



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B50997

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 9, 2018

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

We have reviewed the audit report opined on by Goldie Roberts, Independent Public Accountant, for the period October 1, 2016 to September 30, 2017. 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, 2017, 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 two 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*.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts

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

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

Paul D. Joyce, CPA
State Examiner

HOUSING AUTHORITY OF THE CITY OF UNION CITY

AUDITED FINANCIAL STATEMENTS

Union City, Indiana

September 30, 2017

Goldie Roberts

Certified Public Accountant

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

HOUSING AUTHORITY
OF THE CITY OF
UNION CITY

Union City, Indiana
September 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	i
 <u>FINANCIAL STATEMENTS</u>	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Fund Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	7
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of the Authority's Proportionate Share of the Net Pension Liability	19
Schedule of the Authority's Contributions	20
 <u>SUPPLEMENTAL FINANCIAL INFORMATION</u>	
Combining Schedule of Program Net Position	21
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	22
Financial Data Schedule	23
Notes to Supplemental Financial Information	28
 <u>OTHER REPORTS</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Schedule of Findings and Responses	31
Summary Schedule of Prior Year Findings	34

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, 2017, 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 24, 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.

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 September 24, 2018 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 The Housing Authority of the City of Union City's internal control over financial reporting and compliance.



Certified Public Accountant

Fredericksburg, Indiana
September 24, 2018

**Housing Authority of the City
of Union City**
Union City, Indiana
Management's Discussion and Analysis
September 30, 2017

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 2017* included:

As of September 30, 2017, total assets were \$121,792 as compared to \$95,212, as of September 30, 2016, an increase of \$26,580. Current assets increased \$36,055 and capital assets decreased \$9,475.

Total liabilities increased \$123,559 from \$178,873 in 2016 to \$302,432 in 2017.

In 2017, total revenue increased \$109,601, as compared to 2016, mainly due to increases in Federal Grants.

Total expenses increased \$119,972 due primarily to increases in HAP expenses and interest expense.

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 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, 2017

Housing Authority of the City of Union City

Management's Discussion and Analysis

September 30, 2017

(Continued)

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, 2017.

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, 2017. 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, 2017.

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

Management's Discussion and Analysis

September 30, 2017

(Continued)

Net Position

September 30,

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% of Change</u>
Current Assets	\$ 47,960	\$ 11,905	\$ 36,055	302.86%
Capital Assets, Net	<u>73,832</u>	<u>83,307</u>	<u>(9,475)</u>	<u>-11.37%</u>
Total Assets	<u>\$ 121,792</u>	<u>\$ 95,212</u>	<u>\$ 26,580</u>	<u>27.92%</u>
Deferred Outflow of Resources	<u>\$ 6,019</u>	<u>\$ 9,184</u>	<u>\$ (3,165)</u>	<u>-34.46%</u>
Current Liabilities	\$ 115,163	\$ 47,952	\$ 67,211	140.16%
Noncurrent Liabilities	<u>187,269</u>	<u>130,921</u>	<u>56,348</u>	<u>-43.00%</u>
Total Liabilities	<u>\$ 302,432</u>	<u>\$ 178,873</u>	<u>\$ 123,559</u>	<u>69.08%</u>
Deferred Inflow of Resources	<u>\$ 2,338</u>	<u>\$ 2,190</u>	<u>\$ 148</u>	<u>6.76%</u>
Net Position:				
Investment in Capital Assets	\$ (46,859)	\$ (37,384)	\$ (9,475)	-25.34%
Restricted	29,058	79,879	(50,821)	-63.62%
Unrestricted	<u>(159,158)</u>	<u>(119,162)</u>	<u>(39,996)</u>	<u>-33.56%</u>
Total Net Position	<u>\$ (176,959)</u>	<u>\$ (76,667)</u>	<u>\$ (100,292)</u>	<u>-130.82%</u>

Capital Assets

(Net of Accumulated Depreciation)

September 30,

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% of Change</u>
Capital Assets	\$ 159,544	\$ 159,544	\$ -	0.00%
Accumulated Depreciation	<u>(85,712)</u>	<u>(76,237)</u>	<u>(9,475)</u>	<u>-12.43%</u>
Net Capital Assets	<u>\$ 73,832</u>	<u>\$ 83,307</u>	<u>\$ (9,475)</u>	<u>-11.37%</u>

Housing Authority of the City of Union City

Management's Discussion and Analysis

September 30, 2017

(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, 2017, current assets were \$47,960 as compared to \$11,905, as of September 30, 2016, an increase of \$36,055. 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 \$9,475 due to increases in annual accumulated depreciation.

Liabilities:

As of September 30, 2017, current liabilities were \$195,082 as compared to \$47,952, as of September 30, 2016, an increase of \$147,130.

Debt:

The Authority has a loan in which the long-term debt is \$103,690 in 2016. There were no payments or adjustments made to the loan for 2017. The Authority also owes HUD \$81,919 in prior year questioned costs.

Net Position:

As of September 30, 2017, the Housing Authority had (\$176,959) invested in total net position. Of this amount, (\$159,158) is unrestricted net position. Restricted net position of \$29,058 was available for Section 8 Housing Assistance Payments (HAP). The remainder of (\$46,859) represents the investment in capital assets furnishings and equipment.

Housing Authority of the City of Union City

Management's Discussion and Analysis September 30, 2017 (Continued)

Changes in Net Position For the Year Ended September 30

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% of Change</u>
Revenue:				
Federal Grants & Subsidy	\$ 646,918	\$ 545,491	\$ 101,427	18.59%
Investment Income	21	11	10	90.91%
Other Income	26,149	17,985	8,164	45.39%
Total Revenue	<u>673,088</u>	<u>563,487</u>	<u>109,601</u>	<u>19.45%</u>
Expenses:				
Operating Expenses	87,478	81,787	5,691	6.96%
Housing Assistance Payments	548,963	478,199	70,764	14.80%
Depreciation	9,475	9,503	(28)	-29.00%
Interest Expense	43,545	-	43,545	100.00%
Total Operating Expenses	<u>689,461</u>	<u>569,489</u>	<u>119,972</u>	<u>21.07%</u>
Increase (Decrease) in Net Position	<u>(16,373)</u>	<u>(6,002)</u>	<u>(10,371)</u>	<u>-172.79%</u>
Net Position				
Beginning Net Position, originally stated	(76,667)	(70,665)	(6,002)	-8.49%
Prior Period Adjustment	(83,919)	-	(83,919)	-100.00%
Total Net Position End of Year	<u>\$(176,959)</u>	<u>\$(76,667)</u>	<u>\$(100,292)</u>	<u>-130.82%</u>

Revenues:

In 2017, Housing Authority of the City of Union City's Housing Assistance Payments and Administrative Fees increased \$101,427 from \$545,491 in 2016 to \$646,918.

Other income increased \$8,164 due to new fraud found in the voucher program.

Expenses:

Housing Assistance Payments (HAP) expenses increased \$70,764 from \$478,199 in 2016 to \$548,963 in 2017.

Depreciation remained about the same at \$9,503 in 2016 and \$9,475 in 2017, a change of \$28.

Interest expense increased from \$-0- in 2016 to \$43,545 in 2017, due to interest due on Royal Oaks Apartments.

Housing Authority of the City of Union City

Management's Discussion and Analysis

September 30, 2017

(Continued)

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

	<u>9/30/16</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/17</u>
Notes payable	\$ 120,691	\$ _____ -	\$ _____ -	\$ 120,691
Pension payable	\$ 27,231	\$ _____ -	\$ (1,800)	\$ 25,431
Repayment Agreement	\$ _____ 0	\$ 81,999	\$ _____ -	\$ 81,919
		=		

The Housing Authority of the City of Union City implemented GASB 68 in the prior year as required. This standard has caused a decrease in debt of \$1,800 and has required the booking of deferred outflows of \$6,019 and deferred inflows of \$2,338.

Budgetary Analysis

For the year ended September 30, 2017, 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.

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.

Contacting the Housing Authority's Financial Authority

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, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$	10,074
Restricted cash and cash equivalents		29,708
Accounts receivable - net		8,042
Prepaid expenses		136
Total Current Assets		47,960

Capital Assets

Land and other nondepreciable assets		0
Depreciable capital assets, net		73,832
Total Capital Assets		73,832

Total Assets		121,792
---------------------	--	----------------

Deferred outflow of resources

Pension related		6,018
		6,018

Total Assets and Deferred Outflow of Resources		127,810
---	--	----------------

LIABILITIES

Current liabilities

Accounts payable		0
Accrued liabilities		73,741
Tenant Security Deposits		650
Current portion of notes payable		40,772
Total Current Liabilities		115,163

Noncurrent Liabilities

Net Pension Liability		25,431
Notes payable		161,838
Total Noncurrent Liabilities		187,269

Total Liabilities		302,432
--------------------------	--	----------------

Deferred inflow of resources

Pension related		2,338
		2,338

NET POSITION

Net investment in capital assets		(46,859)
Restricted		29,058
Unrestricted		(159,159)
Total Net Position		\$ (176,960)

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, 2017

<u>OPERATING REVENUES</u>	
Rental income	\$ 17,079
Other income	9,070
	26,149
 <u>OPERATING EXPENSES</u>	
Administrative	76,458
Utilities	5,809
Ordinary maintenance and operation	3,567
General expense	1,644
Housing assistance payments	548,963
Depreciation expense	9,475
	645,916
 OPERATING INCOME (LOSS)	 (619,767)
 <u>NONOPERATING REVENUES</u>	
Federal operating grants	646,918
Interest income	20
Interest expense	(43,545)
	603,393
 CHANGE IN NET POSITION	 (16,374)
 TOTAL NET POSITION - BEGINNING OF YEAR, as originally stated	 (76,667)
Prior period adjustment	(83,919)
	(160,586)
TOTAL NET POSITION - BEGINNING OF YEAR, as restated	(160,586)
 TOTAL NET POSITION - END OF YEAR	 \$ (176,960)

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	19,862
Payments to vendors		(63,857)
Payments to landlords		(548,963)
Payments to employees		(59,438)
Net Cash Used by Operating Activities		<u><u>(652,396)</u></u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal operating grants received		646,918
Net Cash Flows Provided		<u>646,918</u>
by Noncapital Financing Activities		<u><u>646,918</u></u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Long term debt		81,919
Gain on the sale of capital assets		20
Acquisition and construction of capital assets		0
Net Cash Flows Provided (Used)		<u>81,939</u>
by Capital and Related Financing Activities		<u><u>81,939</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		(43,545)
Net Cash Provided by Investing Activities		<u><u>(43,545)</u></u>

Net Increase (Decrease) in Cash and Cash Equivalents		32,916
Cash - Beginning of year		<u>6,866</u>
Cash - End of year	\$	<u><u>39,782</u></u>
Reconciliation of Cash		
Unrestricted	\$	10,074
Restricted		<u>29,708</u>
Total Cash and Cash Equivalents	\$	<u><u>39,782</u></u>

Continued

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(CONTINUED)

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

Operating income (loss)	\$	(619,767)
Adjustments to reconcile net operating income to net cash Provided by operating activities:		
Depreciation		9,475
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(6,287)
Prepaid expenses		3,148
Increase (Decrease) in:		
Accounts payable		(254)
Accrued liabilities		43,694
Pension related		(82,405)
Net Cash Flows Provided by Operating Activities	\$	<u>(652,396)</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, 2017

(Continued)

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, 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, 2017, the Housing Authority has 129 units under management.

<u>Projects</u>	<u>Units</u>
Business Activities	3
Low Income Public Housing	<u>126</u>
	<u>129</u>

The Authority is also operating Capital Fund Grant Programs.

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:

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Continued)

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

Net 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.

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 checking accounts. Cash consist of three (3) checking accounts are both restricted and non-restricted funds. 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. 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 Receivable - Receivable 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. The Authority has no recorded tenant receivables as of September 30, 2017.

Prepaid - Prepaid represent payments made to vendors for services that will benefit beyond September 30, 2017.

Inventories - Inventories 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. No inventories are recorded.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Continued)

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

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 \$1,500 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.

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	5-40 years
Maintenance and office equipment	3-10 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 related 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 costs 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, and 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 liability and disclosure of contingent liability at the date of the financial statements and report 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 scheduled as "Rental income". Rental income per resident generally remains consistent from year to year, but is affected by general economic conditions which impact person income, such as local job availability.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Continued)

NOTE B - Deposits, Cash and Cash Equivalents, and Investments:

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.

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, 2017, 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, 2017, the carrying amount of the Authority's deposits was \$39,782 and the bank balance was \$39,782. 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 tenant security deposits.

Deposits consist of the following:

Checking account

\$ 39,782

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2017
(Continued)

NOTE C - Accounts Receivable:

Accounts Receivable at September 30, 2017, consists of the following:

Fraud Recovery	<u>\$8,042</u>
----------------	----------------

NOTE D - Prepaid Expense:

Prepaid expenses at September 30, 2017, consists of the following:

Prepaid Expenses and Other Assets	<u>\$ 136</u>
-----------------------------------	---------------

NOTE E - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance 9/30/16	Increases	Decreases	Transfers	Ending Balance 9/30/17
Capital assets, not being depreciated:					
Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Capital Assets, Not being depreciated	0	0	0	0	0
Capital Assets, being depreciated:					
Buildings & Improvements	144,635	0	0	0	144,635
Furniture, Equipment & Machinery	14,910	0	0	0	14,910
Total Capital Assets, being depreciated	159,545	0	0	0	159,545
Less Accumulated Depreciation for:					
Buildings & Improvements	(62,822)	(7,981)	0	0	(70,803)
Furniture, Equipment and Machinery	(13,415)	(1,495)	0	0	(14,910)
Total Accumulated Depreciation:	(76,237)	(9,476)	0	0	(85,713)
Total Capital Assets, being depreciated, net	83,307	(9,476)	0	0	73,832
Capital Assets, Net	\$ 83,307	\$(9,476)	\$ 0	\$ 0	\$ 73,832

Depreciation expense of \$9,475 was incurred during the year.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Continued)

NOTE F - Pension Plan:

Description of Pension Plan

The Housing Authority of the City of Union City (Housing Authority) 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*. The Pension Plan is administered by the Indiana Public Retirement System (INPRS) and is based on Title 35 of IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). 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 shoes 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. There was no COLA provided for the year ended June 30, 2017.

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 2017, all participating employers contributed an average rate of 11.2% of covered payroll. The Authority's required contribution to the plan for the fiscal year ended December 31, 2017 was \$27,231. A contribution of 3% of covered payroll was contributed by the employees into the annuity savings account portion.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Continued)

NOTE F - Pension Plan: (Continued)

Employer Allocations

Wages reported by employers relative to the collective wages of the plan serve as the basis to determine the employer's proportionate share. The basis of allocation measures the proportionate relationship of an employer to all employers, and is consistent with the manner in which contributions to the pension plan are determined.

At June 30, 2017, the Authority's proportionate share was 0.0000057%.

Net Pension Liability

At June 30, 2017, the Authority reported a liability of \$25,431. The proportionate share of the liability as of June 30, 2017 was \$26,564.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, was determined using member census data as of June 30, 2017 and adjusted, as appropriate to reflect changes between June 30, 2017 and June 30, 2017. The valuation results from June 30, 2016 were rolled to June 30, 2017 to reflect benefits accruals during the year less benefits paid. Key methods and assumptions used in calculating the total pension liability are presented below:

Price inflation	2.25%
Cost of Living Increases	1.00%
Salary increases, including wage increases	2.5% to 4.25%, including inflation
Long-Term rate of return, net of investment expense, and including price inflation	6.75%

Mortality assumption (healthy) rates were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table, with future mortality improvement inherent in the Social Security Administration's 2017 Trustee report.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Continued)

NOTE F - Pension Plan: (Continued)

Disabled mortality assumption rates were based on the RP-2014 (with MP-2014 improvement removed) Disability Mortality Table with future mortality improvement inherent in the social Security Administration's 2014 Trustee report.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were undated as needed for the June 30, 2015 actuarial valuation based on the results of the study.

The long-term expected rate of return of pension plan investments was determined using a building-block approach that considered the target asset allocation from the Board's investment policy and capital market forecasts from various investment professionals.

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:

Asset Class	Actual Allocations	Target Range
Public equity	23.6%	22.0%
Private equity	12.7%	14.0%
Fixed Income-Ex Inflation-Linked	20.1%	20.0%
Fixed Income - Inflation-Linked	7.3%	7.0%
Real estate	6.5%	7.0%
Commodities	7.9%	8.0%
Absolute Return	9.6%	10.0%
Risk Parity	11.1%	12.0%
Cash Overlay	1.2%	N/A
Total	100%	100%

Discount Rate

The discount rate used to measure the total pension liability was 6.75% and is equal to long-term expected return on plan investments, net of administrative expenses. The INPRS Board of Trustees has established a funding policy of setting the employer contribution rate equal to the greater of: 1) the current contribution rate of 11.2%, or 2) the actuarially determined contribution rate computed by the actuary using the assumptions and methods selected by the Board for the annual actuarial valuations.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2017
(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%)
\$37,090	\$25,431	\$15,739

Pension Expense

For the year ended September 30, 2017, the Housing Authority recognized pension expense of \$31,491, 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	\$483	\$20
Net differences between projected and actual investment earnings on pension plan investments	\$4,023	\$1,275
Change of assumptions	\$408	\$0
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$108	\$1,043
Contributions made after plan year end (measurement date)	\$996	\$0
Total	\$6,018	\$2,338

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2017
(Continued)

NOTE F - Pension Plan: (Continued)

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:

Amortization of net deferred outflows/(inflows) of resources - debit/(credit)	
2018	\$948
2019	\$1,337
2020	\$535
2021	\$(136)
2022	\$0
Thereafter	\$0
Total	\$2,684

The information presented above has not been audited.

NOTE G - Accrued Liabilities:

Accrued liabilities at September 30, 2017, consist of the following:

Accrued Interest	\$ 71,309
Accounts Payable HUD	1,000
Accrued Compensated Absences	<u>1,432</u>
Total	<u>\$ 73,741</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(Continued)

NOTE H - Notes Payable:

Notes Payable at September 30, 2017, consist of the following:

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

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 38,772	\$ 27,764	\$ 66,536
2019	5,054	8,742	13,796
2020	5,453	8,430	13,883
2021	5,884	8,117	14,001
2022	6,329	7,386	14,061
Thereafter	<u>59,199</u>	<u>71,298</u>	<u>130,497</u>
Total	<u>\$ 120,691</u>	<u>\$ 132,083</u>	<u>\$ 252,774</u>

	<u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/17</u>
Changes in Debt	<u>\$ 120,691</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 120,691</u>

NOTE I - Federal Operating Grants:

HUD contributed operating subsidies approved in the operating budgets under the Annual Contributions Contract. These subsidy contributions for the operating year ended December 31, 2017 were as follows:

Section 8 HAP	<u>\$ 646,918</u>
---------------	-------------------

NOTE J - Commitments and Contingencies:

Litigation: At September 30, 2017, the Authority was not involved in the repossession of Royal Oaks Apartments. All liabilities are recorded on the books.

Examination: The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, law and regulations governing other grants given to the Authority in the current and prior years. There were no examinations during the year ended September 30, 2017.

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.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2017
(Continued)

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 96% of its operating 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 - Subsequent Events:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through September 24, 2018 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

In January 2018 the bank gave Royal Oaks Apartments a reduced amount of debt. However it needs to be moved to a non profit organization. The final amounts for this transaction to be recorded on the books are not complete yet.

NOTE N - Correction of an Error/Other Liabilities:

The Housing Authority owes the Department of Housing and Urban Development for the Questioned Costs in prior years. This amount was put on the books this year. The Authority is required to make annual installments for 84 years. The amount of this debt is \$81,919. The Authority is required to make an annual payment.

Other Liabilities	<u>09/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>09/31/17</u>
Changes in Notes Payable	<u>\$ 0</u>	<u>\$ 83,919</u>	<u>\$ 2,000</u>	<u>\$ 81,919</u>

REQUIRED SUPPLEMENTARY 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>2015</u>	<u>2016</u>	<u>2017</u>
Housing Authority of the City of Union City proportion Of the net pension liability	.00061	.00060	.00057
Housing Authority of the City of Union City proportionate share of the net pension liability	\$ 4,163	\$ 5,146	\$5,022
Housing Authority of the City of Union City covered employee payroll	\$ 29,160	\$ 28,620	\$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	14.27	18.33	17.88

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 CONTRIBUTIONS

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 3,145	\$ 3,205	\$ 3,145
Contributions in relation to the contractually required contribution	<u>\$ 3,145</u>	<u>\$ 3,205</u>	<u>\$ 3,145</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Housing Authority of the City of Union City covered employee payroll	\$ 29,160	\$28,620	\$28,080
Contributions as a percentage of covered employee payroll	10.79%	11.2%	11.2%

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, 2017

	IN046		
	Section 8		
	Voucher	Business	
	Program	Activities	Total
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 2,421	\$ 7,653	\$ 10,074
Restricted cash and cash equivalents	29,058	650	29,708
Accounts receivable - net	8,042	0	8,042
Prepaid expenses	0	136	136
Interprogram due from	0	0	0
Total Current Assets	39,521	8,439	47,960
<u>Capital Assets</u>			
Land and other nondepreciable assets	0	0	0
Depreciable capital assets, net	18,979	54,853	73,832
Total Capital Assets	18,979	54,853	73,832
Total Assets	58,500	63,292	121,792
<u>Deferred outflow of resources</u>			
Pension related	6,018	0	6,018
Total Assets and Deferred Outflow of Resources	64,518	63,292	127,810
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accounts payable	0	0	0
Accrued liabilities	2,432	71,309	73,741
Tenant Security Deposits	0	650	650
Current portion of notes payable	0	40,772	40,772
Interprogram due to	0	0	0
Total Current Liabilities	2,432	112,731	115,163
<u>Noncurrent Liabilities</u>			
Net Pension Liability	25,431	0	25,431
Notes payable	81,919	79,919	161,838
Total Noncurrent Liabilities	107,350	79,919	187,269
Total Liabilities	109,782	192,650	302,432
<u>Deferred inflow of resources</u>			
Pension related	2,338	0	2,338
<u>NET POSITION</u>			
Investment in capital assets	18,979	(65,838)	(46,859)
Restricted	29,058	0	29,058
Unrestricted	(95,639)	(63,520)	(159,159)
Total Net Position	\$ (47,602)	\$ (129,358)	\$ (176,960)

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, 2017

	<u>IN046</u>		
	Section 8		
	Voucher	Business	
	Program	Activities	Total
<u>OPERATING REVENUES</u>			
Rental income	\$ 0	\$ 17,079	\$ 17,079
Other income	9,070	0	9,070
TOTAL OPERATING REVENUE	9,070	17,079	26,149
<u>OPERATING EXPENSES</u>			
Administrative	72,217	4,241	76,458
Utilities	1,941	3,868	5,809
Ordinary maintenance and operation	1,260	2,307	3,567
General expense	0	1,644	1,644
Housing assistance payments	548,963	0	548,963
Depreciation expense	2,615	6,860	9,475
TOTAL OPERATING EXPENSES	626,996	18,920	645,916
OPERATING INCOME (LOSS)	(617,926)	(1,841)	(619,767)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Federal operating grants	646,918	0	646,918
Interest income	17	3	20
Interest expense	0	(43,545)	(43,545)
TOTAL NONOPERATING REVENUES	646,935	(43,542)	603,393
CHANGE IN NET POSITION	29,009	(45,383)	(16,374)
TOTAL NET POSITION - BEGINNING			
OF YEAR, as originally stated	6,308	(82,975)	(76,667)
Prior period adjustment	(82,919)	(1,000)	(83,919)
TOTAL NET POSITION - BEGINNING OF YEAR			
as restated	(76,611)	(83,975)	(160,586)
TOTAL NET POSITION - END OF YEAR	\$ (47,602)	\$ (129,358)	\$ (176,960)

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: 09/30/2017

	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,421	\$7,653	\$10,074		\$10,074
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$29,058		\$29,058		\$29,058
114 Cash - Tenant Security Deposits		\$650	\$650		\$650
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$31,479	\$8,303	\$39,782		\$39,782
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants					
126.1 Allowance for Doubtful Accounts - Tenants					
126.2 Allowance for Doubtful Accounts - Other					
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery	\$8,042		\$8,042		\$8,042
128.1 Allowance for Doubtful Accounts - Fraud	\$0		\$0		\$0
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,042	\$0	\$8,042		\$8,042
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets		\$136	\$136		\$136
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$39,521	\$8,439	\$47,960		\$47,960
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	\$13,849		\$13,849		\$13,849
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$31,029	-\$54,684	-\$85,713		-\$85,713
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$18,979	\$54,853	\$73,832		\$73,832
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	\$18,979	\$54,853	\$73,832		\$73,832
200 Deferred Outflow of Resources	\$6,018		\$6,018		\$6,018
290 Total Assets and Deferred Outflow of Resources	\$64,518	\$63,292	\$127,810		\$127,810
311 Bank Overdraft					
312 Accounts Payable <= 90 Days					
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion	\$1,432		\$1,432		\$1,432
324 Accrued Contingency Liability					

325	Accrued Interest Payable		\$71,309	\$71,309	\$71,309
331	Accounts Payable - HUD PHA Programs	\$1,000		\$1,000	\$1,000
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		\$40,772	\$40,772	\$40,772
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	\$2,432	\$112,731	\$115,163	\$115,163
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$79,919	\$79,919	\$79,919
352	Long-term Debt, Net of Current - Operating Borrowings				
353	Non-current Liabilities - Other	\$81,919		\$81,919	\$81,919
354	Accrued Compensated Absences - Non Current				
355	Loan Liability - Non Current				
356	FASB 5 Liabilities				
357	Accrued Pension and OPEB Liabilities	\$25,431		\$25,431	\$25,431
350	Total Non-Current Liabilities	\$107,350	\$79,919	\$187,269	\$187,269
300	Total Liabilities	\$109,782	\$192,650	\$302,432	\$302,432
400	Deferred Inflow of Resources	\$2,338		\$2,338	\$2,338
508.4	Net Investment in Capital Assets	\$18,979	-\$65,838	-\$46,859	-\$46,859
511.4	Restricted Net Position	\$29,058		\$29,058	\$29,058
512.4	Unrestricted Net Position	-\$95,639	-\$63,520	-\$159,159	-\$159,159
513	Total Equity - Net Assets / Position	-\$47,602	-\$129,358	-\$176,960	-\$176,960
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$64,518	\$63,292	\$127,810	\$127,810

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: 09/30/2017

	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue		\$16,270	\$16,270		\$16,270
70400 Tenant Revenue - Other		\$809	\$809		\$809
70500 Total Tenant Revenue	\$0	\$17,079	\$17,079		\$17,079
70500 HUD PHA Operating Grants	\$646,918		\$646,918		\$646,918
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	\$17	\$3	\$20		\$20
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery	\$9,070		\$9,070		\$9,070
71500 Other Revenue					
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$656,005	\$17,082	\$673,087		\$673,087
91100 Administrative Salaries	\$40,290		\$40,290		\$40,290
91200 Auditing Fees	\$6,238		\$6,238		\$6,238
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$10,782		\$10,782		\$10,782
91600 Office Expenses	\$10,358	\$42	\$10,400		\$10,400
91700 Legal Expense		\$3,500	\$3,500		\$3,500
91800 Travel					
91810 Allocated Overhead					
91900 Other	\$4,549	\$699	\$5,248		\$5,248
91000 Total Operating - Administrative	\$72,217	\$4,241	\$76,458		\$76,458
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	\$772	\$2,610	\$3,382		\$3,382
93200 Electricity	\$1,169	\$1,258	\$2,427		\$2,427
93300 Gas					
93400 Fuel					
93500 Labor					
93600 Sewer					
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$1,941	\$3,868	\$5,809		\$5,809
94100 Ordinary Maintenance and Operations - Labor					
94200 Ordinary Maintenance and Operations - Materials and Other		\$122	\$122		\$122
94300 Ordinary Maintenance and Operations Contracts	\$1,260	\$2,185	\$3,445		\$3,445

94500 Employee Benefit Contributions - Ordinary Maintenance				
94000 Total Maintenance	\$1,260	\$2,307	\$3,567	\$3,567
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				
96210 Compensated Absences				
96300 Payments in Lieu of Taxes		\$28	\$28	\$28
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$0	\$28	\$28	\$28
96710 Interest of Mortgage (or Bonds) Payable		\$43,545	\$43,545	\$43,545
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$43,545	\$43,545	\$43,545
96900 Total Operating Expenses	\$75,418	\$55,605	\$131,023	\$131,023
97000 Excess of Operating Revenue over Operating Expenses	\$580,587	-\$38,523	\$542,064	\$542,064
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$548,963		\$548,963	\$548,963
97350 HAP Portability-In				
97400 Depreciation Expense	\$2,615	\$6,860	\$9,475	\$9,475
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$526,996	\$62,465	\$689,461	\$689,461
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	\$29,009	-\$45,383	-\$16,374	-\$16,374
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$6,308	-\$82,975	-\$76,667	-\$76,667
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$82,919	-\$1,000	-\$83,919	-\$83,919
11050 Changes in Compensated Absence Balance				
11050 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	\$76,660		\$76,660	\$76,660
11180	Housing Assistance Payments Equity	\$29,058		\$29,058	\$29,058
11190	Unit Months Available	1932	36	1968	1968
11210	Number of Unit Months Leased	1781	36	1817	1817
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, 2017

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, 2017, 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 September 24, 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 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 2017-001, and 2017-002.

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 2017-001, and 2017-002.

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.



Certified Public Accountant

Fredericksburg, Indiana
September 24, 2018

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

SEPTEMBER 30, 2017

SCHEDULE OF FINDINGS AND RESPONSES

PRIOR YEAR FINDINGS

2016-01

RENTAL RECEIPT PROCESS:

PRIOR
CONDITION:

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

CURRENT
CONDITION:

Continues as 2017-001.

This finding continues as of 2017-001.

2016-02

UNALLOWABLE EXPENSES:

PRIOR
CONDITION:

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

CURRENT
CONDITION:

This finding is closed.

2016-03

SEMAP:

PRIOR
CONDITION:

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

CURRENT
CONDITION:

Continues as 2017-002.

This finding continues as 2017-002.

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

SEPTEMBER 30, 2017
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

CURRENT YEAR FINDINGS

2017-001 CURRENT
 CONDITION: RENTAL RECEIPT PROCESS:

The Authority does not have systems in place to properly account for rental income. The records do not show beginning and ending balances and monthly transactions.

CRITERIA: HUD rules and regulations require a system of internal controls for annual contributions contracts and 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. The records should be made more complete so that the transactions are clear.

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, 2017.

DISCUSSED WITH: Amy Holt 11/23/17

2017-002 UNALLOWABLE EXPENSES:

CURRENT
CONDITION: The Authority has not paid expenses for the business activities program (rental property) from the Voucher program cash for this year. All prior year unallowable cost have been put on the books and the repayment agreement to HUD has been put into place.

This finding is cleared

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

SEPTEMBER 30, 2017
SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

CURRENT YEAR FINDINGS
Continued

2017-002

SEMAP:

CURRENT
CONDITION:

The Authority did not properly prepare the Section 8 management assessment form (SEMAP). Improper reporting may effect future findings.

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 2018.

DISCUSSED WITH:

Amy Holt 11/23/17

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

September 30, 2017

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2016-01	Rental Receipt Process	Continues
2016-02	Unallowable Costs	This finding is cleared
2016-03	SEMAP	Continues