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September 26, 2018

Board of Directors  
Housing Authority of the City of Elwood  
1602 S A St.  
Elwood, IN 47201

We have reviewed the audit report opined on by Goldie Roberts, CPA, Independent Public Accountant, for the period April 1, 2017 to March 31, 2018. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of Housing Authority of the City of Elwood as of March 31, 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, all required independent auditor's reports were prepared in accordance with guidelines established by the State Board of Accounts.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

# HOUSING AUTHORITY OF THE CITY OF ELWOOD

AUDITED FINANCIAL STATEMENTS

Elwood, Indiana

March 31, 2018

*Goldie Roberts*

Certified Public Accountant

8518 S Kays Chapel Rd  
Fredericksburg, IN 47120  
812-472-3527

HOUSING AUTHORITY OF THE CITY OF ELWOOD

Elwood, Indiana  
MARCH 31, 2018

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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 Elwood  
1602 S A St  
Elwood, Indiana 78071

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Housing Authority of the City of Elwood ("the Authority") which comprise the Statement of Net Position as of March 31, 2018, 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 Elwood'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 Elwood as of March 31, 2018, 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.

## 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 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, Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principals and Audit Requirements for Federal Awards*, 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, Schedule of Expenditures of Federal Awards, 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, Schedule of Expenditures of Federal Awards, 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 August 22, 2018 on my consideration of the Housing Authority of the City of Elwood'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 solely 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 the effectiveness of 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 Elwood's internal control over financial reporting and compliance.

Galdie Roberts

Certified Public Accountant

Fredericksburg, Indiana  
August 22, 2018

**HOUSING AUTHORITY OF THE CITY OF ELWOOD**  
**Elwood, Indiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**MARCH 31, 2018**

This section of the HOUSING AUTHORITY OF THE CITY OF ELWOOD ("the Authority") annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on March 31, 2018. 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 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 income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources, 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 plus deferred outflows of resources less liabilities and deferred inflows of resources. The Authority's total net position as of March 31, 2018 was \$28,756. The net position decreased by \$27,301, a decrease of 48.7% from the prior year.
- Revenues for the Authority were \$1,322,022 for the year ended March 31, 2018. This was a decrease of \$76,822 or 5.5% from the prior year.
- Expenses for the Authority were \$1,349,323 for the year ended March 31, 2018. This was a decrease of \$7,428 or 0.5% from the prior year.
- Federal operating grants for the Authority was \$1,303,941 for the year ended March 31, 2018. This was a decrease of \$78,694 or 5.7% over 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*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

**HOUSING AUTHORITY OF THE CITY OF ELWOOD**  
**Elwood, Indiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**MARCH 31, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

*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, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations of the Authority creditors (liabilities and deferred inflows of resources). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

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 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.

*HUD Reporting*

HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's 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 March 31, 2018 and is required to be included in the audit reporting package.

**HOUSING AUTHORITY OF THE CITY OF ELWOOD**  
**Elwood, Indiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**MARCH 31, 2018**

**FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table below, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$28,756 at the close of the year ended March 31, 2018, down from \$56,057 in fiscal year 2017. The decrease in net position of \$27,301 was due to the reasons noted below.

- Current assets include cash, receivables, and prepaid expenses. Of the \$28,422 decrease in this category, cash decreased \$25,777, receivables decreased \$2,758, and prepaid expenses increased \$113.
- Capital assets decreased \$776 due to current year depreciation expense. Change in capital assets is explained in section titled "Capital Assets" of this analysis.
- Current liabilities decreased \$1,897 mostly due to a decrease in unearned revenue of \$2,354. Unearned revenue represents administrative fees received from HUD, not yet earned as of end of fiscal year.

**CONDENSED STATEMENTS OF NET POSITION**

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current assets	\$ 35,836	\$ 64,258	\$ (28,422)	-44.2%
Capital assets, net	889	1,665	(776)	-46.6%
<b>TOTAL ASSETS</b>	<u>\$ 36,725</u>	<u>\$ 65,923</u>	<u>\$ (29,198)</u>	-44.3%
<b>LIABILITIES</b>				
Current liabilities	\$ 7,969	\$ 9,866	\$ (1,897)	-19.2%
<b>TOTAL LIABILITIES</b>	<u>7,969</u>	<u>9,866</u>	<u>(1,897)</u>	-19.2%
<b>NET POSITION</b>				
Net investment in capital assets	889	1,665	(776)	-46.6%
Restricted	5,973	41,509	(35,536)	-85.6%
Unrestricted	21,894	12,883	9,011	69.9%
<b>TOTAL NET POSITION</b>	<u>\$ 28,756</u>	<u>\$ 56,057</u>	<u>\$ (27,301)</u>	-48.7%

**HOUSING AUTHORITY OF THE CITY OF ELWOOD**  
**Elwood, Indiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**MARCH 31, 2018**

**FINANCIAL ANALYSIS (CONTINUED)**

The unrestricted net position was \$21,894 as of March 31, 2018. This amount may be used to meet the Authority's ongoing obligations. The restricted net position was \$5,973 as of March 31, 2018. This may only be used to assist families and individuals with housing assistance payments for leased vouchers.

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.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

	FY 2018	FY 2017	Dollar Change	Percent Change
<b>REVENUES</b>				
Operating - non-operating - capital contributions:				
Federal operating grants	\$ 1,303,941	\$ 1,382,635	\$ (78,694)	-5.7%
Interest income	3	3	-	0.0%
Other income	17,207	13,196	4,011	30.4%
Fraud recovery	871	3,010	(2,139)	-71.1%
<b>TOTAL REVENUES</b>	<b>1,322,022</b>	<b>1,398,844</b>	<b>(76,822)</b>	<b>-5.5%</b>
<b>EXPENSES</b>				
Administrative	145,069	146,948	(1,879)	-1.3%
Utilities	1,026	806	220	27.3%
Ordinary maintenance and operation	1,782	1,383	399	28.9%
General expense	3,702	2,105	1,597	75.9%
Depreciation expense	775	1,367	(592)	-43.3%
Housing assistance payments	1,196,969	1,204,142	(7,173)	-0.6%
<b>TOTAL EXPENSES</b>	<b>1,349,323</b>	<b>1,356,751</b>	<b>(7,428)</b>	<b>-0.5%</b>
<b>CHANGE IN NET POSITION</b>	<b>(27,301)</b>	<b>42,093</b>	<b>(69,394)</b>	
<b>NET POSITION - BEG OF YEAR</b>	<b>56,057</b>	<b>13,964</b>	<b>42,093</b>	
<b>NET POSITION - END OF YEAR</b>	<b>\$ 28,756</b>	<b>\$ 56,057</b>	<b>\$ (27,301)</b>	

**HOUSING AUTHORITY OF THE CITY OF ELWOOD**  
**Elwood, Indiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**MARCH 31, 2018**

**FINANCIAL ANALYSIS (CONTINUED)**

As can be seen in the table on the previous page, total revenues decreased \$76,822 due to the reasons noted below.

- Federal operating grants decreased \$78,694 due to a \$72,088 decrease in funding for housing assistance payments. The Authority also had a \$6,606 decrease in administrative fees earned.
- Other income increased \$4,011 from FY 2017. Other income was higher in FY 2018 for \$3,004 in disallowed wages from a previous year. The Authority also had a \$1,007 increase in income from portability vouchers.
- Fraud recovery decreased \$2,139 or 71.1% from FY 2017.

Total expenses decreased \$7,428 due to the reasons noted below.

- Administrative expense decreased \$1,879 or 1.3% from FY 2017. Primary reason was a decrease in office and other administrative expenses of \$4,323. This was partially offset by an increase in administrative salaries and benefits of \$2,476 or 2.3%.
- Utilities increased \$220 or 27.3% from FY 2017.
- Ordinary maintenance and operation increased \$399 or 28.9% from 2017.
- General expense increased \$1,597 or 75.9% due to a \$1,286 increase in bad debt expense.
- The Authority had a \$592 or 43.3% decrease in Depreciation, which is the write-off of capital assets over their estimated useful life.
- Housing assistance payments decreased \$7,173 from FY 2017.

The Housing Choice Voucher leasing rate for fiscal year March 31, 2018 was 89.0%, down slightly from 90.1% in FY 2017. The Authority currently has 301 Housing Choice Voucher units.

**HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
MARCH 31, 2018**

**CAPITAL ASSETS**

*Capital Assets* - The Housing Authority of the City of Elwood, Indiana's net investment in capital assets, as of March 31, 2018 amounts to \$889. The investment in capital assets includes equipment and accumulated depreciation.

The total decrease in the Authority's investment in capital assets for the current fiscal year was 46.6% in terms of net book value. Depreciation charges for the year totaled \$775. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

	Beginning	Rounding	Depreciation	Ending
Capital assets	\$1,665	\$(1)	\$(775)	\$889

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Authority receives annual budget authority from HUD based on prior year leasing and HAP utilization. In addition to annual budget authority, the Authority also has \$5,973 in HAP Reserves and \$234,221 in HUD-Held Program Reserves available for housing assistance payments. Administrative fees for the Housing Choice Voucher program will be based on actual utilization in FY 2019 and adjusted for pro-ration which is currently at 76%.

**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 Executive Director, Housing Authority of the City Elwood, 1602 S A Street, Elwood, Indiana 46306.

**FINANCIAL STATEMENTS**

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood Indiana

STATEMENT OF NET POSITION  
MARCH 31, 2018

		Annual Contributions <u>Contract</u> <u>IN079</u> Section 8 <u>Vouchers</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$	24,575
Restricted cash		5,973
Accounts receivable		736
Prepaid expenses		4,552
<b>Total Current Assets</b>		<u>35,836</u>
Capital Assets, net		<u>889</u>
<b>Total Assets</b>		<u>36,725</u>
<b><u>LIABILITIES</u></b>		
<b><u>Current liabilities</u></b>		
Accounts payable		898
Accrued liabilities		7,071
<b>Total Current Liabilities</b>		<u>7,969</u>
<b><u>NET POSITION</u></b>		
Investment in capital assets		889
Restricted		5,973
Unrestricted		21,894
<b>Total Net Position</b>	<b>\$</b>	<u><u>28,756</u></u>

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

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED MARCH 31, 2018

	Annual Contributions <u>Contract</u> <u>IN079</u> Section 8 <u>Vouchers</u>
<b><u>OPERATING REVENUES</u></b>	
Federal grants	\$ 1,303,941
Other income	<u>18,078</u>
<b>TOTAL OPERATING REVENUE</b>	<b><u>1,322,019</u></b>
<b><u>OPERATING EXPENSES</u></b>	
Administrative	145,069
Utilities	1,026
Ordinary maintenance and operation	1,782
General expense	3,702
Housing assistance payments	1,196,969
Depreciation expense	<u>775</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>1,349,323</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b><u>(27,304)</u></b>
<b><u>NONOPERATING REVENUES</u></b>	
Investment income	<u>3</u>
<b>TOTAL NONOPERATING REVENUES</b>	<b><u>3</u></b>
<b>CHANGE IN NET POSITION</b>	<b>(27,301)</b>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<b><u>56,057</u></b>
<b>TOTAL NET POSITION - END OF YEAR</b>	<b><u>\$ 28,756</u></b>

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

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$ 1,324,777
Payments to vendors	(42,876)
Payments to landlords	(1,196,969)
Payments to employees	(110,713)
Net Cash Used by Operating Activities	<u>(25,781)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>3</u>
Net Cash Flows Provided by Investing Activities	<u>3</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>686</u>
Net Cash Flows (Used) by Capital and Related Financing Activities	<u>686</u>

Net Increase (Decrease) in Cash and Cash Equivalents (25,092)

Cash - Beginning of year 56,325

Cash - End of year \$ 31,233

Reconciliation to Statement of Position

Cash and Cash Equivalents \$ 24,575

Restricted Cash and Cash Equivalents 5,973

Total Cash and Cash Equivalents \$ 30,548

Continued

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood Indiana

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2018  
(CONTINUED)

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

Operating income (loss)	\$ (27,304)
Adjustments to reconcile net operating income (loss) to net cash Provided by operating activities:	
Depreciation	775
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Accounts receivable	2,758
Prepaid expenses	(113)
Increase (Decrease) in:	
Accrued payables and liabilities	(1,897)
Net Cash Flows Provided (Used) by Operating Activities	<u>(25,781)</u>

The accompanying notes are an integral part of these financial statements

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

NOTE A - Summary of Significant Accounting Policies:

The financial statements of the HOUSING AUTHORITY OF THE CITY OF ELWOOD ("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.

The HOUSING AUTHORITY OF THE CITY OF ELWOOD is a public corporation and was established under the provision of Indiana Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into an annual contributions contract with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a Section 8 Program (Contract No. IN-079).

Reporting Entity

The entity is a public 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 Elwood, a primary government. 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 ELWOOD include the following:

The authority had 301 units in management at March 31, 2018:

<u>Project</u>	<u>Units</u>
Vouchers	<u>301</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.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

(Continued)

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

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. The Authority has no debt.

**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.

**Accounting Policies** - The financial statements of 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.

**Use of Enterprise Accounting** - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

**Budgets** - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle.

Budget compared to actual presentation has been omitted because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board. This budget does not represent an 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; therefore, budgetary data and presentation is not required.

**Cash and Cash Equivalents** - Deposits consist of Checking and Savings accounts and Certificate of Deposit 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. Certificates of deposit that are redeemable immediately with little or no penalty are considered cash equivalents.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

(Continued)

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

For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid deposits (including restricted assets) with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no non cash investing, non capital, 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 restriction apply to all investments made by political subdivisions.

Tenant Receivables - Receivables (if any) 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 March 31, 2018.

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 capitalized at the time of purchase. Such assets are recorded at cost. 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. The Authority's policy is to capitalize assets costing \$250 or more.

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

<u>Class</u>	<u>Life</u>
Furniture, Equipment & Machinery	3-10 years

Compensated Absences - Compensated absences (if any) 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.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

(Continued)

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

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 and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, and then restricted resources as they are allowed.

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.

NOTE B - Deposits, Cash and Cash Equivalents:

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.

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 March 31, 2018, 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.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

(Continued)

NOTE B - Deposits, Cash and Cash Equivalents: (Continued)

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.

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

The carrying amounts of the Authority's cash deposits were \$30,548 at March 31, 2018. Bank balances before reconciling items were \$30,548 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name.

Deposits consist of the following:

Checking & Savings accounts	<u>\$ 30,548</u>
-----------------------------	------------------

NOTE C - Accounts Receivable:

Accounts receivable at March 31, 2018, consist of the following:

Accounts receivable - HUD other projects	\$ 735
Accrued interest receivable	<u>1</u>
Total	<u>\$ 736</u>

NOTE D - Prepaid Expenses:

Prepaid expenses at March 31, 2018, consist of the following:

Prepaid insurance	\$ 1,463
Prepaid software support	<u>3,089</u>
Total	<u>\$ 4,552</u>

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018  
(Continued)

NOTE E - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance <u>03/31/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Ending Balance <u>03/31/18</u>
Capital Assets, being depreciated:					
Furniture, Equipment & Machinery	\$ 8,574	\$ 0	\$ ( 686)	\$ 0	\$ 7,888
Total Capital Assets, being depreciated	<u>8,574</u>	<u>0</u>	<u>( 686)</u>	<u>0</u>	<u>7,888</u>
Less Accumulated Depreciation:	<u>( 6,909)</u>	<u>( 776)</u>	<u>686</u>	<u>0</u>	<u>( 6,999)</u>
Total Capital Assets, being depreciated, net	<u>1,665</u>	<u>( 776)</u>	<u>0</u>	<u>0</u>	<u>889</u>
Capital Assets, Net	<u>\$ 1,665</u>	<u>\$ ( 776)</u>	<u>\$ ( 0)</u>	<u>\$ 0</u>	<u>\$ 889</u>

For the year ended March 31, 2018, depreciation expense in the amount of \$776 was recorded.

NOTE F - Accrued liabilities:

Accrued liabilities at March 31, 2018, consist of the following:

Accrued wages and payroll taxes \$ 7,071

NOTE G - Federal Operating Grants:

Annual Contributions Contract C-2018

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Housing Choice Vouchers \$ 1,303,941

NOTE H - Commitments and Contingencies:

Litigation: At March 31, 2018, the Authority was not involved in any threatened litigation.

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 were no examinations during the year ended March 31, 2018.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

(Continued)

NOTE H - Commitments and Contingencies: (Continued)

Grant Disallowances: Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, may 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 I - 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 which includes public officials, workman's compensation, and auto insurance. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

NOTE J - Economic Dependency:

The Authority receives approximately 99% 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.

SUPPLEMENTAL FINANCIAL INFORMATION

Housing Authority of the City of Elwood (IN079)  
Elwood, IN  
Entity Wide Balance Sheet Summary

Submission Type: Unaudited/Single Audit

Fiscal Year End: 03/31/2018

	14,871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$24,575	\$24,575	\$24,575
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$5,973	\$5,973	\$5,973
114 Cash - Tenant Security Deposits			
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$30,548	\$30,548	\$30,548
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	\$735	\$735	\$735
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	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable	\$1	\$1	\$1
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$736	\$736	\$736
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$4,552	\$4,552	\$4,552
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$35,836	\$35,836	\$35,836
161 Land			
162 Buildings			
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$7,888	\$7,888	\$7,888
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$6,999	-\$6,999	-\$6,999
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$889	\$889	\$889
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	\$889	\$889	\$889
200 Deferred Outflow of Resources			
290 Total Assets and Deferred Outflow of Resources	\$36,725	\$36,725	\$36,725
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$898	\$898	\$898
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$6,892	\$6,892	\$6,892
322 Accrued Compensated Absences - Current Portion			
324 Accrued Contingency Liability			

325	Accrued Interest Payable			
331	Accounts Payable - HUD PHA Programs			
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 Projects/Mortgage Revenue			
344	Current Portion of Long-term Debt - Operating Borrowings			
345	Other Current Liabilities			
346	Accrued Liabilities - Other	\$179	\$179	\$179
347	Inter Program - Due To			
348	Loan Liability - Current			
310	Total Current Liabilities	\$7,969	\$7,969	\$7,969
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
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			
350	Total Non-Current Liabilities	\$0	\$0	\$0
300	Total Liabilities	\$7,969	\$7,969	\$7,969
400	Deferred Inflow of Resources			
508.4	Net Investment in Capital Assets	\$889	\$889	\$889
511.4	Restricted Net Position	\$5,973	\$5,973	\$5,973
512.4	Unrestricted Net Position	\$21,894	\$21,894	\$21,894
513	Total Equity - Net Assets / Position	\$28,756	\$28,756	\$28,756
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$36,725	\$36,725	\$36,725

Housing Authority of the City of Elwood (IN079)  
Elwood, IN

Entity Wide Revenue and Expense Summary

Submission Type: Unaudited/Single Audit

Fiscal Year End: 03/31/2018

	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	\$1,303,941	\$1,303,941	\$1,303,941
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	\$3	\$3	\$3
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery	\$871	\$871	\$871
71500 Other Revenue	\$17,207	\$17,207	\$17,207
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$1,322,022	\$1,322,022	\$1,322,022
91100 Administrative Salaries	\$98,185	\$98,185	\$98,185
91200 Auditing Fees	\$7,000	\$7,000	\$7,000
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$12,528	\$12,528	\$12,528
91600 Office Expenses	\$18,244	\$18,244	\$18,244
91700 Legal Expense			
91800 Travel	\$1,755	\$1,755	\$1,755
91810 Allocated Overhead			
91900 Other	\$7,357	\$7,357	\$7,357
91000 Total Operating - Administrative	\$145,069	\$145,069	\$145,069
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			
93200 Electricity			
93300 Gas	\$1,026	\$1,026	\$1,026
93400 Fuel			
93500 Labor			
93600 Sewer			
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$1,026	\$1,026	\$1,026
94100 Ordinary Maintenance and Operations - Labor			
94200 Ordinary Maintenance and Operations - Materials and Other	\$393	\$393	\$393
94300 Ordinary Maintenance and Operations Contracts	\$1,354	\$1,354	\$1,354

		\$1,133	\$1,133	\$1,133
94500 Employee Benefit Contributions - Ordinary Maintenance	\$35	\$35	\$35	
94000 Total Maintenance	\$1,782	\$1,782	\$1,782	
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	\$1,133	\$1,133	\$1,133	
96130 Workmen's Compensation	\$705	\$705	\$705	
96140 All Other Insurance	\$125	\$125	\$125	
96100 Total insurance Premiums	\$1,963	\$1,963	\$1,963	
96200 Other General Expenses	\$453	\$453	\$453	
96210 Compensated Absences				
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other	\$1,286	\$1,286	\$1,286	
96800 Severance Expense				
96000 Total Other General Expenses	\$1,739	\$1,739	\$1,739	
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	\$151,579	\$151,579	\$151,579	
97000 Excess of Operating Revenue over Operating Expenses	\$1,170,443	\$1,170,443	\$1,170,443	
97100 Extraordinary Maintenance				
97200 Casually Losses - Non-capitalized				
97300 Housing Assistance Payments	\$1,184,045	\$1,184,045	\$1,184,045	
97350 HAP Portability-In	\$12,924	\$12,924	\$12,924	
97400 Depreciation Expense	\$775	\$775	\$775	
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$1,349,323	\$1,349,323	\$1,349,323	
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	
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$27,301	-\$27,301	-\$27,301	
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	
11030 Beginning Equity	\$56,057	\$56,057	\$56,057	
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
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	\$22,783	\$22,783	\$22,783
11180	Housing Assistance Payments Equity	\$5,973	\$5,973	\$5,973
11190	Unit Months Available	3612	3612	3612
11210	Number of Unit Months Leased	3213	3213	3213
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	CFPP Debt Service Payments			
13901	Replacement Housing Factor Funds			

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

NOTES TO SUPPLEMENTAL FINANCIAL INFORMATION  
FOR THE YEAR ENDED MARCH 31, 2018

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, housing assistance payments and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants, revenue, gains and losses on the disposal of capital assets and interest expense in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the financial statements.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Mount Union, Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2018

ANNUAL CONTRIBUTION CONTRACT	PROGRAM AND ASSISTANCE TYPE	CFDA NUMBER	AWARD	EXPENDITURES
<u>U.S DEPARTMENT OF HUD</u>				
A-2575	Section 8 Cluster Housing Choice Voucher Program	14.871	\$ 1,303,941	\$ 1,303,941
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$ 1,303,941</u></b>	<b><u>\$ 1,303,941</u></b>

Notes to Schedule of Expenditures of Federal Awards

**Note 1 Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Housing Authority of the City of Elwood under programs of the federal government for the year ended March 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Housing Authority of the City of Elwood, it is not intended to and does not present the financial position, changes in net position or cash flow of Housing Authority of the City of Elwood.

**Note 2 Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note A. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Housing Authority of the City of Elwood has not elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

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 Elwood  
1602 S A St  
Elwood, Indiana 78071

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 Elwood, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Elwood's basic financial statements and have issued my report thereon dated August 22, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Housing Authority of the City of Elwood'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 Elwood's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Elwood'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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Elwood'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 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 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  
August 22, 2018

# Goldie Roberts

Certified Public Accountant

8518 S Kays Chapel Rd.

Fredericksburg, IN 47120

Report on Compliance For Each Major Federal Program; Report on Internal Control Over  
Compliance Required by Uniform Guidance

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Elwood  
1602 S A St  
Elwood, Indiana 78071

### **Report on Compliance for Each Major Federal Program**

I have audited the Housing Authority of the City of Elwood's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the City of Elwood's major federal programs for the year ended March 31, 2018. The Housing Authority of the City of Elwood's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance with each of the Housing Authority of the City of Elwood's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Elwood's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In my opinion, the Housing Authority of the City of Elwood, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2018.

## Report on Internal Control Over Compliance

Management of the Housing Authority of the City of Elwood is responsible for establishing and maintaining effective internal control over the type of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of the City of Elwood'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 audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Elwood's internal control over compliance.

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

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gol die Roberts*

Certified Public Accountant

Fredericksburg, Indiana  
August 22, 2018

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

MARCH 31, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

~ Material weakness(es) identified?

\_\_\_\_\_yes    X no

~ Significant deficiency(s) identified?

\_\_\_\_\_yes    X none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_yes    X no

FEDERAL AWARDS

Internal control over major federal programs:

~ Material weakness(es) identified?

\_\_\_\_\_yes    X no

~ Significant deficiency(s) identified that are not considered to be material weakness(es)?

\_\_\_\_\_yes    X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_yes    X no

Identification of major federal programs:

CFDA Number

14.871

Name of Federal Program

Housing Choice Voucher Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_yes    X no

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

MARCH 31, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PRIOR YEAR FINDINGS

2016-001

PRIOR  
CONDITION:

PAYMENTS TO BOARD MEMEBERS

The former executive director was paid as the fee accountant while being a member of the board of directors.

CURRENT  
CONDTION:

The HUD field office has cleared this finding in a letter dated 12/5/17.

CURRENT YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

HOUSING AUTHORITY OF THE CITY OF ELWOOD  
Elwood, Indiana

MARCH 31, 2018

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2016-001	Payments to Board Members	Cleared