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November 14, 2018

Board of Directors
Elkhart Housing Authority
1396 Benham Ave
Elkhart, IN 46516

We have reviewed the audit report opined on by VB&C, Independent Public Accountant, for the period April 1, 2016 to March 31, 2017. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Elkhart Housing Authority as of March 31, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Modified Opinion on the financial statements and the reason for the modification described in the Basis for Modification in the Independent Auditor's Opinion. Additionally, we call your attention to the finding in the report on page 43. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's planned corrective action may be found on page 44.

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.

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

HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED
MARCH 31, 2017,
INCLUDING SINGLE AUDIT REPORTS
AND SUMMARY OF AUDITORS' RESULTS

VELMA BUTLER & COMPANY, LTD.
Certified Public Accountants and Consultants

VB&C

HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Elkhart
Elkhart, IN 46516

U.S. Department of Housing and Urban
Development, Indianapolis Office
Minton-Capehart Federal Building
575 North Pennsylvania, Room 655
Indianapolis, Indiana 46204

Report on the Financial Statements

We have audited the accompanying financial statements of the primary government business type activities and the component unit of the Housing Authority of the City of Elkhart, Indiana (Authority), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 of assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Modified Opinion

Management is in the process of reviewing and correcting account beginning balances for any previous errors or misstatements. While the process is ongoing, some account balances have not been fully vetted and the financial transactions were not sufficient to allow us to place reasonable assurance on the completeness of accounting records for the balances. Accordingly, it was not practicable for us to extend our audit procedures beyond the records available to us for balances not fully vetted.

Modified Opinion

In our opinion, except for the effects of the matter described in the Basis for Modified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Elkhart, Indiana, as of March 31, 2017, and the changes in financial position 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 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

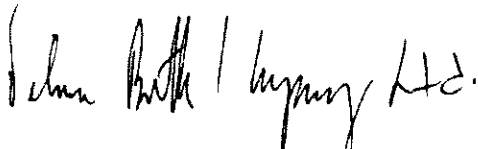
Other Information

Our audit was conducted for the purpose for forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanied financial data schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017 on our consideration of the Authority's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Velma Butler & Company, Ltd.
Chicago, Illinois

October 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Housing Authority of the City of Elkhart, Indiana
1396 Benham Ave
Elkhart, IN 46516
PHONE (574)295-8392 FAX (574) 293-6878**

To the Board of Commissioners
Housing Authority of the City of Elkhart, Indiana
Elkhart, IN 46516

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of Elkhart, Indiana (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on March 31, 2017. The management's discussion and analysis includes information on the past, present and future events that have been enacted, adopted, agreed upon, and/or contracted by the Authority. It focuses on analysis of the financial statements and the improvements in the Authority's management.

We are pleased to submit the financial statements of the Authority for the year ended March 31, 2017. The accuracy of the data presented in the financial statements, as well as its completeness and fairness of presentation, is the responsibility of management. All necessary disclosures to enable the reader to gain an understanding of the Authority's financial affairs have been included in the footnotes accompanying the general purpose financial statements. The purpose of the financial statements is to provide complete and accurate financial information that complies with reporting requirements of the U.S. Department of Housing and Urban Development ("HUD") and the Governmental Accounting Standards Board. The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

FINANCIAL HIGHLIGHTS

- Total assets were \$14.1 million at March 31, 2017, and decreased by \$287 thousand from \$14.4 million at March 31, 2016, mainly due to changes in investments and accumulated depreciation.
- Net capital assets were \$10.4 million at March 31, 2017, and decreased \$135 thousand from \$10.5 million at March 31, 2016. This was primarily due to depreciation of assets.
- Total liabilities increased by \$72 thousand to \$702 thousand at March 31, 2017 from \$630 thousand at March 31, 2016.
- Total net position was \$13.4 million at March 31, 2017, a decrease of about \$359 thousand or 2.6 percent from prior year balance of \$13.8 million.

- Total revenue was \$8.6 million at March 31, 2017, a decrease of \$396 thousand from the March 31, 2016, balance of \$9 million. The decrease was primarily due to a decrease from capital grants.
- Total expenses decreased by \$375 thousand to \$8.5 million at March 31, 2017 from \$8.9 million at March 31, 2016.

USING THIS REPORT

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information detailing how the Authority's net position changed during the fiscal year. All changes in the net position are reported as soon as the underlying event given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *Statement of Cash Flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and related financing activities.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are presented as an enterprise fund whose operations include the low rent, housing choice voucher programs, and a blended component unit.

Fund Financial Statements are groupings of accounts used to maintain control over resources segregated for specific activities or objectives. The Authority, like other state, local, or quasi-governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority's funds only consisted of a *Proprietary Fund*.

The Authority's *Proprietary Fund* is comprised of enterprise funds with "business-type" activities intended to recover all or a portion of their costs through fees and charges for services. Since the Authority maintains its activities in enterprise funds, its Proprietary Fund financial statements provide information about the activities of the Authority as a whole.

Low-Rent Public Housing - Under the Low Rent Housing Program, the Authority rents units it owns to low-income families. The Low Rent Public Housing Program is operated under an annual contribution contract (ACC) with HUD, and HUD provides an operating subsidy to enable the Authority to provide housing at a rent that is based upon 30% of a family's adjusted gross household income.

Capital Fund Program (CFP) - The Low Rent Public Housing Program also includes the CFP, which is the primary funding source for physical management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the authorities housing stock.

Section 8 Housing Choice Vouchers - The Housing Choice Voucher is the federal government's programs for assisting low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The programs are administered locally by public housing authorities (PHAs). The PHAs receive funds from HUD to administer the programs. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Component Units - If the Authority has oversight responsibility, including financial accountability, appointment of voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Based upon the application of these criteria, the Authority includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units - Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Authority's Board of Commissioners of the component unit provides services entirely to the Authority.

Additionally, the Authority is required to undergo an annual single audit as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs.

The financial section provides both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

Net position represents the difference between total assets and total liabilities.

Table 1
Elkhart Housing Authority's Net Position
(in thousands dollars)

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percent of Change</u>
Current Assets	\$ 3,736	\$ 3,886	\$ (150)	-3.9%
Capital Assets	10,377	10,514	(137)	-1.3%
Total Assets	<u>\$ 14,113</u>	<u>\$ 14,400</u>	<u>\$ (287)</u>	-2.0%
Current Liabilities	\$ 510	\$ 464	\$ 46	9.9%
Other Non Current Liabilities	192	166	26	15.7%
Total Liabilities	<u>702</u>	<u>630</u>	<u>72</u>	11.4%
Invested in Capital Assets, Net	10,377	10,514	(137)	-1.3%
Unrestricted	2,904	3,226	(322)	-10.0%
Restricted	130	30	100	333.3%
Total Net Position	<u>13,411</u>	<u>13,770</u>	<u>(359)</u>	-2.6%
Total Liab. and Net Position	<u>\$ 14,113</u>	<u>\$ 14,400</u>	<u>\$ (287)</u>	-2.0%

As shown in Table 1, the Authority's total net position at March 31, 2017, was approximately \$13.4 million, a 2.6 percent decrease from the March 31, 2016, balance of \$13.8 million.

Capital Assets

Capital assets decreased by approximately \$136 thousand from \$10.5 million to \$10.4 million, as shown in the table below:

Table 2
Elkhart Housing Authority's Capital Assets

	March 31, 2016	Additions and Transfers in	March 31, 2017
Land	\$ 1,023,922	\$	\$ 1,023,922
Building & Improvements	32,750,994	(564,904)	32,186,090
Furniture and Equipment	1,521,428	27,020	1,548,448
Construction in Progress		1,227,616	1,227,616
(Less) Accumulated Depr.	(24,781,874)	(825,298)	(25,607,172)
Total Capital Assets	\$ 10,514,470	\$ (135,566)	\$ 10,378,904

Depreciation expense was \$878,238. Construction in progress totaled \$1,227,616 and capital additions were \$94,880. Disposals totaled \$19,731 in 2017.

Investments and Accrued Interest Receivable

The Authority has several certificates of deposit (CD) at various financial institutions, which will mature in future years. Interest payments are accumulated and are not required to be paid until the maturity. Additional information can be found in the Notes to Financial Statements.

Revenues

As shown in Table 3, the Authority's total operating revenues decreased to \$8.6 million by \$396 thousand or 4.4 percent for the year ended March 31, 2017.

Table 3
Change in Hammond Housing Authority's Net Position
(in thousands)

Description	2017	2016	Change	Percent of Change
Operating Revenue	\$ 8,122	\$ 8,270	\$ (148)	-1.8%
Non-Operating Revenue	484	732	(248)	-33.9%
Total Revenue	8,606	9,002	(396)	-4.4%
Operating Expenses	7,639	8,000	(361)	-4.5%
Depreciation	878	892	(14)	-1.6%
Total Expenses	8,517	8,892	(375)	-4.2%
Change in Net Position	89	110	(21)	-19.1%
Beginning Net Position	13,770	13,765	5	0.0%
Prior Period Adjustment	(448)	(105)	(343)	326.7%
Ending Net Position	\$ 13,411	\$ 13,770	\$ (359)	-2.6%

Expenses

Total operating expenses, including depreciation, decreased by \$375 thousand or 4.2 percent for a total balance of \$8.5 million for the year ended March 31, 2017. Changes are shown below in Table 4:

Table 4
Hammond Housing Authority's Operating Expenses
(in thousands)

Description	2017	2016	Change	Percent of Change
Administrative Expenses	\$ 1,419	\$ 1,516	\$ (97)	-6.4%
Tenant Services	2	15	(13)	-86.7%
Utilities Expenses	339	347	(8)	-2.3%
Ordinary Maintenance	1,271	1,298	(27)	-2.1%
Protective Services	74	77	(3)	-3.9%
Insurance Expense	241	105	136	129.5%
General Expenses	226	419	(193)	-46.1%
Housing Assistance Payments	4,066	4,223	(157)	-3.7%
Depreciation Expense	879	892	(13)	-1.5%
Total Operating Expenses	\$ 8,517	\$ 8,892	\$ (375)	-4.2%

Expenses primarily increased in administrative expenses and tenant services, which was offset by decreases in housing assistance payments and utilities.

BUDGETARY CONTROL

Management submits a proposed operating budget for revenues and expenses for all programs, functions, activities, or objectives for the following fiscal year to the governing body ("Board"). The Board reviews, approves and adopts the budget. Operating monies are determined by rents and operating subsidies provided by HUD, as established by Congress. The operating subsidy is dependent on the availability of federal funds.

The Authority prepares annual five year budgets for its capital grants and project budget for other grants. Capital project budgets are approved and are adopted for five years by the Board and HUD based on Federal funding. They are then annualized to strengthen monitoring and completion benchmarks. Budgeted and actual costs are compared to the five year plan and are monitored by the Authority and HUD. Line item variances are resolved and approved by HUD.

MAJOR INITIATIVES

The Elkhart Housing Authority continues to provide comprehensive service in the City of Elkhart to assure the existence of affordable housing for low to moderate income individuals and families, senior citizens, ad handicapped and disable individuals. Under the leadership of a dedicated Board of Commissioners, and the hard work of true professionals in the field of affordable housing, the Authority continues to thrive, considering the various challenges for federally subsidized housing providers. Improvements have included working hard to enhance our operations internally and seeking external funds to support our residents whenever possible. Below are some of our accomplishments.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This Authority's financial report is designed to provide a general overview of the Authority's finances for all those with an interest and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Christine Kinnard, Finance Director, the Housing Authority of the City of Elkhart, Indiana 1396 Benham Ave, Elkhart, Indiana 46516 or call (574) 295-8392.

FINANCIAL STATEMENTS

THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
 STATEMENT OF NET POSITION
 PROPRIETARY TYPE FUNDS - ENTERPRISE FUNDS
 MARCH 31, 2017

EXHIBIT A

	2017 TOTAL AUTHORITY
ASSETS	
Cash and Cash Equivalents	\$ 2,637,079
Accounts Receivable (net allowances)	27,919
Accrued Interest Receivable	9,935
Investments	900,000
Prepaid, Deposits and Escrows	112,470
Inventory (net allowances)	48,536
TOTAL CURRENT ASSETS	3,735,939
Capital Assets, Net	10,376,904
TOTAL NON-CURRENT ASSETS	10,376,904
TOTAL ASSETS	\$ 14,112,843
LIABILITIES AND NET POSITION	
Accounts Payable	\$ 347,776
Accrued Liabilities - Current	161,960
TOTAL CURRENT LIABILITIES	509,736
Accrued Liabilities - Non-Current	83,401
FSS Escrow Deposits	108,859
TOTAL NON-CURRENT LIABILITIES	192,260
TOTAL LIABILITIES	701,996
Invested in Capital Assets	10,376,904
Unrestricted Net Position	2,903,713
Restricted Net Position	130,230
TOTAL NET POSITION	13,410,847
TOTAL LIABILITIES AND NET POSITION	\$ 14,112,843

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 PROPRIETARY TYPE FUNDS - ENTERPRISE FUNDS
 FOR THE YEAR ENDED MARCH 31, 2017**

EXHIBIT B

	2017 TOTAL AUTHORITY
OPERATING REVENUES	
Net Tenant Rental Revenue	\$ 1,186,044
HUD Operating Grants	6,693,347
Other Income	243,003
TOTAL OPERATING REVENUES	8,122,394
OPERATING EXPENSES	
Administrative Expenses	1,419,236
Tenant Services	1,842
Utilities Expense	339,181
Ordinary Maintenance and Materials	1,270,764
Protective Services	74,042
Insurance Expense	241,141
General Expenses	226,098
Housing Assistance Payments	4,066,167
Depreciation Expense	878,238
TOTAL OPERATING EXPENSES	8,516,709
OPERATING INCOME (LOSS)	(394,315)
NON-OPERATING REVENUES (EXPENSES)	
Interest	6,153
INCOME BEFORE OTHER REVENUES (EXPENSES)	6,153
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Capital Contributions	475,308
Gain/(Loss) Disposal of Equipment	2,051
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	477,359
CHANGE IN NET POSITION	89,197
NET POSITION AT BEGINNING OF PERIOD	13,769,503
PRIOR PERIOD ADJUSTMENT	(447,853)
NET POSITION AT END OF PERIOD	\$ 13,410,847

See accompanying notes to the financial statements.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
STATEMENT OF CASH FLOWS
PROPRIETARY TYPE FUNDS - ENTERPRISE FUNDS
FOR THE YEAR ENDED MARCH 31, 2017**

EXHIBIT C

	2017 Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tenants and Others	\$ 7,894,941
Payments to Employees	(1,458,420)
Payments to Vendors and Suppliers	(5,775,761)
Net Cash Provided by Operating Activities	660,760
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase)/Decrease in Investments	100,000
(Increase)/Decrease in Accrued Interest Receivable	(3,873)
Interest Income	6,153
Net Cash (Used In) Provided by Investing Activities	102,280
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Capital Grants	475,308
(Purchase) of Capital Assets	(1,224,184)
Gain / (Loss) on Disposal of Assets	2,051
Net Cash (Used In) Provided by Capital and Related Activities	(746,825)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	16,215
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	2,620,864
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	\$ 2,637,079
Reconciliation to Statement of Net Assets	
Unrestricted Cash and Cash Equivalents	\$ 2,312,243
Restricted Cash and Cash Equivalents - Current	324,836
Cash and Cash Equivalents at end of Fiscal Year	\$ 2,637,079
Reconciliation of Operating Loss to Net Cash (Used) / Provided by Operating Activities	
Net operating Income/ (Loss)	\$ 89,197
Adjustments To Reconcile	
Add Back Depreciation	878,238
Prior Period Adjustment	(447,853)
Change in Assets and Liabilities	
(Increase)/Decrease in Accounts Receivable	30,769
(Increase)/Decrease in Prepaid Expenses and Deposits	51,499
(Increase)/Decrease in Material Inventory	(12,738)
Increase/(Decrease) in Accounts Payable	76,625
Increase/(Decrease) in Accrued Liabilities	(41,033)
Increase/(Decrease) in FSS Escrow Deposits	36,056
Net Cash Provided by Operating Activities	\$ 660,760
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES	
Interest Paid During the Year	\$ -

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Note 1 - Summary Of Significant Accounting Policies

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

A. Organization and Program Description

The Elkhart Housing Authority was established by the City of Elkhart pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Elkhart and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the City Council, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City of Elkhart; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Elkhart Housing Authority is a separate reporting entity. All funds and programs of the Authority are included in these statements. The Authority has a component unit consisting of two non-profit corporations, Housing Finance Corporation and Elkhart Community Housing Corporation.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the various program activities of the Authority. The Authority's assets, liabilities and results of operations are segregated into public housing and grant programs as follows:

Low Rent Housing - The low rent housing program provides subsidized housing to low income residents. The Authority is the owner of public housing units located throughout the city. The Authority receives revenue from dwelling rental income and operating subsidies and capital repair funds from HUD. "Capital Funds," provided by HUD, are used to improve the physical condition, management and operation of existing public housing developments. The low rent housing program is reported as an enterprise fund.

Section 8 Housing Choice Voucher Program - The Authority participates in the Housing Choice Voucher Program. This program is designed to provide privately owned, decent, safe and sanitary housing to low income families. The Authority provides assistance to low income persons seeking decent, safe and sanitary housing by subsidizing rents between such persons and owners of existing private housing. Under the program, the Authority enters into housing assistance payment contracts with eligible landlords. To fund the program, the Authority enters into annual contribution contracts with HUD for the receipt of rental subsidies. The Housing Choice Voucher program is also reported as an enterprise fund.

Blended Component Units

Consistent with applicable guidance, the criteria used by the Authority to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The Authority included organizations as component units under the following financial accountability criteria: (1) Organizations for which the Authority appoints a voting majority of the organizations governing body and for which (a) the Authority is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Authority. (2) A financial benefit or burden relationship between the Authority and the component unit. (3) Management of the Authority has operational responsibility for the activities of the component unit.

The following is a brief description of the blended component unit meeting the above criteria that is included in the PHA's financial report entity.

The first non-profit is known as Housing Finance Corporation. The Housing Finance Corporation was formed to carry out or assist in carrying out low-income housing projects, including assistance by borrowing and lending funds, with an emphasis on low-income housing projects formed or financed in compliance with Section 8 of the United State Housing Act of 1937 and the regulations promulgated there under. The second non-profit corporation, Elkhart Community Housing Corporation, was formed to provide affordable, decent and safe housing to low and moderate income individuals and families within the City and Elkhart County.

THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of fund accounts. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounts segregate funds according to their intended purpose and are used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Enterprise Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time they are incurred. All assets and liabilities associated with the operation of these funds are included on the balance sheet.

C. Fund Accounting

Accounts are organized on the basis of funds. Each fund represents a separate program with a separate set of self-balancing accounts. All funds are reported as enterprise funds and are grouped as follows:

- PHA-Owned Housing consists of HUD-financed public housing owned by the Authority. Individual funds account for activities of the low-rent housing program, each capital fund phase, and the central office cost center. The funds are collectively called low rent housing.
- Section 8 Program consists of HUD payment of rents for tenants in privately owned housing and fees to the housing authority for operating the program. An individual fund is use for the Housing Choice Voucher Program.
- Component unit funds consist of the financing activities of the construction of mixed income housing units and the issuance of bonds to develop affordable housing.

Proprietary Funds - The Authority's operations are accounted for in a single *Enterprise Fund*. Enterprise Funds account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income are necessary for management accountability.

Management's 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 assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Cash and Cash Equivalents - Cash and cash equivalents are defined as short-term, highly liquid investments that are both: readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes all demand deposits, saving accounts and certificates of deposits or short-term investments with a maturity date of three months or less. Restricted assets include cash legally restricted as to their use. The primary restricted assets are related to the low rent, housing opportunity program, component unit and housing choice voucher program for various funds restricted for tenants. The housing choice voucher program has additional restricted funds for future housing assistance payments.

Investments - Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40 *Deposit and Investment Risk Disclosures*. Federal statutes authorize investment of excess federal funds in instruments guaranteed by the federal government. The Authority has adopted this policy for all invested funds, whether or not they are federal funds. GASB Statement No. 40 requires general disclosures by investment type with disclosures of the specific risks to which those investments are exposed. Investments exposed to credit risk, custodial credit risk, concentration of credit risk (5% of total net position), interest rate risk, and foreign currency risk must be disclosed, and the government reporting unit is required to describe their deposit or investment policies (or the lack of a policy) that relate to the risks stated above, if they are subject to them.

Custodial Credit Risk

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

Credit Risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

Concentrations of Credit Risk is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

Investment Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Receivables - Receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible receivables are based on historical trends and periodic aging of receivables.

Inter-program Due to/from - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund balance sheet.

Inventories - Inventories are valued at average cost and cost of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Risk Management - The Housing Authority carries commercial insurance coverage to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation. Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years and there has been no significant reduction in insurance coverage during the fiscal year.

Capital Assets - Capital Assets consist of assets purchased or acquired at a cost of \$500 or greater. All capital assets are stated at historical costs or estimated historical cost if actual cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets depreciated using straight-line method of depreciation over their estimated useful lives as follows:

Buildings and Improvements	10 -50 years
Furniture, Fixtures and Equipment	5 - 15 years
Automobiles	5 - 15 years

Compensated Absences - The Authority allows regular full-time employees to accumulate the following compensated absences.

Sick Leave - Employees may be paid for leave taken due to illness only. Sick leave is accumulated at the rate of 3.69 hours per pay period. Any employee having more than four hundred eighty (480) hours accumulated sick leave forfeits accumulated pay for any hours over four hundred eighty (480) hours.

An employee involuntarily terminated shall receive no sick leave pay. Employees who voluntarily terminate and have given a two week notice shall be paid a lump sum or fifty percent (50%) of any accumulated sick leave.

If the separation is the result of retirement at or after the age of 59 1/2 and the employee has five (5) or more years of continuous service prior to retirement, and has voluntarily terminated giving a two week notice, the employee shall be paid one hundred (100%) of his or her accumulated sick leave.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Any employee who is entitled to be away from work by reason of illness, but has no remaining paid sick leave, may use his/her annual leave. If the employee has no remaining sick or annual leave available, he/she may request leave without pay. Approval of leave without pay is solely at the discretion of the Executive Director.

Annual Leave - Annual leave with pay shall be earned by all full time employees at the following rates:

Beginning the first pay date following employment, the employees shall earn 3.08 hours of annual leave time per pay period. The employee shall continue to earn annual leave time at this rate through the end of the fifth year of continuous service.

After five (5) full years of continuous employment and beginning on the first pay date of the sixth year of continuous employment, the employee shall earn 4.62 hours of annual leave time per pay period.

After ten (10) full years of continuous employment and beginning on the first pay date of the eleventh year of continuous employment, the employee shall earn 6.15 hours of annual leave time per pay period.

After fifteen (15) full years of continuous employment and beginning on the first pay date of the sixth year of continuous employment, the employee shall earn 7.69 hours of annual leave time per pay period.

Employees may accrued annual time up to twenty-five (25) working days (200) hours. Hours accrued in excess of 200 shall not be posted and shall not be paid. An employee involuntarily terminated will not be paid any annual leave time. Employee who voluntarily terminated and have given a two week notice shall be paid in a lump sum for any accumulated annual leave at his or her current rate of pay, up to a maximum of 200 hours. Annual leave time shall be used by an employee for illnesses provided all sick leave has been exhausted.

Net Position - Net position is comprised of three categories: (1) net investment in capital assets, (2) restricted net assets, and (3) unrestricted net assets. Each component of net position is reported separately on the statement of net position.

(1) Investment in capital assets, net of related debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

(2) Restricted - the component of net position that reports the amount of revenue from a federal or state award for service programs in excess of expenditures. These funds are restricted for the use of the related federal or state program.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

(3) Unrestricted - The difference between the assets and liabilities that is not reported in the net position invested in capital, net of related debt or net position restricted for federal and state programs.

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fair Value - The Authority follows GASB Statement No. 72, Fair Value Measurement. This Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. The disclosures are organized by type asset or liability reported at fair value. The implementation has had no material impact on the financial statements of the Authority.

Retirement Plan - The Authority provides pension benefits for all of its full-time employees through a defined contribution plan with Hartford Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan requires the Authority to contribute 12.5% of the employee's base salary each month. The Authority's contribution for each employee is vested after 5 years. The Authority's contributions forfeited by employees who leave employment prior to vesting are used to reduce current costs and contribution requirements. The plan may be amended at the discretion of the Board of Commissioners. The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Operating Revenues and Expenses - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position in the non-operating revenue and expense.

Federal Awards - Federal grants for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Awards received prior to meeting revenue recognition criteria are recorded as deferred revenue. Operating grants are recorded as revenue in the year earned.

Compliance - The Authority is subject to various federal, state and local laws and regulations and contractual regulations.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2017**

Note 2 - Budget Information

Enterprise Funds - The Authority is required by contractual agreements to adopt annual operating budgets for all its enterprise funds receiving federal expenditure awards. The Fiscal Services Director prepares all budgets on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America.

Operating budgets for the year are prepared for all program activities. Budgets are submitted by the Authority's Executive Director and approved by resolutions of the Board of Commissioners and/or HUD.

Appropriations for capital projects are authorized at the fund and expenditure level, and effective budgetary control is achieved through periodic budgeting and reporting requirements.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents totaled \$2,637,079 at March 31, 2017, and are maintained in commercial checking accounts and are readily available. Cash amounts in excess of the \$250,000 insured by the government were collateralized by government securities and held in the pledging financial institutions' trust departments in the Authority's name. HUD regulations require authorities to maintain funds in accounts that are fully collateralized by United States government securities. The Authority is in compliance with all state and local laws and regulations regarding cash equivalents.

Of the total cash on hand the breakdown between unrestricted and restricted is shown below:

Unrestricted Cash	\$ 2,312,243
Restricted Cash:	
Tenant Security Deposits	85,747
Housing Assistance Payments	130,230
FSS Escrow	<u>108,859</u>
Total Restricted Cash	<u>324,836</u>
Total Cash	<u>\$ 2,637,079</u>

Note 4 - Accounts Receivable

At March 31, 2017, accounts receivable totaled \$27,919 and consisted of the following:

Accounts Receivable - Tenants, Net	\$ 12,798
Accounts Receivable - Others	<u>15,121</u>
Total	<u>27,919</u>

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2017**

The Authority reviews the accounts receivable periodically. In fiscal year 2017, the Authority had collection losses totaling \$58,087. Accounts receivable inter-fund was offset and eliminated by accounts payable interfund.

Note 5 - Accrued Interest Receivable

At March 31, 2017, accrued interest receivable totaled \$9,935, which consisted of the accumulated accrued interest of the Authority's certificates of deposit.

Note 6 - Investments

At March 31, 2017, investments totaled \$900,000, which consisted of certificates of deposit at various financial institutions. The Authority's investments are stated at fair value at year-end.

Note 7 - Prepaid Expenses

Prepaid expenses totaled \$112,470 at March 31, 2017, and consisted of primarily prepaid insurances and other assets.

Note 8 - Material Inventories

Material inventories at March 31, 2017 totaled \$48,536, and consist of items used to maintain upkeep of units. Inventories are valued at average cost and cost of expendable supplies held for consumption. The cost of inventories is recorded as expenditures when consumed.

Note 9 - Land, Structures and Equipment

The changes in land, structures and equipment for the year ended March 31, 2017, were as follows:

**Table 2
 Elkhart Housing Authority's Capital Assets**

	March 31, 2016	Additions and Transfers in	March 31, 2017
Land	\$ 1,023,922	\$	\$ 1,023,922
Building & Improvements	32,750,994	(564,904)	32,186,090
Furniture and Equipment	1,521,428	27,020	1,548,448
Construction in Progress		1,227,616	1,227,616
(Less) Accumulated Depr.	(24,781,874)	(825,298)	(25,607,172)
Total Capital Assets	<u>\$ 10,514,470</u>	<u>\$ (135,566)</u>	<u>\$ 10,378,904</u>

Depreciation expense was \$878,238. Construction in progress totaled \$1,227,616 and capital additions were \$94,880. Disposals totaled \$19,731 in 2017.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Note 10 - Accounts Payable

Accounts payable totaled \$347,776 at March 31, 2017, which consisted of the following:

Accounts Payable - Vendors	\$	204,454
Tenant Security Deposits		85,747
Other Payables		<u>57,575</u>
Total	\$	<u>347,776</u>

Total accounts payable inter-fund was offset and eliminated by accounts receivable interfund.

Note 11 - Accrued Liabilities

Accrued liabilities totaled \$245,361, at March 31, 2017, of which, \$161,960 is current and \$83,401 is non-current, and the breakdown is as follows:

Accrued Wages	\$	25,001
Compensated Abs. - Current		40,205
PILOT		81,303
Other Accrued Payables		<u>15,451</u>
Total Current Accrued Liabilites	\$	161,960
Compensated Abs. - Non-Current		<u>83,401</u>
Total Accrued Liabilites	\$	<u>245,361</u>

The Authority recognizes leave taken as a current year's salary expense during the year in which the leave is taken. Vacation pay is not accrued for and forgiven at the end of each year.

Note 12 - Family Self Sufficiency Escrow

At March 31, 2017 the Authority had Family and Self Sufficiency (FSS) escrow of \$108,859 of amounts due to tenants.

Note 13 - Prior Period Adjustment

At March 31, 2017 the Authority had a prior period adjustment of (\$447,853), which consisted of corrections in overstated balances.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2017**

Note 14 - Employee Benefit Plans

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan with MassMutual Financial Group (Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan requires the Authority to contribute 12.5% of the employee's base salary each month. The Authority's contribution for each employee is vested after 5 years. The Authority's contributions forfeited by employees who leave employment prior to vesting are used to reduce current costs and contribution requirements. The plan may be amended at the discretion of the Board of Commissioners. For the fiscal year end March 31, 2017, actual contributions by the Authority were \$153,385 based on \$1,458,420 of wages and salary expense. The Authority made all the required contributions to the Plan.

The total plan assets at March 31, 2017, were \$2,245,211, as follows:

<u>Description</u>	<u>Amount</u>
Beginning Balance	\$ 2,036,894
Contributions	153,385
Net Loan Activity	21,702
Net Withdrawals	(95,388)
Fees and Charges	(3,738)
Changes in Value	132,356
Ending Balance	<u>\$ 2,245,211</u>

Note 15 - Operating Lease Commitments

The Authority has under its normal operations entered into commitments for the purchase of maintenance, cleaning and other services. Such commitments are monthly or annual.

The Authority also has certain contingent liabilities resulting from claims and commitments incident to the ordinary course of business. Management expects that final resolution of such contingencies will not materially affect the financial position of the Authority.

Note 16 - Administrative Fees

The Authority receives an "Administrative Fee" as part of each of the annual contributions contract from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Housing Assistance programs.

Note 17 - Allocation of Cost

The Authority allocates expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units or staff in each program. Management considers this to be an equitable method of allocation.

**THE HOUSING AUTHORITY OF THE CITY OF ELKHART, INDIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

Note 18 - Subsequent Events

Management has performed an analysis of activities and transactions subsequent to March 31, 2017, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended March 31, 2017. Management has performed their analysis through October 13, 2017, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
COMBINING SCHEDULE OF PROGRAM NET POSITION ACCOUNTS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
MARCH 31, 2017**

	COCC & Low Rent	Housing Choice Vouchers	ROSS	Blended Component Unit	Eliminations	2017 TOTAL
ASSETS						
Cash and Cash Equivalents	\$ 2,094,902	\$ 502,803	\$	\$ 39,374	\$	\$ 2,637,079
Accounts Receivable (net allowances)	725,266	13,381			(710,728)	27,919
Accrued Interest Receivable	9,935					9,935
Investments	900,000					900,000
Prepaid, Deposits and Escrows	110,919	1,551				112,470
Inventory (net allowances)	48,536					48,536
TOTAL CURRENT ASSETS	3,889,558	517,735	-	39,374	(710,728)	3,735,939
Capital Assets, Net	9,797,327	31,163		548,414		10,376,904
TOTAL NON-CURRENT ASSETS	9,797,327	31,163	-	548,414	-	10,376,904
TOTAL ASSETS	\$ 13,686,885	\$ 548,898	\$ -	\$ 587,788	\$ (710,728)	\$ 14,112,843
LIABILITIES AND NET POSITION						
Accounts Payable	\$ 991,930	\$ 62,520	\$	\$ 4,054	\$ (710,728)	\$ 347,776
Accrued Liabilities - Current	141,961	19,999				161,960
TOTAL CURRENT LIABILITIES	1,133,891	82,519	-	4,054	(710,728)	509,736
Accrued Liabilities - Non-Current	76,395	7,006				83,401
FSS Escrow Deposits	15,456	93,403				108,859
TOTAL NON-CURRENT LIABILITIES	91,851	100,409	-	-	-	192,260
TOTAL LIABILITIES	1,225,742	182,928	-	4,054	(710,728)	701,996
Invested in Capital Assets	9,797,327	31,163		548,414		10,376,904
Unrestricted Net Position	2,663,816	204,577		35,320		2,903,713
Restricted Net Position		130,230				130,230
TOTAL NET POSITION	12,461,143	365,970	-	583,734	-	13,410,847
TOTAL LIABILITIES AND NET POSITION	\$ 13,686,885	\$ 548,898	\$ -	\$ 587,788	\$ (710,728)	\$ 14,112,843

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
 COMBINING SCHEDULE OF PROGRAM NET POSITION ACCOUNTS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 FOR THE YEAR ENDED MARCH 31, 2017**

	COCC & Low Rent	Housing Choice Vouchers	ROSS	Blended Component Unit	Eliminations	2017 TOTAL
OPERATING REVENUES						
Net Tenant Rental Revenue	\$ 1,164,474	\$	\$	\$ 21,570	\$	\$ 1,186,044
HUD Operating Grants	2,090,027	4,516,781	86,539			6,693,347
Other Income	1,557,867	75,017		23,423	(1,413,304)	243,003
TOTAL OPERATING REVENUES	4,812,368	4,591,798	86,539	44,993	(1,413,304)	8,122,394
OPERATING EXPENSES						
Administrative Expenses	1,641,105	324,589	82,179	341	(628,978)	1,419,236
Tenant Services	1,842					1,842
Utilities Expense	338,153			1,028		339,181
Ordinary Maintenance and Materials	2,025,241	8,945		20,904	(784,326)	1,270,764
Protective Services	74,042					74,042
Insurance Expense	221,843	14,403		4,895		241,141
General Expenses	156,960	60,997		8,141		226,098
Housing Assistance Payments		4,066,167				4,066,167
Depreciation Expense	863,772	3,867		10,599		878,238
TOTAL OPERATING EXPENSES	5,322,958	4,478,968	82,179	45,908	(1,413,304)	8,516,709
OPERATING INCOME (LOSS)	(510,590)	112,830	4,360	(915)	-	(394,315)
NON-OPERATING REVENUES (EXPENSES)						
Interest	6,075	78				6,153
INCOME BEFORE OTHER REVENUES (EXPENSES)	6,075	78	-	-	-	6,153
CAPITAL CONTRIBUTIONS AND TRANSFERS						
Capital Contributions	475,308					475,308
Gain/(Loss) Disposal of Equipmnet	851	1,200				2,051
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	476,159	1,200	-	-	-	477,359
CHANGE IN NET POSITION	(28,356)	114,108	4,360	(915)	-	89,197
NET POSITION AT BEGINNING OF PERIOD	12,866,474	246,377	72,003	584,649	-	13,769,503
PRIOR PERIOD ADJUSTMENT	(376,975)	5,485	(76,363)	-	-	(447,853)
NET POSITION AT END OF PERIOD	\$ 12,461,143	\$ 365,970	\$ -	\$ 583,734	\$ -	\$ 13,410,847

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED MARCH 31, 2017**

FEDERAL GRANTOR	PROGRAM OR AWARD CFDA #	FEDERAL AWARDS EXPENDED	TOTAL PROGRAM EXPENDITURES
Major Programs			
<u>U.S. Department of Housing and Urban Development</u>			
Low Rent Public Housing Program			
Low Rent Public Housing	14.850	\$ 1,862,498	\$ 2,916,917
Public Housing Capital Fund Program	14.872	702,761	702,761
Total Low Rent Housing Programs		2,565,259	3,619,678
Housing Choice Voucher Cluster			
Housing Choice Vouchers	14.871	4,478,968	4,478,968
Total Housing Choice Voucher Cluster		4,478,968	4,478,968
Total Major Programs		7,044,227	8,098,646
Non-Major Programs			
<u>U.S. Department of Housing and Urban Development</u>			
Resident Opportunity and Self Sufficiency	14.870	82,179	82,179
Total Non-Major Programs		82,179	82,179
Total All Programs		\$ 7,126,406	\$ 8,180,825

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2017**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Elkhart, Indiana (Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Authority's consolidated financial statements.

The schedule summarizes the federal funds expended by the Authority under the programs of the federal government during the year ended March 31, 2017. The awards are classified into major and non-major program categories in accordance with the provisions of the Uniform Guidance. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended March 31, 2017, and should be read in conjunction with the Authority's consolidated financial statements.

The Authority did not elect to use the 10% de minimis cost rate as covered in 2 CFR 200.414 Indirect (F&A) costs.

Note 2 – Sources of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

Note 3 – Sub-recipients

There were no sub-recipients for the year ended March 31, 2017.

Note 4 – Loans Outstanding

There were no federal loans outstanding for the year ended March 31, 2017.

Note 5 – Non-Cash Assistance

The Authority provided no non-cash assistance for the year ended March 31, 2017.

Note 6 – Insurance

The Authority had no federal insurance for the year ended March 31, 2017.

Housing Authority of the City of Elkhart (IN026)
ELKHART, IN
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2017

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,215,875		\$245,838	\$36,374	\$814,152	\$2,312,239		\$2,312,239
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted	\$15,456		\$223,638			\$239,094		\$239,094
114 Cash - Tenant Security Deposits	\$82,746			\$3,000		\$85,746		\$85,746
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$1,314,077	\$0	\$469,476	\$39,374	\$814,152	\$2,637,079	\$0	\$2,637,079
121 Accounts Receivable - PHA Projects			\$13,381			\$13,381		\$13,381
122 Accounts Receivable - HUD Other Projects								
124 Accounts Receivable - Other Government								
125 Accounts Receivable - Miscellaneous								
126 Accounts Receivable - Tenants	\$14,538					\$14,538		\$14,538
126.1 Allowance for Doubtful Accounts - Tenants	\$0					\$0		\$0
126.2 Allowance for Doubtful Accounts - Other			\$0			\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery			\$22,613			\$22,613		\$22,613
128.1 Allowance for Doubtful Accounts - Fraud			-\$22,613			-\$22,613		-\$22,613
129 Accrued Interest Receivable	\$1,751				\$8,184	\$9,935		\$9,935
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$16,289	\$0	\$13,381	\$0	\$8,184	\$37,854	\$0	\$37,854
131 Investments - Unrestricted	\$300,000				\$600,000	\$900,000		\$900,000
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$5,250		\$1,551		\$105,669	\$112,470		\$112,470
143 Inventories	\$14,558				\$34,643	\$49,201		\$49,201
143.1 Allowance for Obsolete Inventories	-\$145				-\$520	-\$665		-\$665
144 Inter Program Due From					\$403,141	\$403,141	-\$403,141	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$1,650,029	\$0	\$484,408	\$39,374	\$1,965,269	\$4,139,080	-\$403,141	\$3,735,939
161 Land	\$783,644			\$140,278	\$100,000	\$1,023,922		\$1,023,922
162 Buildings	\$28,892,629		\$41,596	\$473,960	\$2,705,433	\$32,113,618		\$32,113,618
163 Furniture, Equipment & Machinery - Dwellings								
164 Furniture, Equipment & Machinery - Administration	\$521,709		\$81,234		\$1,053,175	\$1,636,118		\$1,636,118
165 Leasehold Improvements								
166 Accumulated Depreciation	-\$22,818,626		-\$71,667	-\$65,824	-\$2,868,452	-\$25,624,569		-\$25,624,569
167 Construction in Progress	\$1,227,815					\$1,227,815		\$1,227,815
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$8,607,171	\$0	\$31,163	\$548,414	\$1,190,156	\$10,376,904	\$0	\$10,376,904
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	\$8,607,171	\$0	\$31,163	\$548,414	\$1,190,156	\$10,376,904	\$0	\$10,376,904	
200 Deferred Outflow of Resources									
290 Total Assets and Deferred Outflow of Resources	\$10,257,200	\$0	\$515,571	\$587,788	\$3,155,425	\$14,515,984	-\$403,141	\$14,112,843	
311 Bank Overdraft									
312 Accounts Payable <= 90 Days					\$204,454	\$204,454		\$204,454	
313 Accounts Payable >90 Days Past Due			\$29,193			\$29,193		\$29,193	
321 Accrued Wage/Payroll Taxes Payable	\$6,205		\$3,574		\$43,605	\$53,384		\$53,384	
322 Accrued Compensated Absences - Current Portion	\$1,898		\$1,687		\$36,620	\$40,205		\$40,205	
324 Accrued Contingency Liability									
325 Accrued Interest Payable									
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects									
333 Accounts Payable - Other Government	\$81,303					\$81,303		\$81,303	
341 Tenant Security Deposits	\$82,746			\$3,000		\$85,746		\$85,746	
342 Unearned Revenue	\$713		\$14,738			\$15,451		\$15,451	
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									
347 Inter Program - Due To	\$402,087			\$1,054		\$403,141	-\$403,141	\$0	
348 Loan Liability - Current									
310 Total Current Liabilities	\$574,952	\$0	\$49,192	\$4,054	\$284,679	\$912,877	-\$403,141	\$509,736	
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	\$15,456		\$93,403			\$108,859		\$108,859	
354 Accrued Compensated Absences - Non Current	\$6,745		\$7,006		\$69,650	\$83,401		\$83,401	
355 Loan Liability - Non Current	\$0					\$0		\$0	
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$22,201	\$0	\$100,409	\$0	\$69,650	\$192,260	\$0	\$192,260	
300 Total Liabilities	\$597,153	\$0	\$149,601	\$4,054	\$354,329	\$1,105,137	-\$403,141	\$701,996	
400 Deferred Inflow of Resources									
508.4 Net Investment in Capital Assets	\$8,607,171		\$31,163	\$548,414	\$1,190,175	\$10,376,923		\$10,376,923	
511.4 Restricted Net Position			\$130,230			\$130,230		\$130,230	
512.4 Unrestricted Net Position	\$1,052,876	\$0	\$204,577	\$35,320	\$1,610,921	\$2,903,694		\$2,903,694	
513 Total Equity - Net Assets / Position	\$9,660,047	\$0	\$365,970	\$583,734	\$2,801,096	\$13,410,847	\$0	\$13,410,847	
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$10,257,200	\$0	\$515,571	\$587,788	\$3,155,425	\$14,515,984	-\$403,141	\$14,112,843	

Housing Authority of the City of Elkhart (IN026)
ELKHART, IN
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2017

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,086,882			\$21,570		\$1,086,452		\$1,088,452
70400 Tenant Revenue - Other	\$97,592					\$97,592		\$97,592
70500 Total Tenant Revenue	\$1,184,474	\$0	\$0	\$21,570	\$0	\$1,186,044	\$0	\$1,186,044
70600 HUD PHA Operating Grants	\$1,862,498	\$86,539	\$4,516,781			\$6,465,818		\$6,465,818
70610 Capital Grants	\$643,633				\$59,130	\$702,763		\$702,763
70710 Management Fee					\$494,378	\$494,378	-\$494,378	\$0
70720 Asset Management Fee					\$56,880	\$56,880	-\$56,880	\$0
70730 Book Keeping Fee					\$77,720	\$77,720	-\$77,720	\$0
70740 Front Line Service Fee					\$784,326	\$784,326	-\$784,326	\$0
70750 Other Fees								
70700 Total Fee Revenue					\$1,413,304	\$1,413,304	-\$1,413,304	\$0
70800 Other Government Grants								
71100 Investment Income - Unrestricted	\$1,687		\$78		\$4,388	\$6,153		\$6,153
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery			\$5,076			\$5,076		\$5,076
71500 Other Revenue	\$131,973		\$69,941	\$23,423	\$12,664	\$238,001		\$238,001
71800 Gain or Loss on Sale of Capital Assets	-\$524		\$1,200		\$1,375	\$2,051		\$2,051
72000 Investment Income - Restricted								
70000 Total Revenue	\$3,803,741	\$86,539	\$4,593,076	\$44,993	\$1,490,861	\$10,019,210	-\$1,413,304	\$8,605,906
91100 Administrative Salaries	\$204,265	\$57,549	\$172,153		\$547,593	\$981,560		\$981,560
91200 Auditing Fees	\$7,400		\$8,000		\$6,260	\$21,660		\$21,660
91300 Management Fee	\$444,471		\$49,907			\$494,378	-\$494,378	\$0
91310 Book-keeping Fee	\$56,926		\$20,794			\$77,720	-\$77,720	\$0
91400 Advertising and Marketing	\$1,709				\$2,828	\$4,537		\$4,537
91500 Employee Benefit contributions - Administrative	\$48,444	\$24,630	\$80,470		\$200,716	\$334,260		\$334,260
91800 Office Expenses	\$20,922		\$11,826	\$48	\$19,030	\$51,826		\$51,826
91700 Legal Expense	\$3,920			\$146	\$1,688	\$5,754		\$5,754
91800 Travel			\$21		\$57	\$78		\$78
91810 Allocated Overhead								
91900 Other	\$3,157		\$1,418	\$147	\$14,839	\$19,561		\$19,561
91000 Total Operating - Administrative	\$791,214	\$82,179	\$324,589	\$341	\$793,011	\$1,991,334	-\$572,098	\$1,419,236
92000 Asset Management Fee	\$56,880					\$56,880	-\$56,880	\$0
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other	\$1,842					\$1,842		\$1,842

92500 Total Tenant Services	\$1,842	\$0	\$0	\$0	\$0	\$1,842	\$0	\$1,842
93100 Water	\$28,973			\$600	\$1,314	\$30,887		\$30,887
93200 Electricity	\$133,068			\$245	\$16,835	\$150,148		\$150,148
93300 Gas	\$90,159			\$183	\$7,688	\$98,030		\$98,030
93400 Fuel								
93500 Labor								
93600 Sewer	\$59,027				\$1,088	\$60,115		\$60,115
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93000 Total Utilities	\$311,227	\$0	\$0	\$1,028	\$26,925	\$339,180	\$0	\$339,180
94100 Ordinary Maintenance and Operations - Labor	\$80,095				\$396,765	\$476,860		\$476,860
94200 Ordinary Maintenance and Operations - Materials and Other	\$41,151		\$718	\$6,476	\$26,894	\$75,239		\$75,239
94300 Ordinary Maintenance and Operations Contracts	\$1,217,240		\$8,227	\$13,649	\$100,050	\$1,339,166	-\$784,326	\$554,840
94500 Employee Benefit Contributions - Ordinary Maintenance	\$17,621				\$145,426	\$163,047		\$163,047
94000 Total Maintenance	\$1,356,107	\$0	\$8,945	\$20,125	\$669,135	\$2,054,312	-\$784,326	\$1,269,986
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs	\$73,590				\$452	\$74,042		\$74,042
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	\$73,590	\$0	\$0	\$0	\$452	\$74,042	\$0	\$74,042
96110 Property Insurance	\$108,351			\$2,587	\$2,357	\$113,295		\$113,295
96120 Liability Insurance	\$28,223		\$3,892	\$2,308	\$8,649	\$42,872		\$42,872
96130 Workmen's Compensation	\$14,282		\$9,649		\$30,589	\$54,520		\$54,520
96140 All Other Insurance	\$10,379		\$1,062		\$19,013	\$30,454		\$30,454
96100 Total insurance Premiums	\$161,235	\$0	\$14,403	\$4,895	\$60,608	\$241,141	\$0	\$241,141
96200 Other General Expenses	\$11,043		\$3,117			\$14,160		\$14,160
96210 Compensated Absences								
96300 Payments in Lieu of Taxes	\$87,840			\$8,920		\$96,760		\$96,760
96400 Bad debt - Tenant Rents	\$58,078					\$58,078		\$58,078
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	\$156,961	\$0	\$3,117	\$8,920	\$0	\$168,998	\$0	\$168,998
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)								
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$2,909,056	\$82,179	\$351,054	\$35,309	\$1,550,131	\$4,927,729	-\$1,413,304	\$3,514,425
97000 Excess of Operating Revenue over Operating Expenses	\$894,685	\$4,360	\$4,242,022	\$9,684	-\$59,270	\$5,091,481	\$0	\$5,091,481
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments			\$4,073,698			\$4,073,698		\$4,073,698

97350 HAP Portability-In			\$50,349			\$50,349		\$50,349
97400 Depreciation Expense	\$710,622		\$3,867	\$10,599	\$153,149	\$878,237		\$878,237
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$3,619,678	\$82,179	\$4,478,968	\$45,908	\$1,703,280	\$9,930,013	-\$1,413,304	\$8,516,709
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	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$184,063	\$4,360	\$114,108	-\$915	-\$212,419	\$89,197	\$0	\$89,197
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$9,905,588	\$72,003	\$246,377	\$584,649	\$2,960,886	\$13,769,503		\$13,769,503
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$429,604	-\$76,363	\$5,485		\$52,629	-\$447,853		-\$447,853
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			\$235,740			\$235,740		\$235,740
11180 Housing Assistance Payments Equity			\$130,230			\$130,230		\$130,230
11190 Unit Months Available	7992		8724	48		16764		16764
11210 Number of Unit Months Leased	7828		8318	48		15994		15994
11270 Excess Cash	\$797,539					\$797,539		\$797,539
11610 Land Purchases	\$0				\$0	\$0		\$0
11620 Building Purchases	\$701,355				\$0	\$701,355		\$701,355
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$1,223				\$59,130	\$60,353		\$60,353
11650 Leasehold Improvements Purchases	\$0				\$0	\$0		\$0
11660 Infrastructure Purchases	\$0				\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0	\$0		\$0

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
STATEMENT OF CAPITAL FUNDS COST - UNCOMPLETED
FOR THE YEAR ENDED MARCH 31, 2017**

EXHIBIT F

ANNUAL CONTRIBUTION CONTRACT PHASES IN36P010501 - 14, 15, 16 and 16S

	501-14	501-15	501-16	501-16S	Total
Funds Approved	\$ 819,456	\$ 835,463	\$ 869,951	\$ 250,000	\$ 2,774,870
Funds Expended	819,456	796,394	421,775	217,369	2,254,994
Excess\ (Deficit) of Funds Approved	\$ -	\$ 39,069	\$ 448,176	\$ 32,631	\$ 519,876
Funds Advanced	\$ 819,456	\$ 796,394	\$ 421,775	\$ 217,369	\$ 2,254,994
Funds Expended	819,456	796,394	421,775	217,369	2,254,994
Excess\ (Deficit) of Funds Advanced	\$ -	\$ -	\$ -	\$ -	\$ -

- 1 Capital Fund Program costs for Phases IN36P010 - 501-14, 15, 16 and 16S are shown above.
- 2 Cost additions during the audit period were as follows: IN36P010501 - 14 - \$33,930, 15 - \$245,332, 16 - \$251,795, 16S - \$171,704, and, accordingly, were audited by Velma Butler & Company, Ltd.

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
STATEMENT OF CAPITAL FUNDS COST - COMPLETED
FOR THE YEAR ENDED MARCH 31, 2017**

EXHIBIT G

SINGLE AUDIT REPORTS

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards**

Board of Commissioners
Housing Authority of the Elkhart
Elkhart, IN 46516

U.S. Department of Housing and Urban
Development, Indianapolis Office
Minton-Capehart Federal Building
575 North Pennsylvania, Room 655
Indianapolis, Indiana 46204

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the primary government business type activities and the blended component units of the Housing Authority of the City of Elkhart, Indiana (Authority), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued a Modified thereon dated October 13, 2017.

Internal Control Over Financial Reporting

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

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

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

accompanying schedule of findings and questioned costs that we consider to be significant deficiencies 2017-001.

Compliance and Other Matters

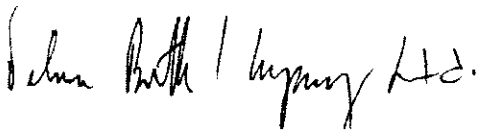
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Velma Butler & Company, Ltd.
Chicago, Illinois

October 13, 2017

**Report on Compliance for Each Major Program; Report on Internal
Control Over Compliance; and Report on Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

Board of Commissioners
Housing Authority of the Elkhart, Indiana
Elkhart, IN 46516

U.S. Department of Housing and Urban
Development, Indianapolis Office
Minton-Capehart Federal Building
575 North Pennsylvania, Room 655
Indianapolis, Indiana 46204

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Fort Wayne (Authority) 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 Authority's major federal programs for the year ended March 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2017.

Report on Internal Control Over Compliance

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

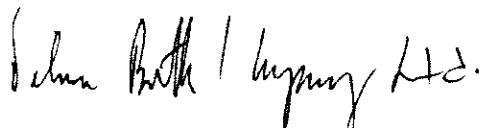
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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.

Our consideration of the internal controls over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the Authority as of and for the year ended March 31, 2017, and have issued our report thereon dated October 13, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Velma Butler / Company Ltd." The signature is written in dark ink and is positioned above the printed name of the company.

Velma Butler & Company, Ltd.
Chicago, Illinois

October 13, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COST

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED MARCH 31, 2017**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on financial statements: **Modified**

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Deficiencies identified not considered to be material weaknesses?
 Yes None reported

Noncompliance material to financial statements noted?
 Yes None reported

Federal Awards

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

Internal control over major programs:

Material weakness(es) identified? Yes No

Deficiencies identified not considered to be material weaknesses?
 Yes None reported

Any audit findings disclosed that are required to be reported in accordance with Uniform Audit Guidance?

Yes No

Identification of major program:

U.S. Department of Housing and Urban Development

<u>CFDA Number</u>	<u>Name of Federal Program</u>
Low Rent Rental Assistance Programs	
14.850	Low Rent Public Housing
14.872	Public Housing Capital Fund Program
Housing Choice Voucher Housing Assistance Programs	
14.871	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 No

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CURRENT YEAR
FOR THE YEAR ENDED MARCH 31, 2017**

Section II - Financial Statement Findings

Finding 2017 - 001 Weaknesses in Internal Control (Significant Deficiency)

Condition:

The Housing Authority of the City of Elkhart, Indiana (the Authority) did not maintain adequate internal controls to assure that all transactions recorded in its accounting records were accurate.

During the audit, it was noted that the following accounts were not properly reconciled or supported with subsidiary ledgers or other schedules: (a) payables related to HCV portability, (b) payables related to payroll deductions, and (c) HUD income.

Criteria:

CFR 2 Part 200, Subpart D § 200.302(b)(4): The financial management system of each non-Federal entity must provide for effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See §200.303 Internal controls.

CFR 2 Part 200, Subpart D § 200.303(a): The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause:

The Housing Choice Voucher portability accounts were not properly reconciled to determine that the transactions generated through the Housing Assistance Payment registers were properly posted to the general ledger. Similarly, account payable payroll deductions were not fully supported for beginning balances. No reconciliations' for the year could be located for either account.

Effect:

Management is in the process of reviewing and correcting beginning account balances for prior period errors or misstatements. While the process is ongoing, some account balances have not been fully vetted and thus those balances were not sufficient to allow us to place reasonable assurance on the completeness of accounting records for the balances. Accordingly, it was not practicable for us to extend our audit procedures beyond the records available to us for balances

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CURRENT YEAR
FOR THE YEAR ENDED MARCH 31, 2017**

not fully vetted. The total questioned cost for the two accounts listed are \$57,575, which is less than materiality of \$91,000, but still considered to be significant.

This is a repeat finding in the prior year, fiscal year 2016 (reference number: 2016-001).

Recommendation:

We recommend that the Authority ensures its internal control for appropriately recording, processing, and reporting all transactions in the proper account and accounting period in order to maintain the accuracy of account balances and accountability for the Authority's assets, liabilities, and net position in accordance with generally accepted accounting practices, laws, regulations and the provisions of contract and grant agreements.

Authority Action Plan:

The EHA concurs with the Auditor's recommendation. While successful in resolving several longstanding accounting issues, the EHA will continue its efforts to make the required improvements to its accounting and reporting systems. The Finance Director will continue to oversee the process of correcting EHA balances.

Section III - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended March 31, 2017.

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - PRIOR YEAR
FOR THE YEAR ENDED MARCH 31, 2017**

Section IV - Financial Statement Findings

Finding 2016-001: Lack of Timely Reconciliations and Internal Controls over Financial Statement Preparation - Material Weakness

Condition: Sound, adequate internal controls, as well as HUD rules and regulations require adequate, accurate accounting and record keeping for financial statement preparation and reporting. While auditing several accounts, the Housing Authority could not provide detailed data, reconciliations and/or subsidiary ledgers to support the balances recorded in the general ledger at year end and reported to HUD.

Status: Finding is repeated, 2017-001.

Section V - Federal Award Findings and Questioned Costs

There were no reportable findings for the fiscal year ended March 31, 2016.

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
STATEMENT OF COMPLIANCE WITH
SECTION 8 MANAGEMENT ASSESSMENT PROGRAM
FOR THE YEAR ENDED MARCH 31, 2017**

Velma Butler & Company, Ltd. audited the Authority's compliance with the Section 8 Housing Management Assessment Program and did not observe any material instances of noncompliance.

**THE HOUSING AUTHORITY OF ELKHART, INDIANA
STATEMENT OF COMPLIANCE WITH
PUBLIC HOUSING ASSESSMENT SYSTEM
FOR THE YEAR ENDED MARCH 31, 2017**

Velma Butler & Company, Ltd. audited the Authority's compliance with the Public Housing Assessment System Program and did not note any material instances of noncompliance.