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July 18, 2017

Board of Commissioners
Fayette County Housing Authority
326 Central Avenue
Connersville, IN 47331

We have reviewed the audit report prepared by BRZ Sailor Khan, LLC, Independent Public Accountants for the period October 1, 2015 to September 30, 2016. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Fayette County Housing Authority as of September 30, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

FAYETTE COUNTY HOUSING AUTHORITY
CONNERSVILLE, INDIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

FAYETTE COUNTY HOUSING AUTHORITY
Connersville, Indiana

TABLE OF CONTENTS

SEPTEMBER 30, 2016

	<u>Page</u>
Section I - Auditor's Report and Management's Discussion and Analysis	
Independent Auditor's Report	i-iii
Management's Discussion and Analysis (unaudited)	iv-?
Section II - Financial Statements and Notes to Financial Statements	
Basic Financial Statements:	
Statement of Net Position	1
Statement of Revenue, Expenses and Changes in Net Position	2
Statement of Cash Flows	3-4
Notes to Basic Financial Statements	5-12
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	13
Financial Data Schedule - HUD Prescribed Format	Exhibit A
Section III - Reports on Compliance and on Internal Control	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control over Compliance Required by <i>Uniform Guidance</i>	3-5
Significant Deficiencies Communicated in Prior Years	6
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor Results	7
Section II - Financial Statement Findings	8
Section III - Federal Awards Findings	8

SECTION I
AUDITOR'S REPORT
AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Fayette County Housing Authority
Connersville, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Fayette County Housing Authority, Indiana, (Authority), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Fayette County Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fayette County Housing Authority, as of September 30, 2016 and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements have been prepared assuming that the Fayette County Housing Authority will continue as a going concern. As discussed in Note 4 to the financial statements, the Housing Authority has accumulated a large net position deficit and an amount payable to Department of Housing and Urban Development. Because operations of the Authority could be substantially impeded if this liability were immediately required to be paid, raises substantial doubt about the Authority's ability to continue as a going concern. Management's plan in regard to this situation is also described in Note 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Report on Required Supplementary Information

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

Other Information

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fayette County Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the remaining accompanying supplementary information including the Financial Data Schedule - HUD Prescribed Format are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2017 on our consideration of the Fayette County Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fayette County Housing Authority's internal control over financial reporting and compliance.

BRZ Sailor Khan LLC

BRZ Sailor Khan, LLC
St. Louis, Missouri
June 1, 2017

Fayette County Housing Authority

Management's Discussion and Analysis (MD&A) September 30, 2016 (Unaudited)

This section of the Fayette County Housing Authority's (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on September 30, 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of Net Position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "Net Position" refers to the difference between assets and liabilities. The Authority's total deficit in net position as of September 30, 2016 was \$293,729. The net position deficit decreased by \$122,473, decreasing the Authority's deficit by 29.4% from the prior year.

Revenues and contributions for the Authority were \$1,600,130 for the year ended September 30, 2016. This was an increase of \$295,844 or 22.7% from the prior year.

Expenses for the Authority were \$1,477,657 for the year ended September 30, 2016. This was an increase of \$189,880 or 14.7% from the prior year.

HUD operating grants were \$1,584,701 for the year ended September 30, 2016. This was an increase of \$282,466 or 21.7% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

**Fayette County Housing Authority
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authorities to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended September 30, 2016 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, liabilities exceeded assets by \$293,729 at the close of the year ended September 30, 2016, down from \$416,202 in September 30, 2015. The increase in net position of \$122,473 was due to an a 29.4% increase in a gain in net position during the year.

The unrestricted net position was(\$513,064) as of September 30, 2016. This amount may be used to meet the Authority's ongoing obligations. The Authority had \$217,304 classified as restricted net position that is subject to external restrictions on how they may be used. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position, except unrestricted. The same situation held true for the prior fiscal year.

Fayette County Housing Authority
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET POSITION
SEPTEMBER 30,

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 178,808	\$ 49,939	\$ 128,869	258.1%
Capital assets	2,031	2,766	(735)	-26.6%
Total Assets	<u>180,839</u>	<u>52,705</u>	<u>128,134</u>	243.1%
Current liabilities	<u>474,568</u>	<u>468,907</u>	<u>5,661</u>	1.2%
Total Liabilities	<u>474,568</u>	<u>468,907</u>	<u>5,661</u>	1.2%
Net Position				
Net investment in capital assets	2,031	2,766	(735)	-26.6%
Restricted net position	217,304	107,761	109,543	101.7%
Unrestricted	<u>(513,064)</u>	<u>(526,729)</u>	<u>13,665</u>	-2.6%
Total Net Position	<u>\$ (293,729)</u>	<u>\$ (416,202)</u>	<u>\$ 122,473</u>	-29.4%

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

As can be seen in the table on the following page total revenues increased by \$295,844 or 22.7% due to increases in HUD operating grants, interest income and other income, which were partially offset by decrease in rental revenues. Rental revenues decreased due to allowance for bad debt. Other income increases primarily do to an increase in fraud recovery.

Fayette County Housing Authority
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30,**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operating - non-operating:				
HUD operating grants	\$ 1,584,701	\$ 1,302,235	\$ 282,466	21.7%
Rental revenue	(2,483)	(1,829)	(654)	26.3%
Interest income	54	40	14	25.9%
Other income	17,858	3,840	14,018	78.5%
Total Revenues	<u>1,600,130</u>	<u>1,304,286</u>	<u>295,844</u>	22.7%
Expenses				
Personal services	116,017	94,304	21,713	23.0%
Utilities	2,835	2,878	(43)	-1.5%
Operations and maintenance	3,197	3,937	(740)	-18.8%
Insurance	4,673	2,657	2,016	75.9%
Other supplies and expenses	44,178	40,447	3,731	9.2%
Housing assistance payments	1,306,022	1,142,791	163,231	14.3%
Depreciation	735	763	(28)	-3.7%
Total Expenses	<u>1,477,657</u>	<u>1,287,777</u>	<u>189,880</u>	14.7%
Change in net position	122,473	16,509	105,964	
Beginning net position	<u>(416,202)</u>	<u>(432,711)</u>	<u>16,509</u>	
Ending net position	<u>\$ (293,729)</u>	<u>\$ (416,202)</u>	<u>\$ 122,473</u>	

Total expenses also increased by \$189,880 due to increases in personal services, insurance, other supplies and expenses and housing assistance payments, which were partially offset by decreases in utilities, operations and maintenance and depreciation.

**Fayette County Housing Authority
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

CAPITAL ASSETS

Capital Assets— The Fayette County Housing Authority's investment in capital assets, as of September 30, 2016 amounts to \$2,031 (net of accumulated depreciation).

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
SEPTEMBER 30,**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>
Furniture, equipment and machinery-administration	\$ 20,980	\$ 20,980	\$ ----
Accumulated depreciation	<u>18,949</u>	<u>18,214</u>	<u>735</u>
Total	<u>\$ 2,031</u>	<u>\$ 2,766</u>	<u>\$ (735)</u>

The total decrease in the Authority's capital assets for the current fiscal year was \$735 or 26.6% in terms of net book value.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2016 Federal budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Ms. Amanda Caldwell, Executive Director; Fayette County Housing Authority; 326 Central Avenue; Connersville, Indiana 47331; (765)825-4668.

SECTION II
FINANCIAL STATEMENTS
AND
NOTES TO FINANCIAL STATEMENTS

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

STATEMENT OF NET POSITION

September 30, 2016

ASSETS

Current Assets:

Receivable - net of allowances:

Accounts \$ 11,302

Prepaid expenses 3,358

Restricted cash and cash equivalents 164,148

Total current assets 178,808

Capital assets:

Other capital assets, net of depreciation 2,031

Total capital assets- net 2,031

Total Assets 180,839

LIABILITIES

Current Liabilities:

Accounts Payable 465,444

Accrued salaries, wages and benefits 9,124

Total Current Liabilities 474,568

Total Liabilities 474,568

NET POSITION

Net investment in capital assets 2,031

Restricted for:

HAP 217,304

Unrestricted (513,064)

Total Net Position \$ (293,729)

See notes to financial statements

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

For Year Ended September 30, 2016

Operating Revenues:	
Rental revenue	\$ (2,483)
Operating subsidies- HUD grants	1,584,701
Other revenues	<u>17,858</u>
Total operating revenues	<u>1,600,076</u>
Operating Expenses:	
Personal services	116,017
Utilities	2,835
Operations and maintenance	3,197
Insurance	4,673
Other supplies and expenses	44,178
Housing assistance payments	1,306,022
Depreciation	<u>735</u>
Total operating expenses	<u>1,477,657</u>
Operating income (loss)	<u>122,419</u>
Non-operating revenues (expenses):	
Interest and investment earnings	<u>54</u>
Net non-operating revenues (expenses)	<u>54</u>
Change in net position	122,473
Net position at beginning of year	<u>(416,202)</u>
Net position at end of year	<u><u>\$ (293,729)</u></u>

See notes to financial statements

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

STATEMENT OF CASH FLOWS

For Year Ended September 30, 2016

Cash flows from operating activities:

Cash received from tenants	\$ (2,483)
Cash received from HUD grants- operating	1,584,701
Cash received from other operating activities	8,490
Cash payments for goods and services	(1,360,047)
Cash payments to employees-salaries	(102,159)
Cash payments for employee benefit contributions	<u>(8,245)</u>

Net cash provided (used) by operating activities 120,257

Cash flows from investing activities:

Interest and dividends	<u>54</u>
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Net cash provided (used) from investing activities 54

Net increase (decrease) in cash and cash equivalents 120,311

Cash and cash equivalents at beginning of year 43,837

Cash and cash equivalents at end of year \$ 164,148

Restricted cash and cash equivalents \$ 164,148

Total cash and cash equivalents at end of year \$ 164,148

See notes to financial statements

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended September 30, 2016

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Operating income (loss)	\$	122,419
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		735
Allowance for doubtful accounts		2,483
Changes in assets and liabilities:		
Receivables		(11,851)
Prepaid expenses		810
Accounts and other payables		48
Accrued expenses		<u>5,613</u>
Net cash provided (used) by operating activities	\$	<u><u>120,257</u></u>

See notes to financial statements

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS

September 30, 2016

NOTE 1 - Summary of Significant Accounting Policies

The Fayette County Housing Authority (Authority) is a Special Purpose Government entity established to provide low-rent housing, under the housing choice vouchers program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Authority complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Authority's financial reporting entity comprises the following:

Primary Government: Housing Authority

In determining the financial reporting entity, the Housing Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and GASB No. 61, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Authority appointed a voting majority of the units' board; the Housing Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. GASB Implementation

The Housing Authority has implemented the Governmental Accounting Standards Board (GASB) Statements number 62, 63 and 65 for those audits with financial statements for periods beginning after December 15, 2011.

Governmental Accounting Standards Board (GASB) Statements 68 was implemented effective for fiscal years beginning June 15, 2014 and there after.

The Housing Authority has no deferred outflows of resources or deferred inflows of resources.

1c. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, net position, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Basis of Presentation (Continued)

Following is a description of the Authority's programs:

Program	Brief Description
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.

1d. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the “economic resources” measurement focus is used as follows:

- ▶ The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1e. Assets, Liabilities, and Equity

Cash

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Assets, Liabilities, and Equity (Continued)

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Fraud recovery compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Budgets and Budgetary Accounting

The Authority adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Authority uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Furniture, equipment and machinery - administration	3 - 7 years
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Restricted Assets

Restricted assets include cash and investments legally restricted as to their use. The primary restricted assets are related to Housing Choice Vouchers which is a HUD program.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Assets, Liabilities, and Equity (Continued)

Compensated Absences

The Housing Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Authority had no related debt.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

1f. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Position, all interfund transfers between individual programs, if any, have been eliminated.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 2 - Stewardship, Compliance, and Accountability

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2a. Program Accounting Requirements

The Authority complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

Program	Required By
Housing Choice Vouchers	U.S. Department of Housing and Urban Development

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Authority in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Authority must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Authority are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it or the Authority will not be able to recover collateral securities in the possession of an outside party. As of September 30, 2016, the Authority's bank balances of \$190,610, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Authority's name.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3b. Restricted Cash and Cash Equivalents

The restricted cash and cash equivalents as of September 30, 2016, are as follows:

<u>Type of Restricted Cash and Cash Equivalents</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Total</u>
Unspent HAP	\$ 164,148	\$ ----	\$ 164,148
	<u>\$ 164,148</u>	<u>\$ ----</u>	<u>\$ 164,148</u>

3c. Accounts Receivable

Receivables detail at September 30, 2016, is as follows:

Fraud recovery	\$ 15,614
Allowance for doubtful accounts	<u>(4,312)</u>
Fraud recovery - net	<u>\$ 11,302</u>

3d. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance September 30, 2016</u>
Furniture, equipment and machinery- administration	\$ 20,980	<u>\$ ----</u>	<u>\$ ----</u>	\$ 20,980
Accumulated depreciation	<u>18,214</u>	<u>\$ 735</u>	<u>\$ ----</u>	<u>18,949</u>
Total	<u>\$ 2,766</u>			<u>\$ 2,031</u>

For assets that are depreciated refer to Note 1e - Capital Assets

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3e. Accounts Payable

Payable detail at September 30, 2016, is as follows:

Accounts payable - vendors	\$	1,995
Accounts payable - HUD		<u>463,449</u>
	\$	<u><u>465,444</u></u>

3f. Compensated Absences

The Housing Authority had no liability for compensated absences at September 30, 2016.

NOTE 4 - Going Concern

The Housing Authority has accumulated a large deficit in its net position and has an amount of \$463,449.00 owed to HUD. The Housing Authority does not have a plan in writing to begin to liquidate the liability and reduce the deficit. The Housing Authority does plan to increase lease up thereby increasing income. The Housing Authority intends to provide benefits (healthcare, retirement, etc), if the income increases. If a 'profit' is still shown once these benefits have been provided, that profit may then be used by the Housing Authority to reduce the debt owed to HUD. Payments made to HUD from October 2000 through September 30, 2007 had been made in the form of HUD's offset towards the PHA account under an unwritten understanding. Subsequent offsets will most likely not be made due to Fayette County Housing Authority's lack of available funding. If offsets were made to recover the debt, Fayette County Housing Authority would be unable to operate and pay HAP payments. The financial statements do not include any adjustments that may be necessary should the PHA be unable to continue as a going concern.

The Housing Authority's unrestricted net position (equity) is a deficit of \$513,064. Coupled with the Housing Authority's investment in capital assets and restricted net position the Housing Authority has a total net position (equity) deficit of \$293,729.

NOTE 5 - Other Notes

5a. Employee Retirement Plan

The Authority does not provide a retirement plan for it's employees.

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

September 30, 2016

NOTE 5 - Other Notes (Continued)

5b. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Authority manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Auto Owners Insurance Company.
b. Injuries to employees (workers' compensation)	Purchased insurance with Auto Owners Insurance Company. Claims are administered by First Financial Insurance Company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$250 deductibles.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

5c. Economic Dependency

The Fayette County Housing Authority receives a significant portion of its revenue from funds provided through Federal grants. The grant amounts are appropriated each year at the Federal level. The amount of the funds the Authority receives could be reduced significantly and have an adverse impact on its operations.

5d. Contingencies

The Authority is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

The Authority has not signed a repayment agreement with the U.S. Department of Housing and Urban Development. The ultimate amount of an executed repayment agreement, if any, cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended September 30, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Low Income Public Housing</u>		
	<u>Major - Direct Program</u>		
2016	Housing Choice Vouchers	14.871	\$ <u>1,584,701</u>
	Total		\$ <u>1,584,701</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

EXHIBIT A
FINANCIAL DATA SCHEDULE

Housing Authority of the County of Fayette (IN073)

Connersville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted			
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$164,148	\$164,148	\$164,148
114 Cash - Tenant Security Deposits			
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$164,148	\$164,148	\$164,148
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants			
126.1 Allowance for Doubtful Accounts - Tenants			
126.2 Allowance for Doubtful Accounts - Other			
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery	\$15,614	\$15,614	\$15,614
128.1 Allowance for Doubtful Accounts - Fraud	-\$4,312	-\$4,312	-\$4,312
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$11,302	\$11,302	\$11,302
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$3,358	\$3,358	\$3,358
143 Inventories			

Housing Authority of the County of Fayette (IN073)

Connersville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14.871 Housing Choice Vouchers	Subtotal	Total
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$178,808	\$178,808	\$178,808
161 Land			
162 Buildings			
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$20,980	\$20,980	\$20,980
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$18,949	-\$18,949	-\$18,949
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,031	\$2,031	\$2,031
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$2,031	\$2,031	\$2,031
200 Deferred Outflow of Resources			
290 Total Assets and Deferred Outflow of Resources	\$180,839	\$180,839	\$180,839

Housing Authority of the County of Fayette (IN073)

Connersville, IN

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14,871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$1,995	\$1,995	\$1,995
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$9,124	\$9,124	\$9,124
322 Accrued Compensated Absences - Current Portion			
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs	\$463,449	\$463,449	\$463,449
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government			
341 Tenant Security Deposits			
342 Unearned Revenue			
343 Current Portion of Long-term Debt - Capital			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other	\$0	\$0	\$0
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$474,568	\$474,568	\$474,568
351 Long-term Debt, Net of Current - Capital Projects/Mortgage			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current			
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			

Housing Authority of the County of Fayette (IN073)
 Connersville, IN
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14,871 Housing Choice Vouchers	Subtotal	Total
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$0	\$0	\$0
300 Total Liabilities	\$474,568	\$474,568	\$474,568
400 Deferred Inflow of Resources			
508.4 Net Investment in Capital Assets	\$2,031	\$2,031	\$2,031
511.4 Restricted Net Position	\$217,304	\$217,304	\$217,304
512.4 Unrestricted Net Position	-\$513,064	-\$513,064	-\$513,064
513 Total Equity - Net Assets / Position	-\$293,729	-\$293,729	-\$293,729
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$180,839	\$180,839	\$180,839

Housing Authority of the County of Fayette (IN073)

Connersville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14,871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue			
70400 Tenant Revenue - Other			
70500 Total Tenant Revenue	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$1,584,701	\$1,584,701	\$1,584,701
70610 Capital Grants			
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$54	\$54	\$54
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery	\$17,858	\$17,858	\$17,858
71500 Other Revenue			
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$1,602,613	\$1,602,613	\$1,602,613
91100 Administrative Salaries	\$107,772	\$107,772	\$107,772

Housing Authority of the County of Fayette (IN073)

Connersville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14,871 Housing Choice Vouchers	Subtotal	Total
91200 Auditing Fees	\$5,150	\$5,150	\$5,150
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$8,245	\$8,245	\$8,245
91600 Office Expenses	\$27,858	\$27,858	\$27,858
91700 Legal Expense	\$1,750	\$1,750	\$1,750
91800 Travel	\$590	\$590	\$590
91810 Allocated Overhead			
91900 Other	\$8,830	\$8,830	\$8,830
91000 Total Operating - Administrative	\$160,195	\$160,195	\$160,195
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other			
92500 Total Tenant Services	\$0	\$0	\$0
93100 Water	\$560	\$560	\$560
93200 Electricity	\$1,099	\$1,099	\$1,099
93300 Gas	\$1,176	\$1,176	\$1,176
93400 Fuel			
93500 Labor			
93600 Sewer			
93700 Employee Benefit Contributions - Utilities			

Housing Authority of the County of Fayette (IN073)
Connersville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14,871 Housing Choice Vouchers	Subtotal	Total
93800 Other Utilities Expense			
93000 Total Utilities	\$2,835	\$2,835	\$2,835
94100 Ordinary Maintenance and Operations - Labor			
94200 Ordinary Maintenance and Operations - Materials and			
94300 Ordinary Maintenance and Operations Contracts	\$3,197	\$3,197	\$3,197
94500 Employee Benefit Contributions - Ordinary Maintenance			
94000 Total Maintenance	\$3,197	\$3,197	\$3,197
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance			
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance	\$4,673	\$4,673	\$4,673
96100 Total insurance Premiums	\$4,673	\$4,673	\$4,673
96200 Other General Expenses			
96210 Compensated Absences			
96300 Payments in Lieu of Taxes			
96400 Bad debt - Tenant Rents	\$2,483	\$2,483	\$2,483
96500 Bad debt - Mortgages			

Housing Authority of the County of Fayette (IN073)

Connersville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14.871 Housing Choice Vouchers	Subtotal	Total
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$2,483	\$2,483	\$2,483
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$173,383	\$173,383	\$173,383
97000 Excess of Operating Revenue over Operating Expenses	\$1,429,230	\$1,429,230	\$1,429,230
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments	\$1,306,022	\$1,306,022	\$1,306,022
97350 HAP Portability-In			
97400 Depreciation Expense	\$735	\$735	\$735
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$1,480,140	\$1,480,140	\$1,480,140
10010 Operating Transfer In			
10020 Operating transfer Out			

Housing Authority of the County of Fayette (IN073)

Connersville, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14.871 Housing Choice Vouchers	Subtotal	Total
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$122,473	\$122,473	\$122,473
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	-\$416,202	-\$416,202	-\$416,202
11040 Prior Period Adjustments, Equity Transfers and Correction	\$0	\$0	\$0
11050 Changes in Compensated Absence Balance			
11060 Changes in Contingent Liability Balance			
11070 Changes in Unrecognized Pension Transition Liability			
11080 Changes in Special Term/Severance Benefits Liability			
11090 Changes in Allowance for Doubtful Accounts - Dwelling			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity	-\$511,033	-\$511,033	-\$511,033
11180 Housing Assistance Payments Equity	\$217,304	\$217,304	\$217,304

Housing Authority of the County of Fayette (IN073)
 Connersville, IN
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	14.871 Housing Choice Vouchers	Subtotal	Total
11190 Unit Months Available	4512	4512	4512
11210 Number of Unit Months Leased	3976	3976	3976
11270 Excess Cash			
11610 Land Purchases			
11620 Building Purchases			
11630 Furniture & Equipment - Dwelling Purchases			
11640 Furniture & Equipment - Administrative Purchases			
11650 Leasehold Improvements Purchases			
11660 Infrastructure Purchases			
13510 CFFP Debt Service Payments			
13901 Replacement Housing Factor Funds			

SECTION III
REPORTS ON COMPLIANCE
AND
ON INTERNAL CONTROL

**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
Fayette County Housing Authority
Connersville, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Fayette County Housing Authority, Indiana, (Authority), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Fayette County Housing Authority's basic financial statements, and have issued our report thereon dated June 1, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BRZ Sailor Khan LLC

BRZ Sailor Khan, LLC
St. Louis, Missouri
June 1, 2017

**Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control over Compliance Required by Uniform Guidance**

Board of Commissioners
Fayette County Housing Authority
Connersville, Indiana

Report on Compliance for Each Major Federal Program

We have audited the Fayette County Housing Authority, Indiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the Fayette County Housing Authority's major federal programs for the year ended September 30, 2016. The Fayette County Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Fayette County Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Fayette County Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Fayette County Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs identified above for the year ended September 30, 2016.

Report on Internal Control Over Compliance

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Fayette County Housing Authority, Indiana, as of and for the year ended September 30, 2016, and the related notes of the financial statements, which collectively comprise the Fayette County Housing Authority, Indiana's basic financial statements. We issued our report thereon dated June 1, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 our testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

BRZ Sailor Khan LLC

BRZ Sailor Khan, LLC
St. Louis, Missouri
June 1, 2017

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

September 30, 2016

The prior audit report for the year ended September 30, 2015 contained one significant deficiency:

Finding: 2015-002
Excess Deficit
Status: Housing Authority is addressing the issue

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2016

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	Yes

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Uniform Guidance</i> [2 CFR 20.516(a)]?	No
Identification of major programs:	

CFDA	
Number(s)	Name of Federal Program
14-871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

FAYETTE COUNTY HOUSING AUTHORITY

Connersville, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

September 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended September 30, 2016 disclosed no Financial Statement audit findings.

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended September 30, 2016 disclosed no Federal Awards audit findings.

ACTION PLAN

The current audit report for the year ended September 30, 2016 disclosed no audit findings and consequently there is no action plan.

QUESTIONED COSTS

None