)	-6%
Total liabilities, deferred inflows of resources and net postion	$ 198,235,270	$ 206,511,669	$ (8,276,399)	-4%

FINANCIAL ANALYSIS (CONTINUED)

Table 3 - Operating Expenses

	2022	2021	Dollar Change	Percentage Change
General and administrative costs	$ 10,987,612	$ 10,303,081	$ 684,531	7%
Salaries and wages	7,184,226	7,651,141	(466,915)	-6%
Utilities	6,015,943	3,184,627	2,831,316	89%
Maintenance	3,419,432	4,164,660	(745,228)	-18%
Insurance premiums	1,864,350	1,784,868	79,482	4%
Depreciation	7,471,115	8,007,706	(536,591)	-7%
Housing assistance payments	51,583,803	57,236,485	(5,652,682)	-10%
Miscellaenous	979,134	394,254	584,880	148%
Total Operating Expenses	$ 89,505,615	$ 92,726,821	$ (3,221,206)	208%

Table 4 - Budget Analysis
(excluding depreciation and pension)

	2022 Budget	2022 Actual	Dollar Change	Percentage Change
General and administrative costs	$ 3,085,965	$ 10,987,612	$ (7,901,647)	-72%
Salaries and wages	4,267,381	7,184,226	(2,916,845)	-41%
Utilities	2,893,823	6,015,943	(3,122,120)	-52%
Maintenance	5,359,781	3,419,432	1,940,349	57%
Protective services	851,516	-	851,516	-
Insurance premiums	980,000	1,864,350	(884,350)	-47%
Housing assistance payments	62,481,474	51,583,803	10,897,671	21%
Miscellaenous	343,800	979,134	(635,334)	-65%
Total Operating Expenses	$ 80,263,740	$ 82,034,500	$ (1,770,760)	-199%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2022, the Agency and Insight had $150.3 million in capital assets, net of accumulated depreciation. As of December 31, 2021, the Agency and Insight had $166.4 million in capital assets, net of accumulated depreciation. As compared to the prior year, this amount represents a net decrease (including additions and disposals) of $16.1 million as shown in Note 6 of the financial statements, due to the sale of Millikan II and annual depreciation expense for the year was greater than current year additions. More detailed information about the Agency's capital assets is presented in Note 6 to the basic financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

The Agency has long term obligations with various terms and conditions. Loans and interest payable totaled $12.7 million and $19.0 million at December 31, 2022 and 2021, respectively. The decrease in loans and interest payable primarily related to the payoff of the Millikan II loan offset by the additional accrued interest payable for 2022. Disclosures related to debt obligations are included in the basic financial disclosures in Note 7.

CURRENTLY KNOWN FACTS

The Agency lacks funding to meet secured debt obligations due over the next twelve months from the date of the statement of net position. This includes making required debt service payments on one loan totaling $1,500,000, which is due December 31, 2023. In addition, the Agency has difficulty managing various properties and meeting cash flow needs. Management of the Agency evaluated these conditions and determined that returning to its core mission of administering HUD programs and reducing its property management role, exploring the possibility of extending the maturity of various loans, selling of assts, and entering into a cooperative agreement with HUD for management assistance, will alleviate this uncertainty. As a result, management intends to secure an extension of certain debt service payments and has plans to increase operating capital through the sale of assets. The Agency has contracted with a broker to sell its general partnership interest in real property as of the report date.

The Agency received the results of a HUD Quality Assurance Division (QAD) and Quality Assurance Team (QAT) Financial Management Review on July 28, 2023. The report generally covered the period from 2018 to February 2022. The review revealed substantive finding and concerns, repeat findings and non-compliance with past corrective actions requests. The Agency responded to the findings noted in the report on August 18, 2023.

The Agency was informed on September 18, 2023, that the City of Indianapolis ("City") and HUD intend to enter into a Cooperative Endeavor Agreement (CEA) pertaining to all functions of the Agency and its nonprofit development affiliate, Insight. The CEA will outline the roles and responsibilities of the City, HUD and the Agency in a reorganization and reconstitution of the oversight, management and daily operations of the Agency. A third-party consultant will be procured to evaluate HUD's findings and to evaluate the Agency's oversight, management and operations. The goal is to reorganize the Agency to better serve its constituents, including residents, neighbors and taxpayers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information should be addressed to Indianapolis Housing Agency Department of Finance, 1919 North Meridian Street, Indianapolis, Indiana 46202.

INDIANAPOLIS HOUSING AGENCY
(A Component Unit of the City of Indianapolis)
STATEMENT OF NET POSITION
December 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash and Equivalents:	
Cash and equivalents - unrestricted	$ 11,387,878
Cash and equivalents - restricted (Note 3)	17,920,443
Receivables:	
Due from HUD	2,220,965
Accounts receivable - miscellaneous	1,456,521
Accounts receivable - tenants, net	1,196,720
Present value of future lease income	803,987
Prepaid expenses and other assets	293,714
Total Current Assets	35,280,228
Noncurrent Assets	
Capital Assets (Note 6):	
Non-depreciable property	21,255,719
Depreciable property	228,369,873
Accumulated depreciation	(99,247,602)
Net Capital Assets	150,377,990
Loans receivable and accrued interest, net (Note 4)	11,183,328
Right of use assets	14,607
Other assets	546,586
Total Noncurrent Assets	162,122,511
Total Assets	197,402,739
Defered Outflows of Resources	
Deferred outflows of resourses related to pensions (Note 10)	832,531
Total Assets and Deferred Outflows of Resources	$ 198,235,270

See accompanying notes.

INDIANAPOLIS HOUSING AGENCY
(A Component Unit of the City of Indianapolis)
STATEMENT OF NET POSITION
December 31, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities	
Accounts payable and accrued expenses:	
Vendors and contractors	$ 5,238,190
Accrued salaries and related employee costs	385,105
Due to other governmental units (Note 7)	2,623,028
Tenant security deposits	432,603
Deferred revenue	1,205,577
Right of use liabilities	14,607
Loans and interest payable (Note 7)	2,532,650
FSS escrow (Note 7)	99,360
Other accrued liabilities:	
FSS repayment	993,116
Miscellaneous	529,263
Total Current Liabilities	14,053,499
Noncurrent Liabilities	
Loans and interest payable (Note 7)	10,165,486
Other liabilities:	
Due to other governmental units (Note 7)	3,975,973
FSS escrow (Note 7)	315,554
Net pension liability (Note 7)	2,116,637
Total Noncurrent Liabilities	16,573,650
Total Liabilities	30,627,149
Deferred Inflows of Resources	
Deferred inflows of resourses from leases	817,044
Deferred inflows of resourses from pensions	703,949
Total Deferred Inflows	1,520,993
Net Position	
Net investment in capital assets	129,122,271
Restricted:	
Section 8 vouchers (VASH and EHV)	5,341,001
Reserves and escrow	11,320,989
Other programs	2,377,965
Unrestricted	17,924,902
Total Net Position	166,087,128
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 198,235,270

See accompanying notes.

INDIANAPOLIS HOUSING AGENCY
(A Component Unit of the City of Indianapolis)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2022

Operating Revenues	
Tenant revenue	$ 8,620,744
Fees and other expense, net	(65,493)
Total Operating Revenues	8,555,251
Operating Expenses	
General and administrative costs	10,987,612
Salaries and wages	7,184,226
Insurance premiums	1,864,350
Maintenance	3,419,432
Housing assistance payments	51,583,803
Depreciation	7,471,115
Utilities	6,015,943
Miscellanous	979,134
Total Operating Expenses	89,505,615
Operating Loss	(80,950,364)
Non-Operating Revenues (Expenses)	
Intergovermental grants	61,921,746
Interest income from investments	25,882
Interest income from loans	685,177
Interest expense	(1,447,252)
Other revenue	964,984
Actuarial change in pension	1,057,016
Gain on sale of assets	4,732,540
Total Non-Operating Revenues (Expenses)	67,940,093
Loss Before Capital Grants and Contributions	(13,010,271)
Capital Grants and Contributions	
HUD capital grants	1,663,729
Other capital contributions	1,433,772
Total Capital Grants and Contributions	3,097,501
Change in Net Position	(9,912,770)
Net Position	
Beginning of Year	175,999,898
End of Year	$ 166,087,128

INDIANAPOLIS HOUSING AGENCY
(A Component Unit of the City of Indianapolis)
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

Cash Flows from Operating Activities	
Rental receipts	$ 7,921,449
Other operating payments	(1,055,473)
Payments of personnel - salaries and wages	(7,199,912)
Payments for other operating activities	(19,945,720)
Housing assistance payments	(51,583,803)
Tenant security and other deposits	(7,130)
Net cash used in operating activities	(71,870,589)
Cash Flows from Non-Capital Financing Activities	
Intergovernmental revenues received	59,910,866
Net cash provided by non-capital financing activities	59,910,866
Cash Flows from Capital and Related Financing Activities	
Capital asset purchases	(1,659,060)
Non-operating receipts, net	3,592,581
Proceeds from issuance of notes	904,965
Non-operating proceeds from sale of assets	12,025,000
Net increase in debt service costs	711,267
Principal payments on loans	(6,898,670)
Capital grants	3,097,501
Net cash used in capital and related financing activities	11,773,584
Cash Flows from Investing Activities	
Interest on cash, investments and loans receivable	3,354,835
Net cash provided by investing activities	3,354,835
Net Increase in Cash and Cash Equivalents	3,168,696
Cash and Cash Equivalents, Beginning of Year	26,139,625
Cash and Cash Equivalents, End of Year	$ 29,308,321
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (80,950,364)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	7,471,115
Bad debt expense	3,305,065
Gain on sale of assets	(4,732,540)
(Increase) decrease in certain assets and deferred outflows:	
Receivables	(3,648,640)
Other assets	391,204
Deferred outflows from pension	(14,533)
Increase (decrease) in certain liabilities and deferred inflows:	
Accounts payable	3,794,841
Due to other governmental units	3,413,696
Tenant security deposits	(7,130)
Miscellaneous liabilities	(539,677)
Deferred revenue	190,547
FSS escrow	(7,156)
Accrued salaries and related employee costs	15,686
Net pension liability	1,057,115
Deferred inflows	(1,609,818)
Net Cash Used in Operating Activities	$ (71,870,589)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Indianapolis Housing Agency (the "Agency") is organized under the laws of the State of Indiana. The Agency is responsible for the management, operation, maintenance and administration of public housing and public housing projects, and the provision of safe, sanitary and affordable dwelling accommodations for qualified persons of low and moderate income. Prior to January 1, 1995, the Agency was part of the City of Indianapolis' Department of Metropolitan Development. The City-County Council passed an ordinance on May 19, 1999, which clarified the reporting entity of the Agency. As part of this ordinance, the name of the Agency was changed from the Indianapolis Public Housing Agency to Indianapolis Housing Agency. The Agency has a separate Board of Commissioners, which is comprised of nine members. The Mayor of Indianapolis appoints five members while the City-County Council appoints two members. The remaining two members are appointed from the family housing community and the senior community. The City-County Council is responsible for examining the organizational structure of the Agency.

Reporting Entity

The Agency is considered a component unit of the City of Indianapolis (the "City"), and as such the operations of the Agency are shown in the City's Annual Comprehensive Financial Report (ACFR) as a discretely presented component unit. See the City's ACFR for the definition of the City's overall reporting entity.

Indianapolis Housing Agency (Primary Government)

The Agency's financial statements include the operations of all organizations for which the Agency is financially accountable. Financial accountability is demonstrated by the ability of the Agency to appoint the voting majority of an organization's governing board and (1) its ability to impose its will on the organization or (2) a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Agency. The Agency has formed four wholly owned subsidiaries, described below as LR Apartments, Inc., THB Apartments, Inc., BH Apartments, Inc., and Lugar Apartments, Inc. Additionally, the Agency has formed a single member limited liability company known as Barton Annex-Barton Tower, LLC. The Agency's subsidiaries are the controlling general partners of limited partnerships formed to acquire, construct and operate developments. The financial information of the limited partnerships and limited liability company are included in the financial reporting of the Agency as blended component units since the component units' governing bodies are substantially the same as the governing body of the Agency and the management of Agency has operational responsibility for the component units.

Barton Annex-Barton Tower, LLC, was formed to acquire, construct, own and operate a residential rental project in Indianapolis, Indiana. The limited liability company did not have any financial activity in 2022.

The following wholly owned subsidiaries are the controlling general partners of limited partnerships formed to acquire, construct and operate developments. Each project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the projects as to occupant eligibility and unit gross rent, among other requirements, and must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

- *LR Apartments, Inc.* is the General Partner of L and R Housing, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 231-unit multifamily project property for rental to individuals and families of low-income, known as Laurelwood and Rowney Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling $13,092,540. The credit allocation is spread over 10 years, generally beginning in 2013, as $820,519 for the first year, $1,309,254 annually for the next nine years and $488,735 in the eleventh year, if the project remains in compliance.

- *THB Apartments, Inc.* is the General Partner of TH and B, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 307-unit multifamily project property for rental to individuals and families of low-income, known as Twin Hills and Blackburn Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling $16,907,460. The credit allocation is spread over 10 years, generally beginning in 2013, as $1,033,272 for the first year, $1,668,356 for the second year, $1,690,733 annually for years three through ten, $657,474 in the eleventh year and $22,494 in the twelfth year, if the project remains in compliance.

- *BH Apartments, Inc.* is the General Partner of B and H Housing, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 321-unit multifamily project property for rental to individuals and families of low-income, known as Beechwood Gardens and Hawthorne Place located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling $19,671,810. The credit allocation is spread over 10 years, generally beginning in 2011, as $1,152,638 for the first year, $1,966,584 for the second year, $1,967,181 annually for the next eight years, $814,543 in the eleventh year and $597 in the twelfth year, if the project remains in compliance.

- *Lugar Apartments, Inc.* is the General Partner of Lugar, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 298-unit multifamily project property for rental to individuals and families of low-income, known as Lugar Towers and the Braxton located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling $29,586,566. The credit allocation is spread over 10 years, generally beginning in 2012, and will be $2,958,657 annually, if the project remains in compliance.

Insight Development Corporation (Blended Component Unit)

The Agency established a non-profit entity known as the Insight Development Corporation (Insight) which is legally separate from the Agency, and which is exempt from Federal income tax under Section 501(c)(3). The purpose of Insight is to foster low-income housing in and around Indianapolis. Insight has the Agency as its sole member. Further, the Board consists of six members, two of which are Agency board members. Insight has been included in the financial reporting entity as a blended component unit due to being incorporated as a not-for-profit corporation in which the Agency is the sole corporate member.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Insight has formed four wholly owned subsidiaries described below as Concord Homes, Inc., IHA Housing Partners II GP, Inc., 16 Park GP, Inc., and Barton Block GP, Inc. Insight's subsidiaries are the controlling general partners of limited partnerships formed to acquire, construct and operate developments. Additionally, Insight has formed three single member limited liability companies (LLCs) known as Millikan II LLC, Bethel Townhomes GP, LLC, and Indiana Avenue GP, LLC. The financial information of the limited partnerships and the LLCs is included in the financial reporting of Insight as blended component units since the component units' governing bodies are substantially the same as the governing body of Insight and the management of Insight has operational responsibility for the component units.

The following wholly owned subsidiaries are the controlling general partners of limited partnerships formed to acquire, construct and operate developments. Each project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the projects as to occupant eligibility and unit gross rent, among other requirements, and must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. Low-income housing tax credits require complying with certain requirements, which if not met, may result in generating a lesser amount of tax credits than expected. Any reduction of the low-income housing tax credits would require credit deficit payments to the Investor Limited Partner, as defined, under the terms of the respective Partnership Agreement.

- *Concord Homes, Inc.* is the General Partner of IHA Housing Partners I, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 61-unit scattered site community known as Concord Homes located in Indianapolis, Indiana. The partnership generated an allocation of low-income housing tax credits from the State of Indiana totaling $4,400,390. The initial compliance period was completed during 2016, though the partnership agreed to maintain and operate the project as low-income housing for an additional 25 years beyond the initial 15-year compliance period. On November 30, 2016, Insight purchased the limited partner rights, title, and interest for $65,000. During 2017, the Agency established Concord Housing, LLC, of which the Agency is the sole member for the purpose of assuming operations of Concord Homes in a future year, though the LLC had no activity in 2022.

- *IHA Housing Partners II GP, Inc.* is the General Partner of IHA Housing Partners II, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 90-unit scattered site community known as The Georgetown Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling $7,796,080. The credit allocation is spread over 10 years, generally beginning in 2009 as $589,562 for the first year, $779,608 annually for the next nine years and $190,046 in the eleventh year, if the project remains in compliance.

- *16 Park GP, Inc.* is the General Partner of 16 Park, LP, an Indiana limited partnership, which was formed to develop, rehabilitate, own, maintain and operate a 155-unit multifamily rental housing development known as 16 Park Apartments located in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling $33,531,920. The credits began in 2012 and increased in 2013 to the full year annual credit of $3,353,192. The total credits will be spread over an eleven-year period, if the project remains in compliance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

- *Barton Block GP, Inc.* is the General Partner of Barton Block, LP, an Indiana limited partnership, which was formed to acquire, construct, own, and operate a residential rental project in Indianapolis, Indiana. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling $11,703,770. The credit allocation is spread over 11 years, beginning in 2014, as $941,685 for the first year, $1,170,377 for the next nine years, and $228,692 in the eleventh year, if the project remains in compliance.

- *Indiana Avenue GP, LLC* is a single member limited liability company that serves as the General Partner of Indiana Avenue Apartments, LP, an Indiana limited partnership, which was formed to acquire, rehabilitate, own, maintain and operate a 106-unit residential apartment complex for tenants aged 55 years and older in Indianapolis, Indiana. During 2018, the partnership purchased property from the Agency and began rehabilitation of the units. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling $5,189,550. The credits are available for use over a ten-year period, which began in 2019.

- *Bethel Townhomes GP, LLC* is a single member limited liability company that serves as the General Partner of Bethel Townhome Apartments, LP, an Indiana limited partnership, which was formed to acquire, develop, finance, construct, rehabilitate, own, maintain and operate a 94-unit residential rental project in Indianapolis, Indiana. During 2018, the partnership purchased property from the Agency and began construction. The partnership has received an allocation of low-income housing tax credits from the State of Indiana totaling $5,161,440. The credits are available for use over a ten-year period, which began in 2019.

- *Millikan II LLC* is a single member limited liability company formed to acquire, construct, own and operate a residential rental project in Indianapolis, Indiana. Construction at the project began in 2014 and was completed in 2016. There was no allocation of low-income housing tax credits for this project. This property was sold in December 2022.

Basis of Presentation

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America (GAAP) in accordance with the Governmental Accounting Standards Board (GASB) as applicable to governmental units. While Insight is a not-for-profit organization, it also applies policies in accordance with GASB due to Insight being presented as a blended component unit of the Agency. All of the activities of the Agency are accounted for as an enterprise fund for financial reporting purposes. Enterprise funds are used to account for activities (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Reporting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Inter-fund activities within and between the Agency and Insight are eliminated.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services or leasing property. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenue Sources

The primary resources for the Agency include intergovernmental revenue from HUD and dwelling rental income from tenants. Dwelling rental revenues are received directly from tenants and are recorded as rentals become due. Intergovernmental revenues are reported under the legal contractual requirements of the individual programs. The Agency has entered into Annual Contributions Contracts with HUD to develop, manage and own public housing projects and to administer the federal Section 8 housing programs, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the public housing program and monthly contributions for housing assistance payments and administration fees for the Section 8 program. HUD provides the majority of the Agency's funding, and the possibility exists that HUD contributions may decrease in the future. In the event such contributions were significantly decreased, the Agency would need to seek other funding sources to maintain operations at current levels. Unearned revenues consist of revenue received in advance. Revenue is recognized over the period of service provided or lease term as it is earned.

The Agency typically utilizes restricted sources of funding first and then unrestricted sources of funding for its programs.

Allocation of Expenses

Operating expenses have been classified based on actual direct expenditures and indirect cost allocations based on actual time, expense, space used, or benefit received, as applicable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents

For purposes of reporting cash flows, cash and equivalents include unrestricted and restricted cash on hand, demand deposits and investments with an original maturity of 90 days or less. See Note 3 for detail of restricted cash.

Accounts Receivable - Tenants

Accounts receivable - tenants represents amounts due from tenants of the Agency's residential properties. The allowance for doubtful accounts on accounts receivable was determined by management by a process involving consideration of past experience, current delinquent account information, and the aging of accounts. The balance at December 31, 2022, was as follows:

Gross accounts receivable - tenants	$	4,794,541
Allowance for uncollectible accounts		(3,597,821)
Accounts receivable - tenants, net	$	1,196,720

Loans Receivable

Loans receivable relates to grant funded capital projects for affordable, low-income housing. Terms of the loans vary as to due dates, interest rates, security of collateral and repayment of principal. Interest on loans receivable is recorded on an accrual basis. Noninterest bearing loans are recorded at present value with a discount that is amortized over the term of the loan.

The allowance for loan losses is a valuation allowance for probable or incurred losses. Loan losses are charged against the allowance when management believes the loan is uncollectable. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. The allowance for loan loss was $1,603,975 at December 31, 2022.

Leases

During 2022, the Agency adopted GASB Statement No. 87, *Leases* (GASB No. 87). This statement requires governments to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As of January 1, 2022, the standard resulted in the increase in deferred inflows for leased assets and liabilities of $86,845. Leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year. Refer to Note 5 for additional disclosures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost. Donated fixed assets are valued at their estimated acquisition value on the date donated and a corresponding contribution is recognized as revenue. Depreciation is recognized over the estimated useful lives using the straight-line method. The estimated useful lives are:

Buildings	25 to 40 years
Building improvements	15 to 20 years
Equipment	3 to 10 years

The Agency maintains a capitalization threshold of $1,000 for equipment and $5,000 for land, dwellings and improvements. Ordinary maintenance and repairs are charged to expense as incurred while betterments and additions are capitalized.

The Agency reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss was recognized during 2022.

Compensated Absences

Agency employees earn benefit leave in varying amounts based on their employment status. The Agency's benefit policy provides that, upon retirement or resignation, an employee is reimbursed for accumulated vacation leave in full up to the amount earned, not to exceed 112 hours. Non-union employees can carry over 176 hours including 112 for vacation and 64 for sick hours. If the employee is covered by the Master Agreement between the Agency and AFSCME, 100% of hours the employee could accrue in a 12-month period can be carried over. Vested or accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. The liability calculations include an accrual at the current rate for ancillary salary-related payments (i.e., the employer's share of social benefits) associated with its ultimate liquidation.

Net Pension Liability

The Agency has recorded a net pension liability reflecting its proportionate share of the difference between the total pension liability and the fiduciary net position of the Indiana Public Retirement System (INPRS) PERF Plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense; information about the fiduciary net position of INPRS PERF Plan and additions to/deductions from the INPRS PERF Plan fiduciary net position have been determined on the same basis as they are reported by the INPRS system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

The Agency reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its Statement of Net Position. Deferred outflows of resources reported at December 31, 2022, related to the defined benefit pension plan. Deferred outflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members, except for the net difference between projected and actual earnings on pension plan investments, which is amortized over five years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

The Agency reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its statements of net position. Deferred inflows of resources related to the defined benefit pension plan and are amortized over the expected future working lifetime of all plan members, except the net difference between projected and actual earnings on pension plan investments, which is amortized over five years.

Net Position

GASB requires the classification of net position into three components: net investment in capital assets, restricted and unrestricted. These net position classifications are defined as follows:

- Net investment in capital assets - This component consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted - This component consists of external constraints placed on net position imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of December 31, 2022, the Agency has restricted net position of $5,341,001 for distribution of Section 8 Housing Choice Vouchers and Veterans Affairs Supportive Housing and Emergency Housing Vouchers and $2,377,965 for other programs. Additionally, the Agency has restricted cash and investment balances related to reserves and escrow as discussed in Note 3.

- Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." For an expense incurred for which both restricted and unrestricted net position is available, the Agency will expend restricted net position.

New Accounting Pronouncements

GASB has issued several pronouncements that may impact future financial presentations. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Agency:

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability*
- Payment Arrangements
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 99, Omnibus 2022
- GASB Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62
- GASB Statement No. 101, *Compensated Absences*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies and Commitments

In connection with various federal and state grant programs, the Agency is obligated to administer programs and spend grant funds in accordance with regulatory restrictions subject to audit by grantor agencies. In cases of noncompliance, grantors may require the Agency to refund program funds. The Agency is contingently liable in connection with claims and contracts arising in the normal course of its activities.

As of December 31, 2022, the Agency recorded a liability of $993,116 representing an estimate of the obligations associated with an FSS escrow related repayment and overdraws on Section 8 programs.

As of December 31, 2022, the Agency recorded a liability of $6,599,001 representing an estimate of the obligations associated with Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) repayment agreements.

Management Evaluation of Subsequent Events

The Agency was informed on September 18, 2023, that the City of Indianapolis and HUD intend to enter into a Cooperative Endeavor Agreement (CEA) pertaining to all functions of the Agency and its nonprofit development affiliate, Insight. The CEA will outline the roles and responsibilities of the City, HUD and the Agency in a reorganization and reconstitution of the oversight, management and daily operations of the Agency. A third-party consultant will be procured to evaluate HUD's findings and to evaluate the Agency's oversight, management and operations. The goal is to reorganize the Agency to better serve its constituents, including residents, neighbors and taxpayers.

The management has evaluated the subsequent events through October 13, 2023, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

Cash Deposits

The Agency maintains cash deposits with area financial institutions. A summary of these deposits at December 31, 2022, is as follows:

	Carrying Value
Insured by Federal Deposit Insurance Corporation	$ 3,420,057
Insured by Indiana Public Deposits Insurance Fund	21,585,796
Insured by Securities Investor Protection Corporation	4,302,468
	$ 29,308,321

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Cash and equivalents:	
Unrestricted	$ 11,387,878
Restricted (Note 3)	17,920,443
	$ 29,308,321

Investment Policy

The following summarizes the Agency's investment policy and activity:

Investment Policy and Legal and Contractual Provisions Governing Cash Deposits

In accordance with Section 401(E) of the HUD/PHA Annual Contributions Contract, it is the policy of the Agency to invest its funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow needs of the Agency, and comply with all federal, state and local statutes or ordinances governing the investment of public funds.

Demand deposits of the Agency are fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund except for demand deposits of Insight which are partially insured by the Federal Depository Insurance Corporation.

Credit Risk and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Custodial credit risk is the risk that the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Federal depository insurance covered $250,000 of demand deposits and the remaining balance was insured by the state of Indiana's Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

The Agency has two institutional money market deposit accounts to consider for credit risk and custodial credit risk. One valued at $1,097,934 had Standard and Poor credit rating of A-, a Moody's credit rating of A3 and Fitch rating of A- and one valued at $5,184,003 had a Standard and Poor credit rating of A-, a Moody's credit rating of A3 and Fitch rating of A- at December 31, 2022.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. At December 31, 2022, 100% of the investments were held in government obligations: Federated Treasury Obligations Fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All Agency deposits and investments are denominated in United States currency.

NOTE 3 - RESTRICTED CASH

The Agency has the following restricted cash accounts as described below:

Tenant Security Deposits

Upon moving into a property, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory. At December 31, 2022, cash restricted for tenant security deposits was $377,236.

Family Self-Sufficiency (FSS) Escrow

The FSS program promotes the development of local strategies to coordinate the use of housing assistance with public and private resources in order to provide supportive services, which will enable participating families to achieve economic independence and self-sufficiency. At December 31, 2022, the cash restricted for the FSS escrow was $400,348.

Section 8 Vouchers and Veterans Affairs Supporting Housing (VASH)

Overdraws of Section 8 Housing Assistance and VASH funds are restricted and are to be applied to subsequent years voucher/program payments. At December 31, 2022, cash restricted for Section 8 vouchers and VASH was $5,601,837.

Funds Designated for Programs

Loan and TIF proceeds received by the Agency have been committed to be utilized for various programs, such as loans for low-income housing capital projects and home ownership program. At December 31, 2022, cash restricted for these programs was $132,286. Other program income received by the Agency has been committed to be utilized for various housing projects and programs. At December 31, 2022, cash restricted for these programs was $234,047.

Reserve Accounts for Operating, Replacement, ACC and Escrow

Cash is restricted and held in reserve accounts per the terms of Annual Contributions Contract and operating partnership agreements. At December 31, 2022, the cash account balances for these purposes totaled $11,320,989.

Debt Funds Held for Construction

Cash from certain debt issuances is restricted for the purpose of funding ongoing construction projects. At December 31, 2022, these cash account balances totaled $102,709.

NOTE 4 - LOANS RECEIVABLE AND ACCRUED INTEREST

Loans receivable are the result of grant funded affordable or low-income housing capital projects. At December 31, 2022, loans receivable and accrued interest consisted of the following:

	Interest Rate	Principal	Accrued Interest	Unamortized Discount	Allowance for Loan Losses	Net Loans Receivable	Notes
Red Maple Grove:							
Phase I	4.84%	$ 346,700	$ 515,268	$ -	$ -	$ 861,968	(a)
Phase IIA - Perm A	5.36%	772,616	994,829	-	-	1,767,445	(a)
Phase IIA - Perm B	0%	3,103,412	-	(2,186,166)	-	917,246	(a)
Phase IIB - Perm A	5.25%	2,078,454	2,165,632	-	-	4,244,086	(a)
Phase IIB - Perm B	0%	2,009,813	-	(1,478,463)	-	531,350	(a)
Phase I - Insight (AHP)	0%	300,000	-	(145,210)	-	154,790	(b)
Phase I - Insight (INHP)	0%	31,650	-	(15,320)	-	16,330	(b)
Phase IIA - Insight (AHP)	0%	318,000	-	(236,180)	-	81,820	(b)
Phase IIB - Insight (INHP)	0%	15,146	-	(11,249)	-	3,897	(b)
Phase IIB - Insight (AHP)	0%	275,000	-	(205,923)	-	69,077	(b)
Second mortgages	0%	1,102,308	-	-	(1,102,308)	-	(c)
Trail Side	0%	1,650,987	-	(914,692)	-	736,295	(d)
St. Clair	0%	1,574,691	-	(1,151,280)	-	423,411	(e)
Tibbs I	0%	200,000	-	-	(200,000)	-	(f)
Tibbs II	5.74%	300,000	-	-	(300,000)	-	(f)
Penn Place, LP	5.00%	1,100,000	275,613	-	-	1,375,613	(g)
Alegiant Prep	0%	1,667	-	-	(1,667)	-	(h)
Total		$ 15,180,444	$ 3,951,342	$ (6,344,483)	$ (1,603,975)	$ 11,183,328	

Details on loans receivable are provided below:

a. Red Maple Grove Phase I - IIA, and IIB - Agency: The Agency entered into loan agreements with BRINDY-I LP to develop low income housing on Agency owned land with a current principal outstanding balance of $8,310,995, discounted to $4,646,366. The balance is due as follows:

   - $346,700 is due along with related accrued interest on June 30, 2044.
   - $3,876,028 is due along with related accrued interest on December 31, 2047.
   - $4,088,267 is due along with related accrued interest on December 31, 2049.

b. Red Maple Grove Phase I - IIA, and IIB - Insight: The Agency, through Insight, made non-interest coupon loans using grant funds to BRINDY-I, LP with a current principal outstanding balance of $939,796 discounted to $325,914. The balance is due as follows:

   - $331,650 is due upon demand or December 31, 2036.
   - $318,000 is due upon demand or December 31, 2047.
   - $15,146 is due upon demand or December 31, 2048.
   - $275,000 is due upon demand or December 31, 2049.

NOTE 4 - LOANS RECEIVABLE AND ACCRUED INTEREST (Continued)

c. Red Maple Grove Second Mortgages: From 2009 through 2014, the Agency entered into several second mortgage agreements with individuals to purchase low-income housing properties. These mortgages are subordinate to first mortgages and are not collateralized. These loans are expected to be forgiven. Therefore, a provision for allowance has been recorded for the balance of the loans.

d. Trail Side: The Agency entered into a non-interest bearing loan agreement for $1,650,987 with Trail Side on Mass Ave., LP in 2011. No payments are due until the maturity date of September 1, 2042.

e. St. Clair: The Agency entered into a non-interest-bearing loan agreement for $1,574,691 with St. Clair Senior Apartments, LP in 2011. No payments are due until the maturity date of December 31, 2054.

f. Tibbs Court: During 1998, the Agency entered into an agreement with Tibbs Court, LLP (Tibbs Court) to utilize HOPE VI federal funds to construct 50 housing units of which 19 will be public housing units. In addition to grant funds expended, the Agency loaned HOPE VI money to Tibbs Court. The loan included a $200,000 non-interest-bearing loan, which is due September 14, 2036, and a $300,000 interest-bearing loan at 5.74%, which is due September 14, 2038. The entire amount of the loans plus accrued interest is due at the maturity dates. No public housing money can be used to repay the loans. The loans are secured by collateral assignment of the leases and rents of the mortgaged property. At December 31, 2022, the Agency has not accrued any interest revenue on either loan and had recorded an allowance for loan losses against the full principal balances due to uncertainty of collection.

g. Penn Place, LP: The Agency has a loan agreement with Penn Place, LP with a simple fixed rate of 5% per annum for the purpose of acquiring, constructing, owning and operating a 38-unit residential rental apartment complex. All principal and interest payments are to be paid from net cash flow with any unpaid amounts being due at the maturity date of December 31, 2054.

h. Allegiant Prep: During 2018, Insight provided a tenant improvement allowance of up to $40,000, which is to be repaid in monthly installments of $1,667 beginning in 2018. As of December 31, 2022, there is a remaining principal balance of $0, considering the allowance.

NOTE 5 - LEASES

In 2017, the GASB issued Statement No. 87: *Leases*. The effective date was extended from fiscal years beginning after December 15, 2019, to fiscal years beginning after June 15, 2021 by GASB No. 95. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Agency adopted GASB 87 on January 1, 2022.

NOTE 5 - LEASES (CONTINUED)

Following is a summary of changes in lease assets for the Agency for the year ended December 31, 2022:

	January 1, 2022	Increases/ Decreases	December 31, 2022
Lease assets:			
Equipment - copiers	$ 86,845	$ -	86,845
Total lease assets being amortized	86,845	-	86,845
Less: Accumulated amortization	-	(72,238)	(72,238)
Net lease assets	$ 86,845	$ (72,238)	$ 14,607

The impact of adopting GASB 87 was recognition of a right of use asset and liability of $86,845 on January 1, 2022. Within the statement of changes in net position, $72,238 of amortization expense was charged to operating expenses of the Agency during 2022.

Cash paid for amounts included in the measurement of lease liabilities was $75,564. The remaining lease term in years is 0.2, and the weighted average discount rate used was 2.62%. The lease matures in 2023, and the present value of lease liabilities is $12,573 at December 31, 2022.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, is as follows:

	January 1, 2022	Increases/ Decreases	December 31, 2022
Nondepreciable:			
Land	$ 21,074,523	$ 181,196	21,255,719
Construction in progess	-	-	-
	21,074,523	181,196	21,255,719
Depreciable:			
Buildings and improvements	226,981,880	(12,597,845)	214,384,035
Equipment, furniture and other	14,844,729	(858,891)	13,985,838
	241,826,609	(13,456,736)	228,369,873
Less: Accumulated depreciation	(96,461,747)	(2,785,855)	(99,247,602)
	145,364,862	(16,242,591)	129,122,271
Total Capital Assets, net	$ 166,439,385	$ (16,061,395)	$ 150,377,990

NOTE 6 - CAPITAL ASSETS (CONTINUED)

In 2007, the Agency entered into a ground lease with Indiana Avenue Apartments, LP, an Indiana limited partnership, described as Red Maple Grove, where the land is leased for $1 per year for a term of 99 years.

On December 27, 2022, the Agency sold Millikan II, LP to a developer, for proceeds of $12,025,000, resulting in a net gain on sale of approximately $4,700,000 which is recorded in Other Income in the Statement of Changes in Net Position. The proceeds were used to payoff a $6,250,000 loan and accrued interest, pay property taxes and closing costs of approximately $636,000 and the remaining was used for operating expenses.

NOTE 7 - NONCURRENT LIABILITIES

Noncurrent liabilities activity for the year ended December 31, 2022, is as follows:

	January 1, 2022	Increases/ Decreases	December 31, 2022	Amounts Due Within 1 Year	Amounts Due Thereafter
Loans and interest payable	$ 18,951,521	$ (6,253,385)	$ 12,698,136	$ 2,451,574	$ 10,246,562
Net pension liability	1,059,521	1,057,116	2,116,637	-	2,116,637
Due to other governmental units	4,178,421	3,413,696	7,592,117	2,623,207	4,968,910
FSS escrow	422,070	(7,156)	414,914	110,787	304,127
Total	$ 24,611,533	$ (1,789,729)	$ 22,821,804	$ 5,185,568	$ 17,636,236

Loans and Interest Payable

The Agency has four zero interest loans at December 31, 2022, with four tax credit limited partnerships controlled by the Agency and Indiana Housing & Community Development Authority (IHCDA) related to the Section 1602 Tax Credit Exchange Program. One fifteenth of the principal balance of Section 1602 Tax Credit Exchange Program notes is forgiven each year as long as the Projects stay in compliance. The mortgages are secured by the buildings of the Projects located in Indianapolis, Indiana. The total balance of Section 1602 Tax Credit Exchange Program notes at December 31, 2022, was $2,764,553.

16 Park, LP has a loan with IHCDA for up to $3,000,000 with a simple fixed interest rate of 1% per year on the outstanding principal balance. Principal payments of $91,367, to the extent of available cash flow started April 1, 2016, and continue to the maturity date of January 31, 2055. Accrued interest payable totaled $64,924 at December 31, 2022. The balance outstanding at December 31, 2022, was $2,766,915.

Millikan II, LLC had a loan with four insurance companies for $6,250,000, which the total principal balance of the loan and any remaining accrued interest were due on the maturity date of May 31, 2022. In 2022, this loan was extended an additional three months to August 31, 2022, with the option to extend an additional three months. Commencing on January 1, 2021, and continuing on the 1st of each month thereafter, through and including maturity day, Millikan II, LLC shall pay monthly interest payments initially at a rate of 7.75% and then the sum of the greater of the prime rate and the prime rate floor, as defined, and the prime rate spread, as defined. The loan is guaranteed by the Agency and collateralized by the property and most assets of Millikan II, LLC. This loan was paid in full in 2022 at the time the property was sold (see note 6).

NOTE 7 - NONCURRENT LIABILITIES (CONTINUED)

Loans and Interest Payable (Continued)

During November 2020, the Agency obtained a loan with the City of Indianapolis for $1,500,000, which was originally due on May 9, 2022, and charges no interest. In 2022, this loan was extended to December 31, 2023.

During 2018 and 2019, Insight received unsecured loans from Local Initiatives Support Corporation (LISC) with an interest rate of 0%. The balance outstanding as of December 31, 2022, was $50,000 which is expected to be repaid in 2023.

During 2018 and 2019, Insight entered into loans with IHCDA for the purpose of advancing the proceeds to the Agency and then to Indiana Avenue Apartments, LP and Bethel Townhome Apartments, LP. The loans have an interest rate of 5.75% per annum on the outstanding principal balances. Principal payments are required one year after completion of the Indiana Avenue Apartments and Bethel Townhomes Projects and continue to the maturity date of October 1, 2050. The balance outstanding at December 31, 2022, was $1,490,000.

On September 1, 2018, Bethel Townhome Apartments, LP entered into a building loan agreement with P/R Mortgage & Investment Corp. for a principal amount of up to $2,845,700 for the acquisition, rehabilitation and equipping of the Bethel Townhomes Project. As of December 31, 2022, Bethel Townhome Apartments, LP had $2,628,351 outstanding on this facility. The loan is collateralized by the Project and insured by HUD and bears interest at 4.51%. The loan requires interest-only payments through January 1, 2020, with monthly principal and interest installments of $12,812 thereafter through the maturity date of January 1, 2060.

In 2018, Indiana Avenue Apartments, LP obtained a construction loan through tax-exempt bond financing, City of Indianapolis, Indiana Multifamily Housing Revenue Bonds of 2018, Series C (Indiana Avenue Apartments Project), issued in the original maximum principal drawing amount of $7,945,000 for the acquisition, rehabilitation and equipping of the Indiana Avenue Project. In October 2020, principal was paid with funds from the bond reserves and proceeds from capital contributions and the bonds converted to permanent status with an initial principal balance of $715,000. At December 31, 2022, the bond had an outstanding principal balance of $695,688 with unamortized debt issuance costs of $214,915. The bond is collateralized by the Indiana Avenue Project and matures on October 1, 2050. Accrued interest payable as of December 31, 2022 was $3,416.

As of December 31, 2022, debt service requirements of the Agency were as follows:

Year Ending	Principal	Interest	Total
2023	$ 2,402,117	$ 49,457	$ 2,451,574
2024	1,096,385	35,577	1,131,962
2025	777,574	31,085	808,659
2026	711,605	31,085	742,690
2027	104,531	31,085	135,616
Thereafter	6,292,589	1,135,046	7,427,635
Total	$ 11,384,801	$ 1,313,335	$ 12,698,136

NOTE 7 - NONCURRENT LIABILITIES (CONTINUED)

Due to Other Governmental Units

Due to other governmental units represents two agreements with HUD to repay Section 8 overdraws in equal installments over ten-year periods originally beginning in 2006 and 2015. In 2015, HUD amended the agreements and extended the due dates to 2025 and 2040, respectively. In 2020, two additional agreements with HUD were added to repay Section 8 overdraws over 15-year and 30-year periods, which require payments beginning in 2026 and 2022, respectively. The Agency received the results of a HUD Financial Management Review on July 28, 2023. The report generally covered the period from 2018 to February 2022. The review revealed additional questioned and disallowed costs, increasing the total due to HUD to $6,599,001. No repayment terms have been issued as of the date of this report Additional amounts owed and attributable to the FSS Repayment which amounts to $993,116 as of December 31, 2022.

Future minimum payments on these repayment agreements as of December 31, 2022, are as follows:

Year Ending	
2023	$ 2,623,207
2024	147,810
2025	147,805
2026	192,328
2027-2031	1,049,472
2032-2036	1,400,804
2037-2041	2,030,691
	$ 7,592,117

FSS Escrow

FSS is the family self-sufficiency program developed by HUD that encourages communities to develop strategies to help assisted families obtain employment and become economically independent. Families receiving housing assistance through Section 8 and public housing are eligible for the program. Each family that participates must sign an FSS contract and the head of household and other interested family members must work with the Agency to develop individual training and service plans. The plan spells out the responsibilities of the family and the Agency during the course of the FSS contract. Services that can be obtained through FSS are employment and training, transportation, home-ownership opportunities, educational programs, and other services. If an FSS participant increases their earnings in work, an amount equal to 30% of the net increase in income or 30% of the increased earnings (whichever is lower) is deposited into an escrow account. Once the participant successfully finishes the program, they will receive all the funds in their escrow account. Management makes an estimate of the amount to be paid within the next year to determine the portion that is current and noncurrent.

NOTE 8 - RISK MANAGEMENT AND CONTINGENCIES

The Agency maintains insurance against most normal hazards. The Agency is a member of the Housing Authority Risk Retention Group, Inc. (Group), which provides general liability, public official and lead-based paint insurance to participating public housing authorities throughout the United States. The Agency joined the Group in order to obtain stable and affordable insurance coverage for general liability. Coverage provided by general liability is $5 million per year with a deductible of $25,000 for general liability and $25,000 for property claims per occurrence. The Agency's risk of participation in the Group is limited to the Agency's initial original equity contribution of $90,000, any subsequent additional equity contribution as determined by the Group's Board of Directors and the payment of annual premiums for its general liability insurance coverage.

Although the underwriting experience of the Group may result in an increased annual premium charged and/or assessments against each participant's equity contribution account, the Agency's exposure to any net loss allocation is restricted to its equity contribution account balance, plus any additional assessment that may be required. The Agency paid total premiums in 2022 of $1,281,979. The Agency has an investment of $316,900 in the Group at December 31, 2021.

Management believes that the number of outstanding claims and potential claims outstanding do not materially affect the financial statements of the Agency. For the current year and prior two fiscal years, the amount of settlements did not exceed insurance coverage.

NOTE 9 - RELATED PARTY TRANSACTIONS

As described in Note 1, the Agency is a component unit of the City of Indianapolis. The Agency utilized services from the City of Indianapolis in the ordinary course of business including fleet services and health insurance. In 2022, the Agency paid $838,208 to the City of Indianapolis for fleet services, health insurance, and other services.

As disclosed in Note 7, the City of Indianapolis issued two bonds during 2018 to fund the acquisition, rehabilitation, and equipping of the Indiana Avenue Apartment Project and the Bethel Townhomes Project and provided another loan in 2020 for $1,500,000.

The City of Indianapolis provided $750,000 to the Agency in 2022 as an advance on a purchase transaction for a lot located on Raymond Street in Indianapolis. The funds are recorded as deferred revenue in the accompanying Statement of Net Position as of December 31, 2022. The closing is pending approval by HUD.

The City of Indianapolis provided grants to the Agency in 2002 amounting to approximately $1,009,000. These grants are recorded in capital grants and contributions in the accompanying Statement of Revenues, Expenses and Changes in Net Position as of December 31, 2022.

NOTE 10 - BENEFIT PLAN

Plan Description

The Agency is a participating employer of the Public Employees' Hybrid plan (PERF Hybrid), and its employees are participating members. PERF Hybrid is part of the Public Employees' Retirement Fund (PERF) and consists of two components: the Public Employees' Defined Benefit Account (PERF DB), the monthly employer-funded defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), a member-funded account.

PERF Hybrid is administered by the Indiana Public Retirement System (INPRS). INPRS issues a publicly available financial report, including PERF Hybrid, that may be obtained at http://www.inprs.in.gov/.

Public Employees' Defined Benefit Account

PERF DB is a cost-sharing, multiple employer defined benefit fund providing retirement, disability and survivor benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2 and other Indiana pension law.

Eligibility for Pension Benefit Payment

Full Retirement Benefit: A member is entitled to a full retirement benefit at 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position.

Early Retirement Benefit: A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is 44% of full benefits at age 50, increasing 5% per year up to 89% at age 59.

Disability Benefit: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of disability.

Survivor Benefit: If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

Contribution Rates

Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board updates the percentage of covered payroll annually effective July 1. Employers contribute 11.2% of covered payroll. No member contributions are required. The Agency's contributions to PERF Defined Benefit Plan was $403,761 in 2022.

NOTE 10 - BENEFIT PLAN (CONTINUED)

Public Employees' Defined Benefit Account (Continued)

Benefit Formula and Postretirement Benefit Adjustment

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1% (minimum of $180 per month). Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS Board.

Public Employees' Defined Contribution Account

PERF DC is a multiple-employer defined contribution fund providing retirement benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2, and other Indiana pension law.

Contribution Rates

Member contributions under PERF DC are set by statute and the INPRS Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. The Agency made no matching contributions of member contributions to PERF DC for the year ended December 31, 2022. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

Benefit Terms

Members (or their beneficiaries) are entitled to the sum total of contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death) or upon providing proof of the member's qualification for Social Security disability benefits. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF DC members are 100% vested in their account balance.

Significant Actuarial Assumptions

The total pension liability is determined using an actuarial valuation performed by INPRS actuaries, which involves estimates of the value of reported amounts (e.g., salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to review and modifications, as actual results are compared with past expectations and new estimates are developed.

NOTE 10 - BENEFIT PLAN (CONTINUED)

Significant Actuarial Assumptions (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Asset valuation date:	June 30, 2022	
Liability valuation date and method:	June 30, 2021 - The TPL as of June 30, 2022, was determined based on an actuarial valuation prepared as of June 30, 2021, rolled forward one year to June 30, 2022, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.	
Actuarial cost method:	Entry age normal - level percent of payroll	
Experience study date:	The most recent comprehensive experience study, based on member experience between June 30, 2014 and June 30, 2019, was completed in February 2020. The demographic assumptions were approved by the Board in June 2020 and were used beginning with the June 30, 2020 actuarial valuation. Economic assumptions were updated and approved by the Board in May 2021 following the completion of an Asset-Liability study and first used in the June 30, 2021 actuarial valuation.	
Investment rate of return:	6.25%	
COLA:	Members in pay were granted a 1.00% COLA effective January 1, 2022 for the 2021-2023 biennium. Thereafter, the following COLAs, compounded annually, were assumed: 0.4% beginning on January 1, 2024 0.5% beginning on January 1, 2034 0.6% beginning on January 1, 2039	
Future salary increases, including inflation:	2.65% - 8.65%	
Inflation:	2.00%	
Mortality - Healthy Employees and Retirees:	Base Table	PubG-2020
	M/F Set Forward	+3/+1
Mortality - Disabled:	Base Table	PubG-2010
	Load	140%
Mortality - Beneficiaries:	Base Table	PubCS-2020
	M/F Set Forward	+0/+2
Mortality - Improvement - All Tables:	Generational Improvement Scales - MP-2019	

NOTE 10 - BENEFIT PLAN (CONTINUED)

Significant Actuarial Assumptions (Continued)

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expect return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Asset Allocation	Geometric Basis Long-term Expected Real Rate of Return
Private Equity	20.0%	3.6%
Private Markets	15.0%	7.7%
Fixed Income - Ex Inflation linked	20.0%	1.4%
Fixed Income - Inflation linked	15.0%	-0.3%
Commodities	10.0%	0.9%
Real Estate	10.0%	3.7%
Absolute Return	5.0%	2.1%
Risk Parity	20.0%	3.8%
Cash and Cash Overlay	NA	-1.7%

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability using the discount rate of 6.25%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%), or one percentage point higher (7.25%) than the current rate:

1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
$3,575,605	$2,116,537	$899,567

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the Agency reported a liability of $2,116,537 for its proportionate share of the net pension liability. The Agency's proportionate share of the net pension liability was based on the Agency's wages as a proportion of total wages for PERF Hybrid. The proportionate share used at the June 30, 2022 measurement date was 0.06711%.

NOTE 10 - BENEFIT PLAN (CONTINUED)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2022, the Agency recognized pension income of $152,596, which includes expenses from the net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of $232,519. At December 31, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to PERF DB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 45,640	$ 8,049
Net differences between project and actual earnings on pension plan investments	261,203	-
Changes of assumptions	286,674	90,553
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	6,495	605,347
Total recognized in pension expense based on table	600,012	703,949
Pension contribution subsequent to measurement date	232,519	-
Total	$ 832,531	$ 703,949

Deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2022. Amounts reported as deferred outflows of resource and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2023	$ (256,399)
2024	(14,100)
2025	(109,739)
2026	276,302
	$ (103,936)

NOTE 11 - LIQUIDITY RISKS AND UNCERTAINTIES

Management has indicated, as of the date of the statement of net position, conditions exist which create uncertainty about the Agency's ability to continue as a going concern. Specifically, the Agency lacks funding to meet secured debt obligations due over the next twelve months from the date of the statement of net position. This includes making required debt service payments on a $1,500,000 loan due on December 31, 2023 to the City of Indianapolis. (see Note 7). In addition, the Agency has had difficulty managing various properties and meeting cash flow needs. Management of the Agency has evaluated these conditions and determined reduction of debt service payments would alleviate some of this uncertainty. As a result, management plans to extend the maturity of debt service payments (see Note 7) and has plans to raise operating funds through the sale of assets. The Agency has contracted with a broker to sell the real property and its general partnership interest in real property. Further, the Agency is in the process of entering into an agreement with HUD for management assistance.

NOTE 12: CONDENSED COMBINING INFORMATION

GASB Statement No. 61 requires that combining information be presented for business-type activities that included a blended component unit within a single column on the basic financial statements. The following summarizes the combining information for the statement of net position as of December 31, 2022:

	The Agency	L and R Housing, LP	TH and B, LP	B and H Housing, LP	Lugar, LP	Eliminations	Agency Subtotal
ASSETS							
Current Assets	$ 12,062,056	$ 3,477,197	$ 2,749,394	$ 3,254,845	$ 1,617,993	$ -	$ 23,161,485
Due (to)/from	4,886,059	-	-	-	-	(2,095,592)	2,790,467
Total Current Assets	16,948,115	3,477,197	2,749,394	3,254,845	1,617,993	(2,095,592)	25,951,952
Noncurrent Assets							
Capital assets, net	31,679,010	11,322,559	13,928,486	14,743,250	20,381,956	-	92,055,261
Other noncurrent assets	86,084,002	601,362	647,566	434,218	616,478	(43,320,266)	45,063,360
Total Assets	134,711,127	15,401,118	17,325,446	18,432,313	22,616,427	(45,415,858)	163,070,573
Deferred Outflows of Resources	823,737	-			-	-	823,737
Total Assets and Deferred Outflows of Resources	135,534,864	15,401,118	17,325,446	18,432,313	22,616,427	(45,415,858)	163,894,310
LIABILITIES							
Current Liabilities	14,852,154	291,096	2,068,263	983,552	1,148,067	(4,645,144)	14,697,988
Noncurrent Liabilities	9,251,131	10,755,252	10,719,881	9,419,378	10,483,612	(40,770,714)	9,858,540
Total Current Liabilities	24,103,285	11,046,348	12,788,144	10,402,930	11,631,679	(45,415,858)	24,556,528
Deferred Inflows of Resources	758,493	-	-	-	-	-	758,493
Net Position							
Net investments in capital assets	13,711,070	11,052,472	13,763,173	14,647,710	20,349,910		73,524,335
Restricted for Section 8 vouchers and VASH	5,341,001	-	-	-	-		5,341,001
Restricted for reserves and escrow	11,320,989	-	-	-	-		11,320,989
Restricted for other programs	2,377,965	-	-	-	-		2,377,965
Unrestricted	77,922,061	(6,697,702)	(9,225,871)	(6,618,327)	(9,365,162)		46,014,999
Total Net Position	110,673,086	4,354,770	4,537,302	8,029,383	10,984,748	-	138,579,289
Total Liabilities and Deferred Inflows of Resources and Net Position	$ 135,534,864	$ 15,401,118	$ 17,325,446	$ 18,432,313	$ 22,616,427	$ (45,415,858)	$ 163,894,310

	Insight	IHA Housing Partners I, LP	IHA Housing Partners II, LP	16 Park, LP	Barton Block, LP	Millikan II, LP	Indiana Avenue Apartments, LP	Bethel Townhome Apartments, LP	Eliminations	Insight Total	Eliminations	Combined Total
ASSETS												
Current Assets	$ 8,116,108	$ 230,123	$ 554,710	$ 877,037	$ 599,886	$ 418,221	$ 529,551	$ 1,003,513	$ (210,406)	$ 12,118,743	$ -	$ 35,280,228
Due (to)/from	1,631,891	(304,164)	(112,709)	(171,299)	(202,841)	(176,738)	(782,636)	(2,882,377)	3,011,580	10,707	(2,801,174)	-
Total Current Assets	9,747,999	(74,041)	442,001	705,738	397,045	241,483	(253,085)	(1,878,864)	2,801,174	12,129,450	(2,801,174)	35,280,228
Noncurrent Assets												
Capital assets, net	1,326,302	869,064	6,855,556	22,393,521	8,295,256	-	6,391,805	12,191,225		58,322,729	-	150,377,990
Other noncurrent assets	7,957,260	-	4,183	1,955,414	468,965	-	347,702	344,702	(4,961,866)	6,116,360	(39,435,199)	11,744,521
Total Assets	19,031,561	795,023	7,301,740	25,054,673	9,161,266	241,483	6,486,422	10,657,063	(2,160,692)	76,568,539	(42,236,373)	197,402,739
Deferred Outflows of Resources	8,794	-	-	-	-	-	-	-		8,794	-	832,531
Total Assets and Deferred Outflows of Resources	19,040,355	795,023	7,301,740	25,054,673	9,161,266	241,483	6,486,422	10,657,063	(2,160,692)	76,577,333	(42,236,373)	198,235,270
LIABILITIES												
Current Liabilities	629,291	53,402	232,144	823,456	92,035	263,849	29,122	53,834	2,801,174	4,978,307	(5,622,796)	14,053,499
Noncurrent Liabilities	1,629,942	2,353,751	9,617,326	9,435,023	1,414,069	-	11,471,148	12,369,294	(4,961,866)	43,328,687	(36,613,577)	16,573,650
Total Current Liabilities	2,259,233	2,407,153	9,849,470	10,258,479	1,506,104	263,849	11,500,270	12,423,128	(2,160,692)	48,306,994	(42,236,373)	30,627,149
Deferred Inflows of Resources	762,500	-	-	-	-	-	-	-		762,500	-	1,520,993
Net Position												
Net investments in capital assets	899,626	332,961	6,515,023	21,647,835	7,716,559	-	6,294,707	12,191,225		55,597,936	-	129,122,271
Restricted for Section 8 vouchers and VASH	-	-	-	-	-	-	-	-		-		5,341,001
Restricted for reserves and escrow	-	-	-	-	-	-	-	-		-		11,320,989
Restricted for other programs	-	-	-	-	-	-	-	-		-		2,377,965
Unrestricted	15,118,996	(1,945,091)	(9,062,753)	(6,851,641)	(61,397)	(22,366)	(11,308,555)	(13,957,290)		(28,090,097)		17,924,902
Total Net Position	16,018,622	(1,612,130)	(2,547,730)	14,796,194	7,655,162	(22,366)	(5,013,848)	(1,766,065)	-	27,507,839	-	166,087,128
Total Liabilities and Deferred Inflows of Resources and Net Position	$ 19,040,355	$ 795,023	$ 7,301,740	$ 25,054,673	$ 9,161,266	$ 241,483	$ 6,486,422	$ 10,657,063	$ (2,160,692)	$ 76,577,333	$ (42,236,373)	$ 198,235,270

INDIANAPOLIS HOUSING AGENCY
(A Component Unit of the City of Indianapolis)
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 12: CONDENSED COMBINING INFORMATION (CONTINUED)

The following summarize the combining statement of revenues, expenses, and changes in net position for the year ended December 31, 2022:

	The Agency	L and R Housing, LP	TH and B, LP	B and H Housing, LP	Lugar, LP	Eliminations	Agency Subtotal	Insight
Operating revenue	$ 10,056,520	$ 492,429	$ 1,632,212	$ 645,439	$ 1,042,352	$ (8,281,512)	$ 5,587,440	$ 128,170
Other operating expenses	67,267,082	1,790,330	2,739,385	2,153,677	2,043,005	(90,000)	75,903,479	(720,207)
Depreciation expense	1,815,860	436,126	574,621	550,225	777,264	-	4,154,096	23,754
Total operating expenses	69,082,942	2,226,456	3,314,006	2,703,902	2,820,269	(90,000)	80,057,575	(696,453)
Operating income (loss)	(59,026,422)	(1,734,027)	(1,681,794)	(2,058,463)	(1,777,917)	(8,191,512)	(74,470,135)	824,623
Intergovernmental grants	57,454,076	1,345,059	-	462,341	526,507	-	59,787,983	-
Other non-operating revenues (expenses)	3,017,182	(185,602)	(165,350)	(169,306)	(420,175)	-	2,076,749	5,327,801
Total non-operating revenues (expenses)	60,471,258	1,159,457	(165,350)	293,035	106,332	-	61,864,732	5,327,801
Income (loss) before capital contributions	1,444,836	(574,570)	(1,847,144)	(1,765,428)	(1,671,585)	(8,191,512)	(12,605,403)	6,152,424
Capital grants and contributions	3,097,501	-	-	-	-	-	3,097,501	-
Change in net position	4,542,337	(574,570)	(1,847,144)	(1,765,428)	(1,671,585)	(8,191,512)	(9,507,902)	6,152,424
Net position, beginning of year	113,932,983	5,099,473	6,594,137	9,978,137	12,656,333	-	148,261,063	10,292,879
Net position, end of year	$ 118,475,320	$ 4,524,903	$ 4,746,993	$ 8,212,709	$ 10,984,748	$ (8,191,512)	$ 138,753,161	$ 16,445,303

	IHA Housing Partners I, LP	IHA Housing Partners II, LP	16 Park, LP	Barton Block, LP	Millikan II, LP	Indiana Avenue Apartments, LP	Bethel Townhome Apartments, LP	Eliminations	Insight Total	Eliminations	Combined Total
Operating revenue	$ 163,521	$ 385,033	$ 485,831	$ 326,851	$ 1,054,319	$ 256,818	$ 167,268	$ -	$ 2,967,811	$ -	$ 8,555,251
Other operating expenses	363,864	575,638	1,583,014	432,301	1,125,405	569,862	543,615	-	4,473,492	1,657,529	82,034,500
Depreciation expense	133,830	449,400	845,639	327,920	551,176	285,358	699,942	-	3,317,019	-	7,471,115
Total operating expenses	497,694	1,025,038	2,428,653	760,221	1,676,581	855,220	1,243,557	-	7,790,511	1,657,529	89,505,615
Operating income (loss)	(334,173)	(640,005)	(1,942,822)	(433,370)	(622,262)	(598,402)	(1,076,289)	-	(4,822,700)	(1,657,529)	(80,950,364)
Intergovernmental grants	234,197	223,051	732,101	45,278	-	385,021	514,115	-	2,133,763	-	61,921,746
Other non-operating revenues (expenses)	195,796	(235,293)	205,350	(67,347)	(957,677)	(333,006)	(793,794)	-	3,341,830	599,768	6,018,347
Total non-operating revenues (expenses)	429,993	(12,242)	937,451	(22,069)	(957,677)	52,015	(279,679)	-	5,475,593	599,768	67,940,093
Income (loss) before capital contributions	95,820	(652,247)	(1,005,371)	(455,439)	(1,579,939)	(546,387)	(1,355,968)	-	652,893	(1,057,761)	(13,010,271)
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-	3,097,501
Change in net position	95,820	(652,247)	(1,005,371)	(455,439)	(1,579,939)	(546,387)	(1,355,968)	-	652,893	(1,057,761)	(9,912,770)
Net position, beginning of year	(1,473,753)	(1,672,432)	15,801,565	8,110,601	1,557,573	(4,467,461)	(410,097)	-	27,738,875	-	175,999,938
Net position, end of year	$ (1,377,933)	$ (2,324,679)	$ 14,796,194	$ 7,655,162	$ (22,366)	$ (5,013,848)	$ (1,766,065)	$ -	$ 28,391,768	$ (1,057,761)	$ 166,087,168

INDIANAPOLIS HOUSING AGENCY
(A Component Unit of the City of Indianapolis)
SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)

PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Agency's proportion of the net position liability	0.06711%	0.08052%	0.09270%	0.11064%	0.11638%	0.11602%	0.11275%	0.10735%	0.10008%	0.10796%
Agency's proportionate share of the net pension liability	$ 2,116,537	$ 1,059,521	$ 2,799,905	$ 3,656,722	$ 3,953,480	$ 5,176,283	$ 5,117,096	$ 4,372,260	$ 2,630,037	$ 3,697,715
Agency's covered-employee payroll	$ 3,862,195	$ 4,439,141	$ 5,004,317	$ 5,764,463	$ 5,938,354	$ 5,785,265	$ 5,403,647	$ 5,142,029	$ 4,886,387	$ 5,183,253
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.80%	23.87%	55.95%	63.44%	66.58%	89.47%	94.70%	85.03%	53.82%	71.34%
Plan fiduciary net position as a percentage of the total pension liability	82.48%	92.51%	81.50%	50.10%	78.90%	76.60%	75.30%	77.30%	84.30%	78.80%

INDIANAPOLIS HOUSING AGENCY
(A Component Unit of the City of Indianapolis)
SCHEDULE OF AGENCY CONTRIBUTIONS (UNAUDITED)

PUBLIC EMPLOYEE'S RETIREMENT FUND
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 427,257	$ 519,779	$ 559,933	$ 645,668	$ 664,924	$ 644,756	$ 603,028	$ 558,159	$ 475,249
Contributions in relation to the contractually required contribution	427,257	519,779	559,933	645,668	664,924	644,756	603,028	558,159	475,249
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agency's covered-employee payroll	$ 3,862,195	$ 4,439,141	$ 5,004,317	$ 5,764,463	$ 5,938,354	$ 5,785,265	$ 5,403,647	$ 5,142,029	$ 4,886,387
Contributions as a percentage of covered-employee payroll	11.06%	11.71%	11.19%	11.20%	11.20%	11.14%	11.16%	10.85%	9.73%

*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2014, for GASB Statement No. 68 purposes.

SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)

Plan Amendments: In 2021, HEA 1001 granted a 1% COLA effective January 1, 2022.

Assumption Changes: In 2022, several assumptions were updated. These assumption changes include a decrease in the investment rate of return, inflation assumption and wage inflation assumption.

SCHEDULE OF THE AGENCY'S CONTRIBUTIONS (UNAUDITED)

Methods and Assumptions Used in Calculating Actuarially Determined Contributions: The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution Rates[a]:

Asset valuation date and method:	June 30, 2022
Liability valuation date and method:	June 30, 2021 - The TPL as of June 30, 2022, was determined based on an actuarial valuation prepared as of June 30, 2021 rolled forward one year to June 30, 2022, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during the time period.
Actuarial cost method:	Entry age normal - level percent of payroll
Actuarial amortization method and period:	Level dollar - 20 years, closed
Remaining amortization period (weighted):	19.8 years
Investment rate of return:	6.25%
COLA:	2021-2022 - 13th check Beginning January 1, 2024 - 0.40% Beginning January 1, 2034 - 0.50% Beginning January 1, 2039 - 0.60%
Future salary increases, including inflation:	2.65% - 8.65% based on service
Inflation:	2.00%

[a] Differs from Note 10 schedule, as this table is for funding purposes and Note 10 is for financial reporting purposes. The Actuarially Determined Contributions in a given year are determined based on the actuarial valuation dated two fiscal years prior.

Trends: In 2022, there were no significant trends in contributions to the Plan.

INDIANAPOLIS HOUSING AGENCY
(A Component Unit of the City of Indianapolis)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2022

	Federal Assistance Listing Number	Federal Expenditures
Department of Housing and Urban Development		
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	$ 60,271,365
Mainstream Vouchers	14.879	529,342
Total Housing Voucher Cluster		60,800,707
Public and Indian Housing	14.850	1,734,575
Public Housing Capital Fund	14.872	2,272,906
Family Self-Sufficiency Program	14.896	133,418
Emergency Solutions Grant Program	14.231	196,547
Total Expenditures pf Federal Awards		$ 65,138,153

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the federal financial assistance activity of Indianapolis Housing Agency (the "Agency") for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of operations of the Agency, it is not intended to and does not present the net position, revenues, expenses and changes in net position, or cash flows of the Agency.

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Amounts presented as expenditures of Department of Housing and Urban Development, Section 8 Housing Choice Vouchers are presented in accordance with the requirements of the Department of Housing and Urban Development ("HUD"). Under those requirements, the amount presented is equal to the amount received by the Agency from HUD for the purposes of housing assistance payments under the Section 8 Housing Choice Voucher program.

Various component units of the Agency directly receive federally-subsidized rental income payments or Project Based Rental Assistance ("PBRA"). Federally-subsidized rental income payments are transacted through Housing Assistance Payment ("HAP") agreements with HUD in which HUD has agreed to pay the difference between the contract rent, as defined in the HAP agreement, and that portion of such rent payable by qualified tenants. PBRA payments received from HUD are based on the terms outlined in the related HAP contract. The total amount received by component units through HAP contracts during 2022 was $4,569,265. This funding is subject to compliance audits at the component unit level for L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; 16 Park, LP; IHA Housing Partners I, LP; and Bethel Townhome Apartments, LP, by other auditors and those audits disclosed no instances of noncompliance. This funding is not included on the Schedule.

There were no amounts provided to subrecipients during 2022.

NOTE 2 - INDIRECT COST RATE

The Agency has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Indianapolis Housing Agency

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 Indianapolis Housing Agency (the "Agency"), a component unit of the City of Indianapolis, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 13, 2023.

Our report includes a reference to other auditors who audited the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP, as described in our report on the Agency's financial statements. The financial statements of IHA Housing Partners I, LP; IHA Housing Partners II, LP; Barton Block, LP; Indiana Avenue Apartments, LP were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; and Indiana Avenue Apartments, LP or that are reported on separately by those auditors who audited the financial statements of those entities. This report also does not include the results of the other auditor's testing of internal control over financial reporting or compliance on other matters that are reported on separately by those auditors who audited the financial statements of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; Bethel Townhome Apartments, LP; and 16 Park, LP.

Report on Internal Control over Financial Reporting

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

The Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Somerset CPAs PC

Indianapolis, Indiana
October 13, 2023

SOMERSET
CPAs AND ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program Required by the Uniform Guidance and on Internal Control Over Compliance

Board of Commissioners
Indianapolis Housing Agency

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited Indianapolis Housing Agency's (the Agency's), a component unit of the City of Indianapolis, 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 Agency's major federal programs for the year ended December 31, 2022. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Agency's basic financial statements include the operations of L and R Housing, LP; TH and B, LP; B and H Housing, LP; Lugar, LP; IHA Housing Partners I, LP; IHA Housing Partners II, LP; 16 Park, LP; Barton Block, LP; Indiana Avenue Apartments, LP; and Bethel Townhome Apartments, LP, as described in our report on the Agency's financial statements, which expended $7,610,925 in federal awards which is not included in the Agency's schedule of expenditures of federal awards during the year ended December 31, 2022. Our audit, described below, did not include the operations of these components because this funding is subject to compliance audits at the component unit level by other auditors.

Qualified Opinion on the Housing Voucher Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* section of our report, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Housing Voucher Cluster for the year ended December 31, 2022.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on the Housing Voucher Cluster

As described in the accompanying schedule of findings and questioned costs, the Agency did not comply with requirements regarding the Housing Voucher Cluster as described in the following items:

- 2022-004 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles
- 2002-005 for Eligibility; Reporting - Special Reporting *HUD-50058;* and Special Tests and Provisions: *Selection from the Waiting List, Reasonable Rent, Housing Quality Standards Inspections, and Housing Assistance Payments*
- 2022-006 for Special Tests and Provisions - Housing Quality Standards Inspections
- 2022-007 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles
- 2022-08 for Reporting

Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A d*eficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2023-005 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Somerset CPAs PC

Indianapolis, Indiana
October 13, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	✓ yes ___ no
• Significant deficiency(ies) identified?	✓ yes ___ none reported
Noncompliance material to financial statements noted?	___ yes ✓ no

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	✓ yes ___ no
• Significant deficiency(ies) identified?	✓ yes ___ none reported
Type of auditor's report issued on compliance for major federal programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	✓ yes ___ no

Identification of major federal program(s):

14.871 & 14.879	Housing Voucher Cluster
14.872	Capital Funds

Dollar threshold used to distinguish between type A and type B programs:	$1,954,144
Auditee qualified as low-risk auditee?	___ yes ✓ no

FINDINGS - FINANCIAL STATEMENT AUDIT

2022-001 Material Weakness - Fiscal Management Needed

Criteria: Internal controls over financial reporting should be in place that provide reasonable assurance that the financial statements are free of material misstatement. Internal controls over financial reporting should be designed to either prevent or detect and correct misstatements on a timely basis and maintained to ensure they are operating as designed.

Condition and Context: The finance department has experienced significant turnover starting in 2020 through the date the financial statements were available to be issued. The Agency was able to hire key roles within the finance department during 2022 and into 2023, but some key positions remain unfilled. Also, given the size and complexities of the Agency, necessary changes to correct financial department controls and operational deficiencies require time to implement. Due to the turnover and ongoing implications of the lack of appropriate staffing, the Agency did not maintain proper internal controls over financial reporting to prevent and detect and correct misstatements on a timely basis. The lack of proper internal controls can be summarized in three areas 1) lack of oversight to maintain internal controls over financial reporting, 2) completion and review of account reconciliations and 3) journal entries. Instances of each deficiency in internal control over financial reporting are listed below.

1) Lack of Appropriate Financial Department Oversight

   a) The finance department is not always aware of grant awards until cash is received.
   b) Instances were noted where purchases are occurring without proper prior approval.
   c) Procurement policies were not properly followed or could not be adequately demonstrated based on documentation retained.
   d) Improper reconciliation, review, approval and retention of payroll records which resulted in noncompliance noted in findings below.

      i) Employee timecards are not appropriately reviewed and reconciled to payroll reports.
      ii) Payroll data such as timecards and payroll reports are not appropriately retained.
      iii) Review of timecard data is not being completed by an immediate supervisor.
      iv) Payroll Department Allocations were not set up timely in the system and regularly require manual adjustment to be properly stated.

2) Completion and Review of Account Reconciliations

   a) Bank reconciliations were not completed timely or accurately and were not reviewed by another individual.
   b) Bank reconciliations contain outstanding reconciling items that were 'plugged' by accounting personnel.
   c) Accounts receivable balances in the general ledger were not being reconciled to subledger detail. In addition, since reconciliations had not been completed there was no timely review of the reconciliations as outlined in the Agency's policies and procedures.
   d) Accounts payable balances in the general ledger were not being reconciled to subledger detail. In addition, since reconciliations had not been completed there was no timely review of the reconciliation as outlined in the Agency's policies and procedures.

2022-001 Material Weakness - Fiscal Management Needed

e) The Agency maintains a large number of cash accounts in various institutions. It appears the Agency maintains separate bank accounts for each of their separate programs, including for programs the Agency no longer participates in. Funds in various bank accounts are being co-mingled with sweep accounts. This practice clouds the distinction and purpose of the program-related bank account. Additionally, trial balances are being maintained for the programs or funds the Agency no longer participates in.

f) The general ledger was not reconciled to required reports submitted to the Department of Housing and Urban Development (HUD) including HUD report HUD-52681B Voucher for Payment of Annual Contributions and Operating Statement (the VMS report).

3) Journal Entries

a) Material journal entries were required to reconcile 2022 opening general ledger balances to the 2021 audited financial statement amounts and the 2021 audited FDS submission, as well as, to properly state the 2022 general ledger balances. These entries impacted cash, receivables, pension related assets and liabilities, net capital assets, interfund balances, accrued expenses, unearned revenues, loans and interest payable, net position, operating expenses, and non-operating revenues and expenses.

This finding is a repeat finding in 2019, 2020, and in 2021.

Cause and Effect: The deficiencies noted above resulted in undetected or uncorrected material misstatements along with significant additional work by finance department staff and a third-party consultant to reconcile and correct errors noted. The lack of appropriate oversight in the finance department also may have a pervasive effect on the Agency's ability to maintain compliance over its federal award programs, as described in findings noted below. This deficiency could also result in improper reporting to the Board of Commissioners or third parties.

Recommendation: The Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department. The Agency should look for outside assistance while it works to fill needed key roles such as continuing to work with the third-party consultant on a recurring and consistent basis. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as designed by the Agency. The Agency should review these policies and procedures to ensure the processes are appropriate to prevent and detect and correct material misstatements in financial reporting.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

2022-002 Significant Deficiency - Segregation of Duties - Cash Disbursements

Criteria: Financial reporting duties should be properly segregated to ensure no one individual has the ability to execute, reconcile and record a transaction or complete multiple aspects of a transaction.

Condition and Context: During our audit, multiple deficiencies were noted which in the aggregate are considered a significant deficiency relating to segregation of duties around the cash disbursement process. The specific deficiencies noted are as follows:

1) The Deputy Executive Director, Chief Financial Officer, and/or Controller approves cash disbursements for payment but there is no final review of approved disbursements to the actual payments.
2) Multiple individuals who have access to print checks also have access to the Executive Director's saved signature.
3) The Agency's blank check stock is stored in a locked room but personnel access to the room is not restricted.
4) The Agency does not have a policy which requires dual signature on checks over a determined dollar threshold. A policy of this nature would provide additional review on larger cash disbursements.
5) There are individuals who have access to set up new vendors in the account payable system, which does not require approval, that also have the ability to process and approve cash disbursements.
6) The Executive Director approved her own employee expense reimbursements and credit card invoices. There was no third party approval process in place for the Executive Director during 2022.

This finding is a repeat finding of 2021-002.

Cause and Effect: The lack of appropriate segregation of duties around the cash disbursement transaction cycle creates an opportunity for personnel to make accidental errors or perpetrate fraud or misappropriation of assets and may lead to material misstatements in the financial statements. As noted above in finding 2022-001, material journal entries were necessary to properly state account balances in the financial statements.

Recommendation: As noted above in finding 2022-001, the Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department and seek outside assistance while working to implement this solution. These individuals should look to implement the existing policies, procedures and internal controls over financial reporting, as they are designed by the agency. The Agency should then look to review the internal controls over cash disbursements for areas to implement proper segregation of duties.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

Department of Housing and Urban Development

2022-003 Housing Voucher Cluster - Assistance Listing Nos. 14.871 & 14.879

Material Weakness in Internal Control over Compliance - Appropriate Internal Control Structure Related to Compliance Requirements

Criteria: 2 CFR 200.303 includes requirements related to internal controls for federal award programs, including that the Agency must, among other things, "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)".

Condition and Context: This finding has a pervasive effect on the Agency's ability to maintain compliance over its award programs. The condition and context described in finding 2022-001 also relates to this finding. In addition to the condition and context noted above the following deficiencies were identified which stemmed from the deficiencies noted above and had an impact solely on internal control over compliance.

a) Existing compliance requirements are not appropriately reviewed by management.

    i) Review was not completed to support tenants waitlist progression through the Housing Choice Voucher program.
    ii) Housing Choice Voucher tenant files are not appropriately reviewed to ensure documentation retained supports compliance requirements.
    iii) HUD reporting is not regularly reconciled to the trial balance.
    iv) Lack of controls in place to prevent transfers and use of restricted funds for unallowable purposes.

This finding is a repeat finding of 2021-003 and 2020-003.

Cause and Effect: As detailed above in finding 2022-001, in our opinion, the predominate reason for the finding is due to the lack of appropriate oversight in the finance department and the finance department not following the written policies of the Agency do to staffing constraints. The material weakness resulted in the noncompliance findings described below.

Material Weakness in Internal Control over Compliance - Appropriate Internal Control Structure Related to Compliance Requirements (Continued)

Recommendation: See finding 2022-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

2022-004 Housing Voucher Cluster - Assistance Listing Nos. 14.871 & 14.879

Noncompliance - Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria: 24 CFR 982.155 indicates Housing Choice Voucher Program (HCVP) administrative reserves must be used to pay program administrative expenses. HUD has indicated in PIH Notice 2005-01 HCVP administrative reserves are restricted solely for the HCVP and no other Agency administrative expenses.

Condition and Context: The Agency used HCVP administrative reserves to cover Agency payroll expenses during 2022 and through the date the financial statements were available to be issued. The Agency also made errors in initially recording restricted funds received in the general ledger which resulted in journal entries and bank transfers necessary to appropriately record amounts received. The specific HCVP administrative reserves used to cover non-HCVP Agency payroll expenses were advanced as noted below.

- $500,00 advanced on January 21, 2022. Amount not repaid as of the date the financial statements were available to be issued.
- $200,000 advanced on March 10, 2022. Amount not repaid as of the date the financial statements were available to be issued.

Cause and Effect: The predominate reason for the finding is due to cash flow concerns specific to payment of payroll and lack of controls surrounding transfer of funds from restricted accounts. This finding resulted in noncompliance with allowable use of HAP.

Known Questioned Costs: $700,000 of HCV administrative reserves used to non-HCVP cover payroll expenses during 2022.

Recommendation: See finding 2022-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

2022-005 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Material Weakness in Internal Control over Compliance and Noncompliance - Eligibility; Reporting - Special Reporting HUD-50058, Family Report; and Special Tests and Provisions: Selection from the Waiting List, Reasonable Rent, Housing Quality Standards Inspections and Housing Assistance Payment

Criteria: Management is responsible for maintaining appropriate documentation to substantiate tenant eligibility determinations and compliance with applicable special tests and provisions.

Condition and Context: We selected a sample of 60 tenant files for testing Eligibility; Reporting - Special Reporting *HUD-50058, Family Report; and* Special Tests and Provisions: *Selection for Waiting List, Reasonable Rent, Housing Quality Standards Inspections, and Housing Assistance Payment*. Our sample was not statistically valid. Of the items selected we noted the following:

1) 7 of the 60 tenant files selected for testing were not able to be located.
2) 11 of the 60 tenant files selected for testing were missing documentation related to housing quality standards inspections.

We also requested supporting documentation to show progression of tenants being moved through the waitlist and into the Housing Choice Voucher program. Management was unable to provide this information due to system limitations and lack of appropriate tracking of this data throughout the year.

This is a repeat finding of 2021-005, 2020-005 and 2019-005.

Cause and Effect: The seven missing tenant files resulted in an inability to make a determination on compliance for these tenants. Unsupported tenant eligibility determinations could impact future federal funding. The use of improper income related to eligibility resulted in noncompliance as relates to eligibility, rent reasonableness, and HAP. The inability to provide data to support the progression of the tenant waitlist resulted in an inability to make a determination on compliance for all tenants selected and could result in tenants being improperly added to the program.

Recommendation: We recommend the Agency review current procedures surrounding maintenance of tenant files and waitlists to ensure adequacy of the procedures in place and identify areas of improvement to establish and maintain adequate internal controls over compliance.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

2022-006 Housing Choice Voucher Cluster – Assistance Listing No. 14.871 & 14.879

Noncompliance - Special Tests and Provisions: Housing Quality Standards Inspections

Criteria: 24 CFR 982.404 requires public housing authorities to require an owner to correct any life-threatening deficiencies identified during housing quality standards (HQS) inspections within 24 hours of the inspection and all other HQS deficiencies within 30 days of the inspection or within a specifically approved extension. If deficiencies are not corrected in the required timeframe the public housing authority must abate HAPs beginning no later than the first of the month following the specified correction period or the HAP contract is to be terminated.

Condition and Context: We reviewed the 2022 failed inspection listing provided by management and selected a sample of 60 failed inspections for testing. Our sample was not statistically valid. We noted 11 properties that had multiple failed inspections which were not moved to abatement.

Recommendation: See finding 2022-001. Additionally, the auditor recommends the Agency review current procedures surrounding housing quality inspection standards to ensure accuracy of the procedures in place and identify areas of improvement to establish and maintain adequate internal control.

This is a repeat finding of 2021-007 and 2020-007.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

2022-007 Housing Voucher Cluster - Assistance Listing Nos. 14.871 & 14.879

Noncompliance - Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria: 2 CFR 200.403 (g) requires adequate documentation to be retained to support allowable activities/costs.

Condition and Context: We selected a sample of 20 different payroll entries related to time allocated to the Housing Choice Voucher program and requested supporting documentation for costs allocated to the grant. Our sample was not statistically valid. We reviewed payroll summary reports and paycheck detail to various programs, but noted that there were no timecards available for review or approval for any selection. It was noted that the payroll administrator was reviewing and approving the timecards, rather than a direct supervisor over the Section 8 program. Additionally, management indicated that timecards and payroll reports were not universally available due to system limitations and employee turnover.

Cause and Effect: As described in 2022-001 and 2022-003, the Agency has not maintained appropriate internal controls over compliance. Lack of appropriate supervisory review and approval, along with managements review of record retention resulted in the noncompliance.

Recommendation: We recommend the review and approval of timecards be completed by a direct supervisor, that payroll records be regularly reviewed against timecards, and all supporting documentation for program costs be retained internally.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

2022-08 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Noncompliance - Reporting

Criteria: HUD-52681-B is required to be submitted monthly electronically via the VMS. HUD relies on the audit of these key line items below to determine the reasonableness of the data submitted for the purpose of calculating funding under the program.

Condition and Context: We obtained a summary of monthly VMS reporting from management noting that the key line items were unable to be reconciled to the trial balance by management. Specifically, HAP expenses reported on the trial balance are overstated by $3,530,690 relative to the HUD reporting.

Cause and Effect: As described in 2022-001, the Agency has not maintained appropriate internal controls over compliance. Lack of regular reconciliation of HAP expenses to the HUD reporting referenced above resulted in the inability to reconcile at year end.

Recommendation: We recommend that monthly VMS reporting be reconciled to the trial balance to ensure accurate reporting.

This is a repeat finding of 2021-010.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

2022-009 Capital Funds - Assistance Listing Nos. 14.872

Noncompliance - Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria: 2 CFR 200.403 (g) requires adequate documentation to be retained to support allowable activities/costs.

Condition and Context: During our testing of expenditures obligated during the year, we were made aware of the fact that management had invertedly duplicated a draw of funds totaling $303,024.92. This error was not discovered until several months after the fact.

Cause and Effect: As described in 2022-001 and 2022-003, the Agency has not maintained appropriate internal controls over compliance. Lack of appropriate supervisory review and approval, along with managements review of record retention resulted in the noncompliance.

Recommendation: See finding 2022-001, specifically the recommendation relating to appropriate oversight in the finance department. We recommend that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

2022-010 Capital Funds - Assistance Listing Nos. 14.872

Noncompliance - Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Criteria: 2 CFR 200.403 (g) requires adequate documentation to be retained to support allowable activities/costs.

Condition and Context: We selected a sample of 12 different program related disbursement and requested supporting documentation for costs allocated to the grant. Our sample was not statistically valid. We reviewed invoice and payment detail to for each selection, but noted that there were no POs available for review or approval for any selection.

Cause and Effect: As described in 2022-001 and 2022-003, the Agency has not maintained appropriate internal controls over compliance. Lack of appropriate supervisory review and approval, along with managements review of record retention resulted in the noncompliance.

Recommendation: See finding 2022-001, specifically the recommendation relating to appropriate oversight in the finance department. We recommend that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

Views of Responsible Officials and Planned Corrective Actions: The Agency agrees with the recommendation. See the Corrective Action Plan for the Agency's response and planned completion date.

INDIANAPOLIS
HOUSING AGENCY

1919 N. Meridian St.
Indianapolis, IN 46202
317.261.7200

Marcia E. Lewis
Chief Executive Officer

October 12, 2023

Department of Housing and Urban Development

Indianapolis Housing Agency (the Agency) respectively submits the following corrective action plan for the year ended December 31, 2022.

Name and address of Independent public accounting firm:

Somerset CPAs and Advisors
3925 River Crossing Pkwy #100
Indianapolis, IN 46240

Audit period: Year ended December 31, 2022

The findings from the schedule of findings and questioned costs for the year ended December 31, 2022, are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule.

FINANCIAL STATEMENT FINDINGS

2022-001 Material Weakness - Fiscal Management Needed
Repeat finding 2021-001, 2020-001, 2019-001 and 2019-002

Recommendation: The Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department. The Agency should look for outside assistance while it works to fill needed key roles such as continuing to work with the third-party consultant on a recurring and consistent basis. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as designed by the Agency. The Agency should review these policies and procedures to ensure the processes are appropriate to prevent and detect and correct material misstatements in financial reporting.

Planned Corrective Action: We agree with the recommendation. Since year end the Agency has hired a COO, and CFO to fill vacancies within the Agency. We continue to staff executive positions for the senior administration and plan to have the full executive team in place by the end of 2023.

2022-002 Significant Deficiency - Segregation of Duties - Cash Disbursements
Repeat finding 2021-002 and 2020-002

Recommendation: As noted above in finding 2022-001, the Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department and seek outside assistance while working to implement this solution. These individuals should look to implement the existing policies, procedures and internal controls over financial reporting, as they are designed by the agency. The Agency should then look to review the internal controls over cash disbursements for areas to implement proper segregation of duties.

Planned Corrective Action: We agree with the recommendation. Since year end the Agency has hired a COO, and CFO to fill vacancies within the Agency. We continue to staff executive positions for the senior administration and plan to have the full executive team in place by the end of 2023.Under this new leadership structure, the Agency will continue to work on establishing appropriate controls.

2022-003 Housing Voucher Cluster - Assistance Listing Nos. 14.871 & 14.879
Material Weakness in Internal Control over Compliance - Appropriate Internal Control Structure Related to Compliance Requirements
Repeat finding 2021-003 and 2020-003

Recommendation: See finding 2022-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

Planned Corrective Action: We agree with the recommendation. Since year end the Agency has hired a COO, and CFO to fill vacancies within the Agency. Under this new leadership structure, the Agency will continue to work on establishing appropriate controls.

2022-004 Housing Voucher Cluster - Assistance Listing Nos. 14.871 & 14.879
Noncompliance - Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Repeat finding 2021-004

Recommendation: See finding 2022-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

Planned Corrective Action: We agree with the recommendation. Since year end the Agency has hired a COO, and CFO to fill vacancies within the Agency. We continue to staff executive positions for the senior administration and plan to have the full executive team in place by the end of 2023. Under this new leadership structure, the Agency will continue to work on establishing appropriate controls.

2022-005 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879
Material Weakness in Internal Control over Compliance and Noncompliance - Eligibility; Reporting -Special Reporting HUD-50058, Family Report; and Special Tests and Provisions: Selection from the Waiting List, Reasonable Rent, Housing Quality Standards Inspections and Housing Assistance Payment
Repeat finding 2021-005, 2020-005, and 2019-005

Recommendation: We recommend the Agency review current procedures surrounding maintenance of tenant files and waitlists to ensure adequacy of the procedures in place and identify areas of improvement to establish and maintain adequate internal controls over compliance.

Planned Corrective Action: We agree with the recommendation. Since year end the Agency has hired a COO, and CFO to fill vacancies within the Agency. We continue to staff executive positions for the senior administration and plan to have the full executive team in place by the end of 2023. Under this new leadership structure, the Agency will continue to work on establishing appropriate controls.

2022-006 Housing Choice Voucher Cluster – Assistance Listing No. 14.871 & 14.879
Noncompliance - Special Tests and Provisions: Housing Quality Standards Inspections
Repeat finding 2021-007 and 2020-007

Recommendation: See finding 2022-001. Additionally, the auditor recommends the Agency review current procedures surrounding housing quality inspection standards to ensure accuracy of the procedures in place and identify areas of improvement to establish and maintain adequate internal control.

Planned Corrective Action: We agree with the recommendations and the Agency is working to establish appropriate controls, with several being instituted and many more underway during the 2023 fiscal year under new leadership. The Agency is procuring assistance to conduct an analysis/assessment of its Housing Choice Voucher (HCV) division's workflow, staffing and practices, and procedures. Additionally, additional staff are being recruited to lighten caseloads, and better manage required duties. Funding is also being secured for training and certification of the same.

2022-007 Housing Voucher Cluster - Assistance Listing Nos. 14.871 & 14.879
Noncompliance - Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Repeat finding 2021-009

Recommendation: We recommend the review and approval of timecards be completed by a direct supervisor, that payroll records be regularly reviewed against timecards, and all supporting documentation for program costs be retained internally.
Planned Corrective Action: We agree with the recommendations and plan to have corrective actions fully implemented by the end of fiscal year 2023.

2022-08 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879
Noncompliance – Reporting
Repeat finding 2021-010

Recommendation: We recommend that monthly VMS reporting be reconciled to the trial balance to ensure accurate reporting.

Planned Corrective Action: We agree with the recommendation. Since year end the Agency has hired a COO, and CFO to fill vacancies within the Agency. We continue to staff executive positions for the senior administration and plan to have the full executive team in place by the end of 2023. Under this new leadership structure, the Agency will continue to work on establishing appropriate controls.

2022-009 Capital Funds - Assistance Listing Nos. 14.872
Noncompliance - Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Recommendation: See finding 2022-001, specifically the recommendation relating to appropriate oversight in the finance department. We recommend that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

Planned Corrective Action: We agree with the recommendation. Since year end the Agency has hired a COO, and CFO to fill vacancies within the Agency. We continue to staff executive positions for the senior administration and plan to have the full executive team in place by the end of 2023. Under this new leadership structure, the Agency will continue to work on establishing appropriate controls.

2022-010 Capital Funds - Assistance Listing Nos. 14.872
Noncompliance - Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Recommendation: See finding 2022-001, specifically the recommendation relating to appropriate oversight in the finance department. We recommend that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

Planned Corrective Action: We agree with the recommendation. Since year end the Agency has hired a COO, and CFO to fill vacancies within the Agency. We continue to staff executive positions for the senior administration and plan to have the full executive team in place by the end of 2023. Under this new leadership structure, the Agency will continue to work on establishing appropriate controls.

If the Department of Housing and Urban Development has questions regarding this plan, please call Marcia E. Lewis at (317) 261-7205.

Sincerely yours,

Marcia E Lewis

Marcia E. Lewis
CEO

2021-001 Material Weakness – Finance Department Controls – Appropriate Finance Department

Oversight, Completion and Review of Account Reconciliations, and Journal Entries

Recommendation: The Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department. The Agency should look for outside assistance while it works to fill needed key roles such as continuing to work with the third-party consultant on a recurring and consistent basis. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as designed by the Agency. The Agency should review these policies and procedures to ensure the processes are appropriate to prevent and detect and correct material misstatements in financial reporting.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.

2021-002 Material Weakness – Segregation of Duties – Cash Disbursements

Recommendation: The Agency should consider addressing the deficiencies noted above by first hiring the appropriate key roles to the finance department. The Agency should look for outside assistance while it works to fill needed key roles such as continuing to work with the third-party consultant on a recurring and consistent basis. These individuals should look to implement the existing policies, procedures, and internal controls over financial reporting, as designed by the Agency. The Agency should review these policies and procedures to ensure the processes are appropriate to prevent and detect and correct material misstatements in financial reporting.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.

2021-003 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Material Weakness in Internal Control Over Compliance – Appropriate Internal Control Structure Related to Compliance Requirements

Recommendation: See finding 2021-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.

2021-004 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Noncompliance – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Recommendation: See finding 2021-001. The recommendations noted for achieving appropriate oversight in the finance department apply as key individuals with knowledge of the compliance are considered critical for developing an appropriate control environment for internal controls over compliance.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.

2021-005 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Material Weakness in Internal Control Over Compliance and Noncompliance – Eligibility; Reporting – *Special Reporting HUD-50058, Family Report; and Special Tests and Provisions: Selection from the Waiting List, Reasonable Rent, Housing Quality Standards Inspections, and Housing Assistance Payment*

Recommendation: The Agency should review current procedures surrounding maintenance of tenant files and waitlists to ensure adequacy of the procedures in place and identify areas of improvement to establish and maintain adequate internal controls over compliance.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.

2021-006 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Noncompliance – Special Tests and Provisions: *Depository Agreements*

Recommendation: See finding 2021-001, specifically the recommendation relating to appropriate oversight in the finance department. The auditor recommends that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

Status: The Agency entered into the appropriate depository agreements during the 2022 fiscal year.

2021-007 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Noncompliance – Special Tests and Provisions: *Housing Quality Standards Inspections*

Recommendation: See finding 2021-001. Additionally, the auditor recommends the Agency review current procedures surrounding housing quality inspection standards to ensure adequacy of the procedures in place and identify areas of improvement to establish and maintain adequate internal controls over compliance.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.

2021-008 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Noncompliance – Special Tests and Provisions: *CARES Act Funding – Emergency Housing Voucher*

Recommendation: The auditor recommends that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.

2021-009 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Noncompliance – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Recommendation: The auditor recommends the review and approval of timecards be completed by a direct supervisor, that payroll records be regularly reviewed against timecards, and all supporting documentation for program costs be retained internally.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.

2021-010 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Noncompliance – Reporting

Recommendation: The auditor recommends that monthly VMS reporting be reconciled to the trial balance to ensure accurate reporting.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.

2021-011 Housing Voucher Cluster – Assistance Listing Nos. 14.871 & 14.879

Noncompliance – Reporting: *Financial Reports*; Special Tests and Provisions: *CARES Act Funding*

Recommendation: The auditor recommends that the finance department continue to hire and train its employees on various programmatic requirements and resources, to ensure compliance with both existing and new federal compliance requirements.

Status: The Agency is working to establish appropriate controls, with several being instituted during the 2023 fiscal year under new leadership. The Agency continues to experience turnover in the finance department and has continued to fill vacant positions.