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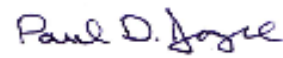
September 13, 2017

Board of Directors
Housing Authority of the City of Union City
100 Raulston Ave
Union City, IN 47201

We have reviewed the audit report prepared by Goldie Roberts, Certified Public Accountant, Independent Public Accountant, 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 Housing Authority of the City of Union City, 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.

We draw your attention to the three findings included in the report that are categorized as both significant deficiencies in internal control over financial reporting and noncompliance with 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. These are reported in the 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*.

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


Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE CITY OF UNION CITY

AUDITED FINANCIAL STATEMENTS

Union City, Indiana

September 30, 2016

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
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404-297-9881

HOUSING AUTHORITY
OF THE CITY OF
UNION CITY

Union City, Indiana
September 30, 2016

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Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Union City
100 Raulston Avenue
Union City, Indiana

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the City of Union City ("the Authority") which comprise the Statement of Net Position as of September 30, 2016, and the related Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the year then ended, and the related Notes to the Financial Statements, which collectively comprise the Housing Authority of the City of Union City's 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 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 Authority's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Emphasis of Matter

The accompanying financial statements had been prepared assuming the Authority will continue as a going concern. As discussed in Note N, the Authority has suffered recurring operating losses, has a building in foreclosure and has negative working capital that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note N. The accompanying financial statements do not include any adjustments that might result for the outcome of this uncertainty. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages i through vi and Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of the Authority's Contributions on pages 19 through 20 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The accompanying Financial Data Schedule and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2017 on my consideration of the Housing Authority of the City of Union City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Housing Authority of the City of Union City's internal control over financial reporting and compliance.


Certified Public Accountant

Fredericksburg, Indiana
June 22, 2017

Housing Authority of the City of Union City

Union City, Indiana

Management's Discussion and Analysis September 30, 2016

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

The *financial highlights for the Housing Authority of the City of Union City in 2016* included:

As of September 30, 2016, total assets were \$95,212 as compared to \$96,607, as of September 30, 2015, a decrease of \$1,395. Current assets increased \$7,104 and capital assets decreased \$8,499.

Total liabilities increased \$5,073 from \$173,800 in 2015 to \$178,873 in 2016.

In 2016, total revenue increased \$53,068, as compared to 2015, mainly due to increases in Federal Grants.

Total expenses increased \$48,155 due primarily to increases in HAP expenses.

Overview of the Financial Statements

The annual report includes a Management Discussion and Analysis report, the Basic Financial Statements, the Notes to the Financial Statements, and the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

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

For accounting purposes, the Housing 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 position is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which assets and liabilities, associated with the operation of these funds, are included on the balance sheet. Their focus is on income measurement which, together with the maintenance of equity, is an important financial

Housing Authority of the City of Union City

Union City, Indiana

Management's Discussion and Analysis

September 30, 2016

(Continued)

indicator. Our discussion and analysis provides an overview of the financial activities and performance of the Housing Authority of the City of Union City for year-ending September 30, 2016.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the ability of management to meet budgets, maintain the property (meet HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered all its costs through its rental fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities plus 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.

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

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year-ended September 30, 2016.

Financial Analysis

One of the most important questions asked about the Authority's finances; "Is the Housing Authority as a whole better, or worse, off as a result of the achievements of the reported fiscal year?" The information presented in this Management's Discussion and Analysis is to assist the reader in answering this question.

The basic financial statements are the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on September 30, 2016. The Statement of Revenues, Expenses, and Changes in Fund Net Position summarize the revenues, and sources of those revenues, generated and the expenses incurred in operating the Housing Authority for the year-ended September 30, 2016.

Housing Authority of the City of Union City is a Section 8 Housing Choice Voucher program that provides rental assistance to qualified individuals living in private housing. They also have a small complex called Royal Oak Apartments. The following analysis focuses on the net position and the change in net position of the Housing Authority as a *whole* and not the individual programs.

Housing Authority of the City of Union City
Union City, Indiana

Management's Discussion and Analysis

September 30, 2016

(Continued)

Net Position

September 30,

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% of Change</u>
Current Assets	\$ 11,905	\$ 4,801	\$ 7,104	147.97%
Capital Assets, Net	<u>83,307</u>	<u>91,806</u>	<u>(8,499)</u>	<u>-9.26%</u>
Total Assets	<u>\$ 95,212</u>	<u>\$ 96,607</u>	<u>\$ (1,395)</u>	<u>-1.44%</u>
Deferred Outflow of Resources	<u>\$ 9,184</u>	<u>\$ 9,018</u>	<u>\$ 166</u>	<u>1.84 %</u>
Current Liabilities	\$ 47,952	\$ 45,265	2,687	5.94%
Noncurrent Liabilities	<u>130,921</u>	<u>128,535</u>	<u>2,386</u>	<u>1.82 %</u>
Total Liabilities	<u>\$ 178,873</u>	<u>\$ 173,800</u>	<u>\$ 5,073</u>	<u>2.92%</u>
Deferred Inflow of Resources	<u>\$ 2,190</u>	<u>\$ 2,490</u>	<u>\$ (300)</u>	<u>-12.05%</u>
Net Position:				
Net Investment in Capital Assets	\$ (37,384)	\$ (28,885)	\$ (8,499)	-29.42%
Restricted	79,879	82,217	(2,338)	-2.84%
Unrestricted	<u>(119,162)</u>	<u>(123,997)</u>	<u>4,835</u>	<u>3.90%</u>
Total Net Position	<u>\$ (76,667)</u>	<u>\$ (70,665)</u>	<u>\$ (6,002)</u>	<u>-8.49%</u>

Capital Assets

(Net of Accumulated Depreciation)

September 30,

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% of Change</u>
Capital Assets	\$ 159,544	\$ 161,135	\$ (1,591)	-.99%
Accumulated Depreciation	<u>(76,237)</u>	<u>(69,329)</u>	<u>(6,908)</u>	<u>-9.96%</u>
Net Capital Assets	<u>\$ 83,307</u>	<u>\$ 91,806</u>	<u>\$ (8,499)</u>	<u>-9.26%</u>

Housing Authority of the City of Union City
Union City, Indiana

Management's Discussion and Analysis

September 30, 2016

(Continued)

Assets:

Current assets are resources that are reasonably expected, based on the plans and intentions of the Authority, to be converted into cash or its equivalent during the current operating cycle.

As of September 30, 2016, current assets were \$11,905 as compared to \$4,801, as of September 30, 2015, an increase of \$7,104. Current assets increased due to an increase in HUD Operating Grants.

Capital assets are long-term tangible assets obtained as a result of past transactions, events, or circumstances and furnishings and equipment.

Net capital assets decreased \$8,499 due to increases in annual accumulated depreciation.

Liabilities:

As of September 30, 2016, current liabilities were \$47,952 as compared to \$45,265, as of September 30, 2015, an increase of \$2,687.

Debt:

The Authority has a loan in which the long-term debt is \$103,690 in 2015. There were no payments or adjustments made to the loan for 2016 since the Housing Authority is currently going to court over this loan.

Net Position:

As of September 30, 2016, the Housing Authority had (\$76,667) invested in total net position. Of this amount, (\$119,162) is unrestricted net position. Restricted net position of \$79,879 was available for Section 8 Housing Assistance Payments (HAP). The remainder of (\$37,384) represents the investment in capital assets furnishings and equipment.

Housing Authority of the City of Union City
Union City, Indiana

Management's Discussion and Analysis
September 30, 2016
(Continued)

Changes in Net Position
For the Year Ended September 30

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% of Change</u>
Revenue:				
Federal Grants & Subsidy	\$545,491	\$496,297	\$ 49,194	9.91%
Investment Income	11	11	-	-%
Other Income	17,985	14,111	3,874	27.45%
Total Revenue	<u>563,487</u>	<u>510,419</u>	<u>53,068</u>	<u>10.40%</u>
Expenses:				
Operating Expenses	81,787	70,443	11,344	16.10%
Housing Assistance Payments	478,199	432,966	45,233	10.45%
Depreciation	9,503	9,495	8	.08%
Interest Expense	-	8,430	(8,430)	-100%
Total Operating Expenses	<u>569,489</u>	<u>521,334</u>	<u>48,155</u>	<u>9.24%</u>
Increase (Decrease) in Net Position	(6,002)	(10,915)	4,913	45.01%
Net Position				
Beginning Net Position, originally stated	(70,665)	(44,508)	(26,157)	-58.77%
Change in Accounting Principle	-	(15,242)	15,242	100%
Beginning Net Position, restated	<u>(70,665)</u>	<u>(59,750)</u>	<u>(10,915)</u>	<u>18.27%</u>
Total Net Position End of Year	<u>\$(76,667)</u>	<u>\$(70,665)</u>	<u>\$ (6,002)</u>	<u>-8.49%</u>

Revenues:

In 2016, Housing Authority of the City of Union City's Housing Assistance Payments and Administrative Fees increased \$49,194 from \$496,297 in 2015 to \$545,491.

Investment income remained the same in 2015 and 2016. Other income increased \$3,874 due to new fraud found in the voucher program and additional tenant charges received from Royal Oak tenants.

Expenses:

Operating expenses increased \$11,344 from \$70,443 in 2015 to \$81,787 in 2016. Administration expenses, compensated absences, and bad debt increased in 2016 which was offset by a decreased in utility expenses and maintenance expenses.

Housing Assistance Payments (HAP) expenses increased \$45,233 from \$432,966 in 2015 to \$478,199 in 2016.

Depreciation remained about the same at \$9,495 in 2015 and \$9,503 in 2016, a change of \$8.

Housing Authority of the City of Union City
Union City, Indiana

Management's Discussion and Analysis

September 30, 2016

(Continued)

The detail of the Housing Authority's long term debt at year end is set forth below:

	<u>9/30/15</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/16</u>
Notes payable	\$ 131,454	\$ 0	\$ 0	\$ 131,454

The detail of the Housing Authority's long term debt at year end is set forth below:

	<u>9/30/15</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/16</u>
Pension payable	\$ 24,845	\$ 2,386	\$ 0	\$ 27,231

The Housing Authority of the City of Union City implemented GASB 68 in the prior year as required. This standard has caused an increase in debt of \$2,386 and has required the booking of deferred outflows of \$9,184 and deferred inflows of \$2,190.

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations. The entity is affected by both federal budgetary decisions and by local economic conditions.

For the year ended September 30, 2016, the operating budget was prepared by the Authority and adopted by the Board of Commissioners. The budget was primarily used as a management tool and has no legal stature. The budget was prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact Amy Holt, Executive Director, Housing Authority of the City of Union City, 321 West Oak Street, Union City, IN 47390, telephone number (765) 964-4544.

FINANCIAL STATEMENTS

Housing Authority of the City of Union City
Union City, Indiana

STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$	650
Restricted cash and cash equivalents		6,216
Accounts receivable - net		1,755
Prepaid expenses		3,284
Total Current Assets		11,905

Capital Assets

Land and other nondepreciable assets		0
Depreciable capital assets, net		83,307
Total Capital Assets		83,307

Total Assets		95,212
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Deferred outflow of resources

Pension related		9,184
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Total Assets and Deferred Outflow of Resources		104,396
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LIABILITIES

Current liabilities

Accounts payable		254
Accrued liabilities		30,047
Tenant Security Deposits		650
Current portion of notes payable		17,001
Total Current Liabilities		47,952

Noncurrent Liabilities

Net Pension Liability		27,231
Notes payable		103,690
Total Noncurrent Liabilities		130,921

Total Liabilities		178,873
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Deferred inflow of resources

Pension related		2,190
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NET POSITION

Investment in capital assets		(37,384)
Restricted		79,879
Unrestricted		(119,162)
Total Net Position	\$	(76,667)

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

Housing Authority of the City of Union City
Union City, Indiana

STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

OPERATING REVENUES

Rental income	\$ 15,012
Other income	1,664
	<hr/>
TOTAL OPERATING REVENUE	16,676

OPERATING EXPENSES

Administrative	70,498
Utilities	6,225
Ordinary maintenance and operation	959
General expense	2,796
Housing assistance payments	478,199
Depreciation expense	9,503
	<hr/>
TOTAL OPERATING EXPENSES	568,180

OPERATING INCOME (LOSS) (551,504)

NONOPERATING REVENUES

Federal operating grants	545,491
Interest income	11
	<hr/>
TOTAL NONOPERATING REVENUES	545,502

CHANGE IN NET POSITION (6,002)

TOTAL NET POSITION - BEGINNING OF YEAR (70,665)

TOTAL NET POSITION - END OF YEAR \$ (76,667)

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

Housing Authority of the City of Union City
Union City, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	16,249
Payments to vendors		(24,155)
Payments to landlords		(478,199)
Payments to employees		(54,876)
Net Cash Used by Operating Activities		<u>(540,981)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received		545,491
Net Cash Flows Provided		<u>545,491</u>
by Noncapital Financing Activities		<u>545,491</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Mortgage principal payments		0
Acquisition and construction of capital assets		(1,004)
Net Cash Flows Provided (Used)		<u>(1,004)</u>
by Capital and Related Financing Activities		<u>(1,004)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		11
Net Cash Provided by Investing Activities		<u>11</u>

Net Increase (Decrease) in Cash and Cash Equivalents 3,517

Cash - Beginning of year 3,349

Cash - End of year \$ 6,866

Reconciliation of Cash		
Unrestricted	\$	650
Restricted		6,216
Total Cash and Cash Equivalents	<u><u>\$</u></u>	<u><u>6,866</u></u>

Continued

Housing Authority of the City of Union City
Union City, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

RECONCILIATION OF OPERATING (LOSS) TO
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$	(551,504)
Adjustments to reconcile net operating income to net cash		
Provided by operating activities:		
Depreciation		9,503
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(427)
Prepaid expenses		(3,160)
Increase (Decrease) in:		
Accounts payable		404
Accrued liabilities		2,283
Pension related		1,920
Net Cash Flows Provided		<hr/>
by Operating Activities	\$	<u><u>(540,981)</u></u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE A - Summary of Significant Accounting Policies and Organization:

The financial statements of the HOUSING AUTHORITY OF THE CITY OF UNION CITY ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity - The entity is a political subdivision and municipal corporation, legally separate, fiscally independent, and governed by the Board of Commissioners.

As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Union City. There are no component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

The financial statements of the Housing Authority of the City of Union City include the following:

At September 30, 2016, the Housing Authority has 129 units under management.

<u>Project</u>	<u>Units</u>
Business Activities	3
Vouchers	<u>126</u>
Total	<u><u>129</u></u>

Basis of Presentation and Accounting: In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to special purpose governments engaged only in business type activities.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities, and deferred inflow of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in net position. Under the Accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

This special purpose government engaged in activities similar to business activities uses an enterprise fund to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following net position categories:

Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service.

Unrestricted: Net position that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

Budget compared to actual presentation is not presented because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board and approved by HUD. This budget does not represent a legally binding appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of a checking account and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

State statutes authorize the Housing Authority to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by political subdivisions.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Prepaid - Prepaids represent payments made to vendors for services that will benefit beyond September 30, 2016.

Inventories - Inventories (if any) are valued at cost, which approximates market value, using the first-in/first/out (FIFO) method. The consumption method is applied and expense is charged when inventory items are used for the units.

Capital assets - Capital assets purchased are recorded on the Statement of Net Position at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$500 or more. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Depreciation of capital assets is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Buildings and improvements	15-40 years
Maintenance and Office equipment	3-7 years

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

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

Restricted Assets - When both restricted (if any) and unrestricted resources are available for use, it is the Authorities policy to use unrestricted resources first, then restricted resources as they are needed.

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

Leasing Activities (as Lessor) - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as "Rental income". Rental income per resident generally remains consistent from year to year, but is affected by general economic conditions which impact personal income, such as local job availability.

1. HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

NOTE B - Deposits, Cash and Cash Equivalents:

Deposits, made in accordance with State statute (IC 5-13), with financial institutions in the State of Indiana should be covered to the extent not covered by insurance of any Federal deposit insurance agency.

2. Risk Disclosures

A. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At September 30, 2016, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

B. **Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. **Custodial Credit Risk:** This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparties holding securities not in the Authority's name.

At September 30, 2016, the carrying amount of the Authority's deposits was \$6,866 and the bank balance was \$12,481. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third party agents or by a collateralization agreement. Restricted cash consists of voucher funds.

Deposits consist of the following:

Checking accounts	<u>\$ 6,866</u>
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NOTE C - Accounts Receivable:

Accounts receivable at September 30, 2016, consist of the following:

Tenant accounts receivable, fraud recovery total	\$ 228
Fraud Recovery	<u>1,527</u>
Total	<u>\$ 1,755</u>

NOTE D - Prepaid Expenses:

Prepaid expenses at September 30, 2016, consist of the following:

Prepaid insurance and in inventory	<u>\$ 3,284</u>
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HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

NOTE E - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance <u>9/30/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance <u>9/30/16</u>
Capital assets, not being depreciated:					
Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Capital Assets, Not being depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, being depreciated:					
Buildings & Improvements	144,635	0	0	0	144,635
Furniture, Equipment & Machinery	<u>16,500</u>	<u>1,004</u>	<u>(2,595)</u>	<u>0</u>	<u>14,909</u>
Total Capital Assets, being depreciated	<u>161,135</u>	<u>1,004</u>	<u>(2,595)</u>	<u>0</u>	<u>159,544</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	(53,818)	(9,004)	0	0	(53,818)
Furniture, Equipment and Machinery	<u>(15,511)</u>	<u>(499)</u>	<u>2,595</u>	<u>0</u>	<u>(13,415)</u>
Total Accumulated Depreciation:	<u>(69,329)</u>	<u>(9,503)</u>	<u>2,595</u>	<u>0</u>	<u>(76,237)</u>
Total Capital Assets, being depreciated, net	<u>91,806</u>	<u>(8,499)</u>	<u>0</u>	<u>0</u>	<u>83,307</u>
Capital Assets, Net	<u>\$ 91,806</u>	<u>\$ (8,499)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 83,307</u>

Depreciation expense of \$9,503 was incurred during the year.

NOTE F - Pension Plan:

Description of Pension Plan

Plan Description The Public Employees' Retirement Fund (PERF) is a cost-sharing, multiple-employer defined benefit plan, participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans* based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, or township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan). Details of the PERF Hybrid Plan and PERF ASA Only Plan are described below.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

(Continued)

NOTE F - Pension Plan: (Continued)

The Public Employees' Retirement Fund (PERF) Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees. INPRS financial reports are available online at www.in.gov/inprs/annualreports.htm.

Members include officers and employees of units of State and local governments in Indiana (referred to as political subdivisions), including counties, cities, towns, townships, libraries, and school corporations. The political subdivisions become participants by resolution of the governing body, which specifies the classifications of employees who will become members of the PERF Hybrid Plan.

Benefits Provided

Retirement benefits consist of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Pension benefits vest after 10 years of creditable service. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100% of the pension benefit.

A member who is at least 55 years old and shows age plus number of years of creditable service is at least 85 is entitled to 100% of the benefits described above.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

The PERF Hybrid Plan also provides disability and survivor benefits.

Contributions

Members are required by statute to make contributions to the plan as determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. During fiscal year 2015, all participating employers contributed an average rate of 11.03% of covered payroll. The Authority's required contribution to the plan for the fiscal year ended December 31, 2015 was \$29,798. A contribution of 3% of covered payroll was contributed by the employees into the annuity savings account portion.

Employer Allocations

The allocation percentages for the Housing Authority's share of the collective pension amounts as of June 30, 2015 and 2014 was based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2015.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

NOTE F - Pension Plan: (Continued)

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the Authority's proportionate share was 0.00060%.

Net Pension Liability

At June 30, 2016, the Authority reported a liability of \$24,845. The proportionate share of the liability as of June 30, 2015 was \$27,231, which was not required to be reported in the previous year.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, was determined using member census data as of June 30, 2015 and adjusted, as appropriate. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2014 to the June 20, 2015 measurement date. Key methods and assumptions used in calculating the total pension liability are presented below:

Price inflation	2.25%
Wage inflation	1.00%
Salary increases, including wage increases	2.25 to 4.25%, including inflation
Long-Term rate of return, net of investment expense, and including price inflation	6.75%

Mortality rates were based on the RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2016.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study conducted for three years ending June 30, 2010.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

NOTE F - Pension Plan: (Continued)

Asset Class	Long-Term Target Allocations	Long-Term Expected Real Rate of Return
Public equity	22.5%	5.3%
Private equity	10.0%	5.6%
Fixed Income-Ex Inflation-Linked	22.0%	2.1%
Fixed Income - Inflation-Linked	10.0%	0.7%
Real estate	7.5%	3.0%
Commodities	8.0%	2.0%
Absolute Return	10.0%	3.9%
Risk Parity	10.0%	5.0%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

NOTE F - Pension Plan: (Continued)

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Discount rate (6.75%)	1% Increase (7.75%)
\$39,110	\$27,231	\$17,357

Pension Expense

For the year ended September 30, 2016, the Housing Authority recognized pension expense of \$4,163, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$610	\$50
Net differences between projected and actual investment earnings on pension plan investments	\$5,989	\$1,532
Change of Assumptions	\$1,201	\$0
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$387	\$0
Contributions made after plan year end	\$997	\$102
Total	\$9,184	\$2,190

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction of the NPL in the following years:

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(Continued)

NOTE F - Pension Plan: (Continued)

Amortization of net deferred outflows/(inflows) of resources - debit/(credit)	
2017	\$2,248
2018	\$1,314
2019	\$1,716
2020	\$724
2021	\$0
Thereafter	\$0
Total	\$5,997

The information presented above has not been audited.

NOTE G - Accrued Liabilities:

Accrued liabilities at September 30, 2016, consist of the following:

Accrued interest	\$ 27,764
Accrued wages and payroll taxes	851
Accrued compensated absences	<u>1,432</u>
Total	<u>\$ 30,047</u>

NOTE H - Long Term Debt:

The detail of the Housing Authority's long term debt at year end is set forth below:

	<u>09/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/30/16</u>	<u>Due within one year</u>	<u>Total due</u>
Notes payable	<u>\$103,690</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 103,690</u>	<u>\$ 17,001</u>	<u>\$120,691</u>

Debt service requirements for the long term debt for the next five years are as follows:

	<u>Principal</u>	<u>Interest</u>	
2016	\$ 17,001	\$ 27,764	\$ 44,765
2017	5,054	8,742	13,796
2018	5,453	8,430	13,883
2019	5,884	8,117	14,001
2020	6,329	7,732	14,061
Thereafter	<u>80,970</u>	<u>71,298</u>	<u>152,268</u>
Total	<u>\$ 120,691</u>	<u>\$ 132,083</u>	<u>\$ 252,774</u>

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

NOTE H - Long Term Debt: (Continued)

The detail of the Housing Authority's long term debt at year end is set forth below:

	<u>06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/16</u>	<u>Due within one year</u>	<u>Total due</u>
Pension Payable	\$ 24,845	\$ 0	\$ 0	\$ 24,845	\$ 0	\$ 24,845

NOTE I - Federal Operating Grants:

HUD contributed operating subsidies approved in the operating budgets under the Annual Contributions Contracts. These subsidy contribution for the operating year ended September 30, 2016 were as follows:

Housing Choice Vouchers	<u>\$ 545,491</u>
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NOTE J - Commitments and Contingencies:

Examinations - The Authority is subject to possible examinations made 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. There was one examinations during the year ended September 30, 2016.

Grant Disallowances - Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, would constitute a liability of the Authority. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

NOTE K - Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE L - Economic Dependency:

The Authority receives approximately 97% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE M - Contingencies:

Subsequent to the year end, the Authority and the Mortgage holder for the loan are in a legal dispute concerning the validity of the mortgage. No payments have been made on the property and it is believed that it will be foreclosed.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Continued)

NOTE N - Management's Consideration of Going Concern Matters

The Authority has incurred significant operating losses since 2009 and has negative working capital. The Authority's building is in foreclosure and there have not been any payments made for the past three years. The accompanying financial statements have been prepared assuming the Authority will continue as a going concern, realizing assets and liquidating liabilities in the ordinary course of business. Management is considering several alternatives for mitigating these conditions during the next year, including reviewing expenses and evaluating profitability of current and new lines of service. Although not currently planned, realization of assets in other than the ordinary course of business in order to meet liquidity needs could incur losses not reflected in the accompanying financial statements.

NOTE O - Subsequent Events:

Management has reviewed and evaluated all events and transactions from September 30, 2016 through June 22, 2017, the date the financial statements are available to be issued. There were no events or transactions that existed which would provide additional pertinent information about conditions at the balance sheet date required to be recognized in the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Authority's Proportionate Share of the Net Pension Liability

INPRS Pension Plan
Last Ten Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Housing Authority of the City of Union City proportion of the net pension liability	.00058	.00061	.00060
Housing Authority of the City of Union City proportionate share of the net pension liability	\$ 1,407	\$ 4,163	\$ 5,146
Housing Authority of the City of Union City covered employee payroll	\$ 28,808	\$ 29,160	\$ 28,080
Housing Authority of the City of Union City proportionate share of the net pension liability as a percentage of it's covered employee payroll	.05	14.27	18.33

Note: Additional years information will be presented when available.

* The amounts for each fiscal year were determined as of 6/30.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE HOUSING AUTHORITY OF THE CITY OF UNION CITY'S CONTRIBUTIONS

INPRS Pension Plan
Last Ten Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 2,976	\$ 3,145	\$ 3,205
Contributions in relation to the contractually required contribution	<u>\$ 2,976</u>	<u>\$ 3,145</u>	<u>\$ 3,205</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Housing Authority of the City of Union City covered employee payroll	\$ 28,808	\$ 29,160	\$ 28,080
Contributions as a percentage of covered employee payroll	10.33%	10.79%	11.41%

Note: Additional years information will be presented when available.

* The amounts for each fiscal year were determined as of 6/30.

SUPPLEMENTAL FINANCIAL INFORMATION

Housing Authority of the City of Union City
Union City, Indiana

COMBINING SCHEDULE OF PROGRAM NET POSITION

SEPTEMBER 30, 2016

	IN046		
	Section 8		
	Voucher	Business	
	Program	Activities	Total
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 0	\$ 650	\$ 650
Restricted cash and cash equivalents	2,798	3,418	6,216
Accounts receivable - net	1,527	228	1,755
Prepaid expenses	3,163	121	3,284
Total Current Assets	7,488	4,417	11,905
<u>Capital Assets</u>			
Land and other nondepreciable assets	0	0	0
Depreciable capital assets, net	21,594	61,713	83,307
Total Capital Assets	21,594	61,713	83,307
Total Assets	29,082	66,130	95,212
<u>Deferred outflow of resources</u>			
Pension related	9,184	0	9,184
Total Assets and Deferred Outflow of Resources	38,266	66,130	104,396
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	254	0	254
Accrued liabilities	2,283	27,764	30,047
Tenant Security Deposits	0	650	650
Current portion of notes payable	0	17,001	17,001
Total Current Liabilities	2,537	45,415	47,952
<u>Noncurrent Liabilities</u>			
Net Pension Liability	27,231	0	27,231
Notes payable	0	103,690	103,690
Total Noncurrent Liabilities	27,231	103,690	130,921
Total Liabilities	29,768	149,105	178,873
<u>Deferred inflow of resources</u>			
Pension related	2,190	0	2,190
<u>NET POSITION</u>			
Investment in capital assets	21,594	(58,978)	(37,384)
Restricted	79,879	0	79,879
Unrestricted	(95,165)	(23,997)	(119,162)
Total Net Position	\$ 6,308	\$ (82,975)	\$ (76,667)

Housing Authority of the City of Union City
Union City, Indiana

COMBINING SCHEDULE OF PROGRAM CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>IN046</u>		
	Section 8		
	Voucher	Business	
	Program	Activities	Total
<u>OPERATING REVENUES</u>			
Rental income	\$ 0	\$ 15,012	\$ 15,012
Other income	2,973	(1,309)	1,664
TOTAL OPERATING REVENUE	2,973	13,703	16,676
<u>OPERATING EXPENSES</u>			
Administrative	65,600	4,898	70,498
Utilities	2,224	4,001	6,225
Ordinary maintenance and operation	0	959	959
General expense	0	2,796	2,796
Housing assistance payments	478,199	0	478,199
Depreciation expense	2,643	6,860	9,503
TOTAL OPERATING EXPENSES	548,666	19,514	568,180
OPERATING INCOME (LOSS)	(545,693)	(5,811)	(551,504)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal operating grants	545,491	0	545,491
Interest income	9	2	11
TOTAL NONOPERATING REVENUES	545,500	2	545,502
CHANGE IN NET POSITION	(193)	(5,809)	(6,002)
TOTAL NET POSITION - BEGINNING OF YEAR	6,501	(77,166)	(70,665)
TOTAL NET POSITION - END OF YEAR	\$ 6,308	\$ (82,975)	\$ (76,667)

Housing Authority of the City of Union City (IN086)
UNION CITY, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2016

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted				
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$2,798		\$2,798	\$2,798
114 Cash - Tenant Security Deposits		\$650	\$650	\$650
115 Cash - Restricted for Payment of Current Liabilities		\$3,418	\$3,418	\$3,418
100 Total Cash	\$2,798	\$4,068	\$6,866	\$6,866
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants		\$228	\$228	\$228
126.1 Allowance for Doubtful Accounts - Tenants		\$0	\$0	\$0
126.2 Allowance for Doubtful Accounts - Other				
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery	\$1,527		\$1,527	\$1,527
128.1 Allowance for Doubtful Accounts - Fraud	\$0		\$0	\$0
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,527	\$228	\$1,755	\$1,755
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets	\$3,063	\$121	\$3,184	\$3,184
143 Inventories	\$100		\$100	\$100
143.1 Allowance for Obsolete Inventories	\$0		\$0	\$0
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$7,488	\$4,417	\$11,905	\$11,905
161 Land				
162 Buildings	\$36,159	\$108,476	\$144,635	\$144,635
163 Furniture, Equipment & Machinery - Dwellings		\$1,061	\$1,061	\$1,061
164 Furniture, Equipment & Machinery - Administration	\$13,848		\$13,848	\$13,848
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$28,413	-\$47,824	-\$76,237	-\$76,237
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$21,594	\$61,713	\$83,307	\$83,307
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$21,594	\$61,713	\$83,307	\$83,307
200 Deferred Outflow of Resources	\$9,184		\$9,184	\$9,184
290 Total Assets and Deferred Outflow of Resources	\$38,266	\$66,130	\$104,396	\$104,396
311 Bank Overdraft				
312 Accounts Payable <= 90 Days	\$254		\$254	\$254
313 Accounts Payable >90 Days Past Due				
321 Accrued Wage/Payroll Taxes Payable	\$851		\$851	\$851
322 Accrued Compensated Absences - Current Portion	\$1,432		\$1,432	\$1,432
324 Accrued Contingency Liability				

325	Accrued Interest Payable		\$27,764	\$27,764	\$27,764
331	Accounts Payable - HUD PHA Programs				
332	Account Payable - PHA Projects				
333	Accounts Payable - Other Government				
341	Tenant Security Deposits		\$650	\$650	\$650
342	Unearned Revenue				
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$17,001	\$17,001	\$17,001
344	Current Portion of Long-term Debt - Operating Borrowings				
345	Other Current Liabilities				
346	Accrued Liabilities - Other				
347	Inter Program - Due To				
348	Loan Liability - Current				
310	Total Current Liabilities	\$2,537	\$45,415	\$47,952	\$47,952
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$103,690	\$103,690	\$103,690
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				
357	Accrued Pension and OPEB Liabilities	\$27,231		\$27,231	\$27,231
350	Total Non-Current Liabilities	\$27,231	\$103,690	\$130,921	\$130,921
300	Total Liabilities	\$29,768	\$149,105	\$178,873	\$178,873
400	Deferred Inflow of Resources	\$2,190		\$2,190	\$2,190
508.4	Net Investment in Capital Assets	\$21,594	-\$58,978	-\$37,384	-\$37,384
511.4	Restricted Net Position	\$79,879		\$79,879	\$79,879
512.4	Unrestricted Net Position	-\$95,165	-\$23,997	-\$119,162	-\$119,162
513	Total Equity - Net Assets / Position	\$6,308	-\$82,975	-\$76,667	-\$76,667
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$38,266	\$66,130	\$104,396	\$104,396

Housing Authority of the City of Union City (IN086)
UNION CITY, IN

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 09/30/2016

	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue		\$14,039	\$14,039	\$14,039
70400 Tenant Revenue - Other		\$973	\$973	\$973
70500 Total Tenant Revenue	\$0	\$15,012	\$15,012	\$15,012
70600 HUD PHA Operating Grants	\$545,491		\$545,491	\$545,491
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	\$9	\$2	\$11	\$11
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery	\$1,602		\$1,602	\$1,602
71500 Other Revenue	\$1,371		\$1,371	\$1,371
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$548,473	\$15,014	\$563,487	\$563,487
91100 Administrative Salaries	\$36,620		\$36,620	\$36,620
91200 Auditing Fees	\$3,278	\$2,778	\$6,056	\$6,056
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$8,134		\$8,134	\$8,134
91600 Office Expenses	\$11,694	\$1,440	\$13,134	\$13,134
91700 Legal Expense				
91800 Travel				
91810 Allocated Overhead				
91900 Other	\$4,442	\$680	\$5,122	\$5,122
91000 Total Operating - Administrative	\$64,168	\$4,898	\$69,066	\$69,066
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	\$0
93100 Water	\$659	\$2,089	\$2,748	\$2,748
93200 Electricity	\$946	\$1,063	\$2,009	\$2,009
93300 Gas	\$519	\$849	\$1,468	\$1,468
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$2,224	\$4,001	\$6,225	\$6,225
94100 Ordinary Maintenance and Operations - Labor				
94200 Ordinary Maintenance and Operations - Materials and Other		\$144	\$144	\$144
94300 Ordinary Maintenance and Operations Contracts		\$815	\$815	\$815
94500 Employee Benefit Contributions - Ordinary Maintenance				
94000 Total Maintenance	\$0	\$959	\$959	\$959

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	\$0
96110 Property Insurance				
96120 Liability Insurance		\$1,616	\$1,616	\$1,616
96130 Workmen's Compensation				
96140 All Other Insurance				
96100 Total insurance Premiums	\$0	\$1,616	\$1,616	\$1,616
96200 Other General Expenses		\$1,309	\$1,309	\$1,309
96210 Compensated Absences	\$1,432		\$1,432	\$1,432
96300 Payments in Lieu of Taxes		\$27	\$27	\$27
96400 Bad debt - Tenant Rents		\$1,153	\$1,153	\$1,153
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$1,432	\$2,489	\$3,921	\$3,921
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	\$0
96900 Total Operating Expenses	\$67,824	\$13,963	\$81,787	\$81,787
97000 Excess of Operating Revenue over Operating Expenses	\$480,649	\$1,051	\$481,700	\$481,700
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$478,199		\$478,199	\$478,199
97350 HAP Portability-In				
97400 Depreciation Expense	\$2,643	\$6,860	\$9,503	\$9,503
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$548,666	\$20,823	\$569,489	\$569,489
10010 Operating Transfer In				
10020 Operating transfer Out				
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$193	-\$5,809	-\$6,002	-\$6,002
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$6,501	-\$77,166	-\$70,665	-\$70,665
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$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 Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity	-\$73,571		-\$73,571	-\$73,571

11180 Housing Assistance Payments Equity	\$79,879		\$79,879	\$79,879
11190 Unit Months Available	1932	36	1968	1968
11210 Number of Unit Months Leased	1624	35	1659	1659
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				

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE A - Financial Data Schedule:

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue and gains and losses on the disposal of capital assets in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

OTHER REPORTS

Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

Report On Internal Control Over Financial Reporting and on Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Commissioners
Housing Authority of the City of Union City
100 Raulston Avenue
Union City, Indiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Union City, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Union City's basic financial statements and have issued my report thereon dated June 22, 2017.

Internal Control Over Financial Reporting

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

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Cost that I consider to be significant deficiencies as items 2016-01, 2016-02 and 2016-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Union City's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Cost as items 2016-01, 2016-02 and 2016-03.

Housing Authority of the City of Union City's Response to Findings

The Housing Authority of the City of Union City's response to the finding identified in my audit is described in the accompanying Schedule of Findings and Responses. Housing Authority of the City of Union City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose Of This Report

The purpose of this report is solely to describe the scope of my 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 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.

Goldie Roberts

Certified Public Accountant

Fredericksburg, Indiana
June 22, 2017

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

SEPTEMBER 30, 2016

SCHEDULE OF FINDINGS AND RESPONSES

PRIOR YEAR FINDINGS

2015-01

RENTAL RECEIPT PROCESS:

PRIOR
CONDITION:

The Authority does not have systems in place to properly account for rental income.

CURRENT
CONDITION:

Continues as 2016-001.

This finding continues as of 2016-001.

2015-02

UNALLOWABLE EXPENSES:

PRIOR
CONDITION:

The Authority has paid expenses for the business activities program (rental property) from the Voucher program cash account.

CURRENT
CONDITION:

Continues as 2016-002.

This finding continues as of 2016-002.

2015-03

SEMAP:

PRIOR
CONDITION:

The Authority did not properly prepare the Section 8 management assessment form (SEMAP).

CURRENT
CONDITION:

Continues as 2016-003.

This finding continues as 2016-003.

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

SEPTEMBER 30, 2016
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

CURRENT YEAR FINDINGS

2016-001 CURRENT
CONDITION: RENTAL RECEIPT PROCESS:

The Authority does not have systems in place to properly account for rental income.

CRITERIA: HUD rules and regulations require a system of internal controls for the cash receipts process for rental collections. HUD guidebooks recommend specific formats for rental records.

CAUSE/EFFECT: The Authority acquired an apartment building and did not put an adequate system in place to record rental transactions.

RECOMMENDATION: I recommend the Authority implement proper internal controls and improve the rental register and daily statement of operations to be more in conformity with HUD recommended documentation. The Authority should place greater emphasis on safe keeping its records and ensuring all information requested is readily available for audit examination.

REPLY: The Housing Authority will be adopting a new policy concerning rental receipts. This includes a rental register, monthly statement of operations, and recordkeeping policies. This policy will be effective December 31, 2016.

DISCUSSED WITH: Amy Holt 11/23/16

2016-002 UNALLOWABLE EXPENSES:

CURRENT
CONDITION: The Authority has paid expenses for the business activities program (rental property) from the Voucher program cash account.

CRITERIA: HUD rules and regulations require that the voucher program cash can only be used for allowable costs as stated in the annual contributions contract.

CAUSE/EFFECT: The Authority used the voucher funds to pay for the rental property expenses. These transactions were accounted for as an interfund between the programs.

QUESTIONED COSTS: \$10,657

RECOMMENDATION: I recommend that the Authority implement proper budgeting internal controls in order to determine if the property will cash flow and pay back the liability.

REPLY: The Housing Authority is currently implementing a budget to determine when these funds will be paid back. The budget will be completed by December 31, 2016.

DISCUSSED WITH: Amy Holt 11/23/16

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

SEPTEMBER 30, 2016
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

CURRENT YEAR FINDINGS
Continued

2016-003

SEMAP:

CURRENT
CONDITION: The Authority did not properly prepare the Section 8 management
assessment form (SEMAP).

CRITERIA: HUD rules and regulations require the rules at 24 CFR section
982 to be followed.

CAUSE/EFFECT: The Authority does not understand the procedures for gathering
the data for indicators number 1, 5, and 6. The score received
by the Housing Authority may or may not be appropriate for
determining appropriate future funding.

RECOMMENDATION: I recommend the Authority review the SEMAP reporting rules and
perform the proper tests to report the indicators listed above.

REPLY: The Authority has reviewed the regulations and will perform the
proper tests to report effective on our next SEMAP 2016.

DISCUSSED WITH: Amy Holt 11/23/16

HOUSING AUTHORITY OF THE CITY OF UNION CITY
Union City, Indiana

September 30, 2016

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2015-01	Rental Receipt Process	Continues
2015-02	Unallowable Expenses	Continues
2015-03	SEMAP	Continues