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November 28, 2018

Board of Directors  
Housing Authority of the City of New Albany  
300 Erni Avenue  
New Albany, Indiana 47151-0011

We have reviewed the audit report of the Housing Authority of the City of New Albany (Authority) which was opined upon by Hawkins Ash CPAs, Independent Public Accountants, for the period April 1, 2017 to March 31, 2018. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of the Authority as of March 31, 2018, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

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

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

Paul D. Joyce, CPA  
State Examiner

**HOUSING AUTHORITY OF THE  
CITY OF NEW ALBANY  
New Albany, Indiana**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**MARCH 31, 2018**

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Housing Authority of the City of New Albany  
New Albany, Indiana

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

We have audited the accompanying financial statements of the Housing Authority of the City of New Albany (the "Authority"), as of and for the year ended March 31, 2018, 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.

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of March 31, 2018, and the respective changes in financial position, and where applicable, cash flows there of 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 as listed in the table of contents 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 of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

The combining financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedule of expenditures of federal awards are 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 September 20, 2018, 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, 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.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
September 20, 2018

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Housing Authority of the City of New Albany  
Management's Discussion and Analysis (MD&A)  
March 31, 2018**

The management of the Housing Authority of the City of New Albany (the "Authority") offers readers this discussion and analysis of the Authority's financial statements, including a narrative overview and discussion of the financial activities of the Authority for the fiscal year ended March 31, 2018.

The MD&A is specifically designed to: 1) assist the reader in focusing on significant financial issues; 2) provide a broad scope overview of the Authority's financial activities; 3) identify and explain changes in the Authority's financial position; and 4) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial statements in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the Authority's audited financial statements.

This MD&A is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a special purpose government agency engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components; (a) fund financial statements and (b) a series of notes to the financial statements. These provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by the Department of Housing and Urban Development ("HUD") have been completed.

The Authority is governed by a seven member Board of Commissioners who are appointed by the mayor of the City of New Albany. Under the oversight of that Board, the Authority functions independently from the City of New Albany government. All revenues, expenses, assets, and obligations of the Authority belong solely to the Authority, not the City of New Albany or any other entity.

**Reporting on the Authority as a Whole**

The Statement of Revenues, Expenses, and Changes in Net Position reports information about the Authority as a whole and about its activities in a format that helps the reader assess the results of operations for fiscal year 2018. Each statement is a condensed presentation of sources of funding and major activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Financial Highlights**

- The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$28,855,617 at March 31, 2018. Net Position is categorized as follows:
  - ✓ Unrestricted net position of \$12,115,379 may be used to meet the Authority's ongoing obligations to citizens and creditors.
  - ✓ Restricted net position of \$1,010,745 includes Section 8 Housing Choice Voucher (HCV) funds to be used for their designated purpose according to HUD regulations of \$84,871, unspent insurance reimbursement proceeds of \$239,254 to be used to replace the damaged assets in future years and \$686,620 held in replacement reserves for future capital needs.
  - ✓ The remainder of \$15,729,493 represents the net (of depreciation) amount invested in land, buildings and improvements, and furniture and equipment, net of related debt.

## Financial Highlights (Continued)

- Total revenue increased .63% from the prior fiscal year. Public Housing revenue decreased approximately \$293,000, Public Housing Capital Fund revenue decreased approximately \$69,000, Section 8 Housing Choice Voucher funding increased approximately \$438,000, FSS Coordinator grant funding decreased approximately \$63,000, and ROSS grant income decreased approximately \$49,000.
- Total expenses increased by 3.51% or \$395,007 from the prior fiscal year. Housing Assistance Payments increased by approximately \$148,000 as the Housing Choice Voucher program leased 143 more tenant based unit months than in prior year. Administrative expense increased approximately \$490,000 largely due to an additional \$257,700 of salaries and benefits related to an accrued contingent liability. In the prior fiscal year, the Authority recorded a loss on dispositions of capital assets totaling approximately \$282,000 due primarily to the demolition of 44 units at the Authority's Broadmeade Terrace development. Loss on disposition of assets during the fiscal year ending March 31, 2018 was \$425. In addition, in the prior fiscal year, the Authority reported approximately \$211,000 for extraordinary maintenance and casualty losses related primarily to the demolition at Broadmeade Terrace. During fiscal year 2018, the Authority had extraordinary maintenance costs totaling \$47,561 related to the demolition of Broadmeade Terrace.
- The Authority has long-term debt related to its Energy Performance Contract. The Authority made regularly scheduled repayments of that debt during fiscal year 2018 totaling \$188,609.

## Fund Financial Statements

All of the funds of the Authority are reported as proprietary funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Enterprises operated by state and local governments, such as the Authority, use fund accounting to ensure compliance with finance-related legal requirements.

The Authority's financial statements report its net position and changes in net position. The Authority's net position – the difference between assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources – is one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, also need to be considered, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Authority. Management of the Authority makes a concerted effort to be fiscally responsible and to operate at an operating cash flow level of breakeven or better each year.

## Using This Annual Report

The Authority's annual report consists of financial statements that show combined information about the Authority's most significant programs, the Public and Indian Housing Program, Section 8 Housing Choice Vouchers Program, Public Housing Capital Fund Program, Resident Opportunity and Supportive Services – Service Coordinators Program, Family Self-Sufficiency Program, Nonfederal, and Business Activities which consists of the Valley View Rental Demonstration Program, Crystal Court Rental Demonstration Program and Valley View Court.

## **Using This Annual Report (Continued)**

The Authority's auditors provided assurance in their independent auditor's report, located immediately preceding the MD&A, that the financial statements are presented fairly in all material respects in accordance with accounting principles generally accepted in the United States of America. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to determine the level of assurance provided for each of the other parts of this report.

## **Reporting the Authority's Most Significant Programs**

The Authority's financial statements provide detailed information about the most significant programs. Some funds are required to be established by HUD. However, the Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other funds.

The Authority uses the following accounting approach for Proprietary funds. The focus of proprietary funds is on income measurement, which together with the maintenance of net position, is an important financial indicator. The basic financial statements include:

Statement of Net Position – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations, if any.

Statement of Revenues, Expenses and Changes in Net Position – reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses.

Statement of Cash Flows – reports the Authority's net cash provided by or used for operating activities, investing activities, and capital and related financing activities.

The Authority maintains its books and records utilizing the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

The following is a description of the programs and services that the Authority provides for its residents:

### ***Public and Indian Housing***

The New Albany Housing Authority owns approximately 1,014 units in developments in the City of New Albany, Indiana. The 1,014 units owned by the Authority consist of elderly/disabled and family units. The Authority rents those units to individuals and families who meet HUD eligibility guidelines in order to provide them with decent, safe, and sanitary rental housing. The Authority is responsible for the management and maintenance of all units, sites and certain utilities. On an annual basis, the Authority submits a request for funding to HUD, known as the Calculation of Operating Subsidy.

The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Operating Expense Level, Allowable Utilities Expenses Level, Allowable Add-ons and Audit Cost that becomes the Authority's Total Allowable Expenses. HUD will fund a portion of the difference between the Total Allowable Expenses and the amount of rents that the Authority can charge their tenants based upon HUD eligibility calculations. Funding is subject to proration due to congressional appropriation and may not be sufficient to fund 100% of the full eligibility amount. Operating subsidy proration for calendar year 2018 is estimated at approximately 93% of the full eligibility amount for calendar year 2018. Proration was also approximately 93% for calendar year 2017.

### ***Section 8 Housing Choice Vouchers Program***

This grant program provides rental assistance to help extremely low and very low-income families afford decent, safe, and sanitary rental housing. Qualifying tenants have their income analyzed utilizing HUD's guidelines and their rental assistance is calculated accordingly. The Authority is awarded a fixed amount of Budget Authority from HUD on an annual basis to assist participants. The Authority had approval and funding for 408 tenant based vouchers and 64 project based vouchers at March 31, 2018. Similar to Public Housing operating funding, Section 8 administrative funding from HUD is subject to proration due to Congressional appropriation. Section 8 administrative funding was prorated to approximately 77% of the full eligibility amount for calendar year 2017 and is expected to be approximately 80% for calendar year 2018.

### ***Public Housing Capital Fund Program***

HUD awards this grant program on an annual basis. The purpose of these grants is to maintain the physical aspects of the Authority's sites and the administrative management to ensure completion of site improvements in the most effective and efficient manner. The Authority requisitions funds from HUD as the Authority expends funds.

### ***Resident Opportunity and Supportive Services – Service Coordinators and Family Self-Sufficiency***

HUD awards these grant programs on a competitive basis. Award periods vary with some lasting as long as three years. The purpose of these grants is to provide services to tenants that will assist them in obtaining suitable employment, encourage aging in place, provide youth programming and improve the quality of life of those tenants.

### ***Non-federal Funds***

These are grants awarded to the Authority by sources other than HUD. These grants were researched and applied for by the Authority and funds are intended to provide services for residents that were not funded under the HUD programs.

### ***Valley View and Crystal Court Rental Demonstration Program***

The Valley View Rental Demonstration Program consists of 40 homes located in a subdivision in New Albany, Indiana. The homes were acquired in the 1930's as the original properties for the Housing Authority of the City of New Albany. The homes and improvements were fully depreciated before inclusion in these financial statements. The book value shown reflects original land value and recent improvements.

In prior years, the Authority used 40 of their existing Section 8 vouchers to provide project based assistance for Valley View as allowed by HUD. On July 1, 2016, the Authority returned the 40 vouchers to the Section 8 program to be used as tenant based vouchers. Assistance was transferred from 40 Public Housing units at Broadmeade to the 40 Valley View units through a Rental Assistance Demonstration ("RAD") transaction.

In addition, on July 1, 2016 the Authority converted 24 units of public housing at the Authority's Crystal Court development to project based vouchers through the Rental Demonstration Program.

### ***Valley View Court Business Activities***

Following the conversion of 40 homes at Valley View Court to the Rental Demonstration Program, Valley View Business Activities consists 8 vacant lots.

### ***Central Office Cost Center***

In addition to the programs noted above, the Authority maintains a Central Office Cost Center (“COCC”) as mandated by HUD. All salaries and costs related to administrative functions of the Authority and other costs which do not directly support the specific programs noted above, are charged to the COCC. Funding flows into the COCC from fees which are allowed to be charged to the Public and Indian Housing program and the Section 8 Housing Choice Vouchers program, as well as administrative funding provided through the Capital Fund program. Once funds flow through to the COCC they are deemed to be “defederalized” and can then be used by the Authority in any way needed in order to support the Authority’s mission.

### **Authority-Wide Condensed Financial Statements**

#### ***Statement of Net Position***

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current & Other Assets			
Cash and investments	\$ 13,686,829	\$ 14,130,001	\$ (443,172)
Other Current Assets	956,000	372,376	583,624
Capital Assets (Net)	<u>16,053,343</u>	<u>15,928,717</u>	<u>124,626</u>
Total Assets	<u>\$ 30,696,172</u>	<u>\$ 30,431,094</u>	<u>\$ 265,078</u>
Liabilities			
Accounts Payable	\$ 568,142	\$ 170,761	\$ 397,381
Other Current Liabilities	1,107,984	839,052	268,932
Long Term Debt, noncurrent portion	107,566	297,028	(189,462)
Non-current Liabilities	<u>56,863</u>	<u>83,395</u>	<u>(26,532)</u>
Total Liabilities	<u>\$ 1,840,555</u>	<u>\$ 1,390,236</u>	<u>\$ 450,319</u>
Net Position			
Net Investment in Capital Assets	\$ 15,729,493	\$ 15,416,259	\$ 313,234
Restricted	1,010,745	846,882	163,863
Unrestricted	<u>12,115,379</u>	<u>12,777,717</u>	<u>(662,338)</u>
Total Net Position	<u>\$ 28,855,617</u>	<u>\$ 29,040,858</u>	<u>\$ (185,241)</u>

### ***Major Factors Affecting the Statement of Net Position***

Total assets increased by \$265,078 from March 31, 2017 to March 31, 2018.

Cash and investments decreased by approximately \$443,000. Part of the decrease in cash was a result of an increase in prepaid assets as of March 31, 2018. The Authority had prepaid insurance costs at March 31, 2018 totaling approximately \$137,000. There were no prepaid insurance costs at March 31, 2017. In addition, other prepaid expenses increased approximately \$54,000 from fiscal year 2017.

Included in other current assets of \$956,000 is net inventory of \$172,339, prepaid expenses of \$275,843 and net accounts receivable totaling \$507,818. Accounts receivable includes reimbursements due the Authority from HUD for Capital Fund expenditures of \$441,425, ROSS expenditures of \$10,207 and FSS Coordinator grant expenditures of \$30,601.

Capital Assets (Net) are a major component of total assets, and are determined by taking the March 31, 2017 net capital assets balance and adding new capital assets purchased during the year ended March 31, 2018, subtracting capital assets disposed of during the year ended March 31, 2018 (less the related accumulated depreciation), and subtracting fiscal year 2018 depreciation expense. Accumulated depreciation reflects total depreciation expense (\$1,339,205 for the fiscal year ended March 31, 2018) which is recorded to recover the cost of capital assets over a specified period of time. Depreciation reduces the carrying value of the underlying asset but does not affect the cash flow of operations. The Statement of Capital Assets, included later, provides a detail of capital assets and accumulated depreciation.

Accounts payable at March 31, 2018 was approximately \$397,000 higher than prior year due primarily to increased payables related to Capital Fund projects. Other current liabilities is a combination of several accounts including liabilities for utilities, payroll, prepaid tenant rent, tenant security deposits, a portion of FSS escrow accounts, the current portion of long-term debt and an accrued contingency liability. Other current liabilities increased due to a \$313,015 accrued contingency liability. The liability is the estimated pay-out related to on-going litigation. The current portion of long-term debt increased from \$215,430 at March 31, 2017 to \$216,284 at March 31, 2018. At March 31, 2018, debt totaling \$79,440, related to two projects expected to convert through HUD's RAD program during fiscal year 2019, is considered current in anticipation of paying off the energy performance debt. At March 31, 2017, debt totaling \$64,672 related to one project that was expected to convert through HUD's RAD program was considered current.

The Authority has classified \$56,863 of its FSS escrow dollars as a non-current liability because the anticipated payouts do not meet the criteria for a current liability.

Long term debt is the energy performance debt associated with unit improvements designed to increase energy efficiency. Each year HUD funds additional subsidy to cover the annual payments.

Net Position is presented in conformity with GASB 34. Total Net Position decreased by \$185,241 from March 31, 2017 to March 31, 2018. Revenue remained comparable, however, expenses increased approximately 3.51% or \$395,000. The Authority had a decrease in cash flow of \$443,172 for the year ended March 31, 2018.

The component Unrestricted Net Position decreased by \$662,338 during the fiscal year. This component represents funds that can be used to meet future obligations.

### ***Major Factors Affecting the Statement of Net Position (Continued)***

Restricted Net Position increased by \$163,863 during the fiscal year. Restricted Net Position of \$1,010,745 consists of \$84,871 of funds restricted to provide housing assistance payments (“HAP”) for HCV participants in future years, \$239,254 of prior year insurance proceeds that remain unspent and \$686,620 in replacement reserves to meet the future needs of the Valley View and Crystal Court RAD programs. Funds restricted for future HAP payments increased by \$77,473, which indicates that current year HAP revenue exceeded current year HAP expenses. As part of HUD’s cash management restrictions, HUD holds undisbursed budget authority on behalf of the Authority as “Program Reserves” which will be disbursed to the Authority if HAP expenses exceed HAP income in future periods. Although HUD is holding those funds on the Authority’s behalf, they have mandated that such Program Reserves cannot be shown within the Authority’s Net Position. The balance of the Authority’s HUD-held program reserves at March 31, 2018 was \$36,228. Restrictions related to unspent insurance proceeds resulted from storm damage to several air conditioning units in a prior year. Several of the units are still in use and are replaced as the need arises by using these designated dollars. Restricted funds totaling \$8,949 were used during the year ending March 31, 2018.

### ***Statement of Revenues***

	<u>2018</u>	<u>2017</u>	<u>Change</u>	
Source				
Tenant Revenue	\$ 2,494,787	\$ 2,469,829	\$ 24,958	1.01%
HUD Operating Grants	7,317,175	8,345,331	(1,028,156)	-12.32%
Capital Grants	1,177,950	179,412	998,538	556.56%
Other Income	469,364	392,580	76,784	19.56%
	<u>                    </u>	<u>                    </u>	<u>                    </u>	
Total Revenues	<u>\$ 11,459,276</u>	<u>\$ 11,387,152</u>	<u>\$ 72,124</u>	0.63%

### ***Major Factors Affecting the Statement of Revenues***

Overall HUD Operating Grant revenue for the year ended March 31, 2018 decreased from prior year amounts by \$1,028,156. Public Housing operating subsidy revenue decreased by \$293,234, ROSS-Service Coordinator grant revenue decreased by \$48,764, FSS Program Coordinator grant revenue decreased by \$63,436, and Section 8 grant revenue increased by \$445,175. Capital Fund operating grant revenue decreased by \$1,067,897.

HUD operating grants are as follows:

- Public Housing subsidy \$3,709,514 (decreased 7.33%);
- Section 8 grants \$3,060,250 (increased 17.02%);
- ROSS grant \$139,813 (decreased 25.86%);
- FSS Program Coordinator grant \$172,510 (decreased 26.89%);
- Capital Fund soft costs \$235,089 (decreased 81.96%).

Public Housing operating subsidy decreased approximately \$293,000. Fiscal year 2018 was the first full year since converting 64 units to project based housing choice vouchers. HUD prorated the calendar years 2017 and 2016 operating subsidy awards to approximately 93% and 90%, respectively, of the full subsidy calculation amount. Calendar year 2018 proration is estimated at approximately 93%.

### ***Major Factors Affecting the Statement of Revenues (Continued)***

In fiscal year 2018, soft costs expenses and revenue totaled \$235,089 and hard cost capital expenditures and revenue totaled \$1,177,950. The hard cost expenditures are assets which have been capitalized and will be depreciated over their useful lives. Capitalized dollars were utilized for improvements at Mark Elrod Towers, Riverview Towers, Parkview Towers and Parkview Terrace. Improvements included milling and paving of streets and parking lots, hardware and accessibility upgrades, an underground fuel storage tank, elevator upgrades, an upgraded fire alarm system and a hot water heater and storage tank. In fiscal year 2017, soft costs expenses and revenue totaled \$1,302,986 and hard cost capital expenditures and revenue totaled \$179,412. Capital Fund grants were used largely for soft costs due primarily to draws related to the conversion of 64 units to project based vouchers through the Rental Demonstration program and draws for Capital Fund management fees.

Section 8 HAP funding, the Budget Authority, is based on historical information provided by the Authority through the Voucher Management System (VMS). This is a self-reporting of expenses required on a monthly basis which HUD uses to monitor program utilization and cost. The Authority's Budget Authority is determined by Congressional mandate and has been reduced to slightly less than 100% of the standard amount in recent years (99.745% for calendar year 2018 and 97% for calendar year 2017). Section 8 Administrative funding is provided separately by HUD, and is based upon voucher utilization rates and other information which is also provided through VMS. Section 8 Administrative funding has been subject to significant Congressional budget cuts in recent years and was funded at approximately 77% of the full eligibility amount for calendar year 2017 and approximately 84% of the full eligibility amount for calendar year 2016. Calendar year 2018 funding is projected to be approximately 80%. Section 8 administrative fees received increased by \$15,161 from the prior fiscal year due to an increase in unit months leased.

Revenue from Section 8 Housing Choice Voucher funding increased from the prior year by \$445,175. Tenant-based voucher and project-based voucher unit months leased increased by 607 units from fiscal year 2017 as a result of leasing up additional vouchers and the conversion of 64 public housing units to Housing Choice Voucher Program project-based vouchers on July 1, 2016. Funding for the additional project based vouchers was provided through Public Housing Operating Subsidy and Capital Fund grants through December 31, 2016. On January 1, 2017, the Authority began receiving funding for these units through Section 8 Housing Choice Voucher funding.

ROSS and FSS Program Coordinator grant income both decreased because of additional one time funding in fiscal year 2017 due to receiving HUD's approval to carry-over grant funding from previous grant awards. The Authority used the funding to hire temporary case workers through March 31, 2017. For fiscal year 2018, total Capital Funds grants of \$1,413,039 were drawn down as funding was obligated and expended for approved expenses outlined in the annual formula Capital Fund grant budget. HUD considers the Capital Fund program an expenditure driven grant program. Other income increased by \$76,784 from the prior year amount. Accounts included are interest, fraud recovery and miscellaneous income. Interest income increased \$57,208 over prior year due to increasing interest rates.

### ***Statement of Expenses***

	<u>2018</u>	<u>2017</u>	<u>Change</u>	
Administrative	\$ 2,332,168	\$ 1,841,798	\$ 490,370	26.62%
Tenant Services	385,497	539,908	(154,411)	-28.60%
Utilities	1,408,863	1,365,751	43,112	3.16%
Maintenance	2,387,654	2,202,720	184,934	8.40%
Housing Assistance Payments	2,438,036	2,289,821	148,215	6.47%
Depreciation	1,339,205	1,323,031	16,174	1.22%
Protective Services	159,130	207,072	(47,942)	-23.15%
General Expenses	1,104,955	956,223	148,732	15.55%
Interest Expense	21,253	30,397	(9,144)	-30.08%
Extraordinary maintenance and casualty loss	67,331	210,970	(143,639)	-
Loss on disposition of capital assets	425	281,819	(281,394)	-99.85%
Total Expenses	<u>\$ 11,644,517</u>	<u>\$ 11,249,510</u>	<u>\$ 395,007</u>	3.51%

### ***Major Factors Affecting the Statement of Expenses***

Total expenses increased by 3.51% from fiscal year 2017. Excluding a loss on disposition of capital assets in prior year, expenses increased by 6.17%. All expense categories increased over fiscal year 2017 except for tenant services, protective services, interest expense and loss on disposition of capital assets.

Administrative expense increased approximately \$490,000 largely due to an additional \$257,700 of salaries and benefits related to an accrued contingent liability. The Authority also contracted with a human resource firm which resulted in additional expenses of approximately \$39,000. New administrative positions also created higher administrative salaries.

Maintenance expense increased largely as a result of additional unit turn-around costs and additional maintenance labor costs and employee benefits.

Utility costs can fluctuate year to year depending on factors such as weather and utility rates. Costs remained comparable to prior year, increasing only 3% from fiscal year 2017.

Tenant services decreased primarily due to \$50,450 of relocation costs incurred in fiscal year 2017 as a result of converting 64 units to project based vouchers through RAD. The Authority did not have any relocation costs for fiscal year 2018. In addition, in the prior year the Authority had additional salary and benefit costs due to the hiring of additional FSS caseworkers on a temporary basis. These additional positions were not filled during fiscal year 2018.

Protective services has decreased as a result of the restructuring of an employee position previously charged to protective services. The position is now charged as an administrative salary.

HAP expense within the Section 8 program is the direct expense of providing housing assistance payments on behalf of program participants and utility assistance payments to program participants. HAP expense increased by \$148,215 as 143 more unit months were leased in fiscal year 2018 as compared to fiscal year 2017.

### ***Major Factors Affecting the Statement of Expenses (Continued)***

Depreciation expense remained comparable to prior year expense.

General expenses increased approximately \$149,000 largely due to \$94,500 of costs incurred for a physical needs assessment of the properties and an increase in bad debt write-offs of approximately \$47,000.

In fiscal year 2017, the Authority reported approximately \$211,000 for extraordinary maintenance related primarily to the demolition at Broadmeade Terrace. During fiscal year 2018, the Authority had extraordinary maintenance costs totaling \$47,561 related to the demolition of Broadmeade Terrace. During fiscal year 2017, the Authority reported a loss on disposition of capital assets of \$281,819 due primarily to the demolition of 44 units at Broadmeade Terrace. During fiscal year 2018, the Authority had a loss of \$425 on disposition of capital assets.

### ***Statement of Capital Assets***

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 771,979	\$ 772,404	\$ (425)
Buildings and improvements	44,791,869	44,276,399	515,470
Land improvements	6,641,326	6,373,011	268,315
Equipment-Administration	1,712,414	1,554,576	157,838
Accumulated Depreciation	(38,404,444)	(37,065,239)	(1,339,205)
Construction in Progress	<u>540,199</u>	<u>17,566</u>	<u>522,633</u>
Total	<u>\$ 16,053,343</u>	<u>\$ 15,928,717</u>	<u>\$ 124,626</u>

### ***Major Factors Affecting the Statement of Capital Assets***

Capital assets increased by \$1,463,831 before considering the effect of accumulated depreciation. In fiscal year 2017, assets totaling \$1,602,587 were sold, scrapped due to obsolescence or written off due to the demolition of 44 units at Broadmeade Terrace. After considering accumulated depreciation and proceeds from sales, the dispositions resulted in a net loss on disposal of assets of \$281,819 during fiscal year 2017. There was loss on disposal of assets of \$425 during fiscal year 2018.

The Authority invested approximately \$516,000 in buildings and improvements, of which approximately \$447,000 was funded through Capital Fund grants.

The Authority expended \$268,315 for land improvements to mill and pave streets and parking lots in the Parkview Terrace development.

Equipment-Administration purchases totaled approximately \$158,000. Purchases included 5 new vehicles and a software upgrade.

At March 31, 2018, construction in progress totaled \$540,199, of which \$463,095 was funded through Capital Fund grants. Upgrades to elevators at the Authority's high-rises account for \$457,110 of the construction in progress.

### ***Major Factors Affecting the Statement of Capital Assets (Continued)***

Accumulated depreciation increased by an amount equal to current year depreciation expense.

Note 4 to the Authority's financial statements provides additional detail regarding the changes in capital assets during the year ended March 31, 2018.

### ***Long-Term Debt***

The Authority has long-term debt associated with its Energy Performance Contract ("EPC") that was completed in fiscal year 2011. Old National Bank services the debt. The EPC is a municipal lease and as such, is not a secured debt. Debt service is an add-on calculation to the annual Public Housing subsidy request so the Authority anticipates no out of pocket expense for the energy improvements put in place. The balance of the loan at March 31, 2018 was \$323,850. The Authority made regularly scheduled principal payments of \$188,608 during fiscal year 2018. At March 31, 2018, the Authority has classified 100% of the debt as current for two of its projects totaling \$79,440. That has been shown in anticipation of these projects converting to Project-Based Section 8 through RAD during the upcoming fiscal year which would necessitate a payoff of the EPC debt on the property prior to conversion. The total current portion of long debt at March 31, 2018 is \$216,284.

Note 5 to the Authority's financial statements provides additional detail regarding the changes in long term debt during the year ended March 31, 2018.

### **Currently Known Facts, Decisions, or Conditions Expected to Affect Future Financial Position or Results of Operations**

The Authority is primarily dependent upon HUD for funding (approximately 74% of fiscal year 2018 revenue came from HUD grants); therefore, the Authority is generally affected more by the federal budget than by local economic conditions.

The amount that the Authority is eligible to receive to cover the gap between public housing rent revenues and operating costs is set by a federal formula. If Congress has failed to provide sufficient funding cover the full subsidies that the Authority is eligible to receive under the formula, the Authority must find a way to raise revenue, cut costs, or tap other resources to make up for the shortfall. As noted previously, Congress funded the operating subsidy revenue at approximately 93% of the full eligibility amount for calendar year 2017. Current projections from HUD show they also plan to fund the operating subsidy at approximately 93% of full eligibility for calendar year 2018.

Similar to Public Housing operating subsidy funding, HUD also utilizes a formula to determine the amount of Section 8 administrative funding they provide to the Authority. In recent years cuts to that funding have been even more extreme than the prorations applied to Public Housing operating subsidy. For calendar year 2016 congress funded Section 8 administrative awards at approximately 84% of full eligibility. Proration levels for calendar year 2017 were approximately 77% and are expected to be approximately 80% for calendar year 2018 based upon current projections from HUD.

The Authority's management strives to operate at a breakeven or better cash flow from operations each year. Annual funding prorations, however, remain uncertain and there is always potential for further reduced federal funding. We will continue to work to maintain a fiscally responsible approach regardless of the federal funding situation in order to ensure the Authority is able to continue to serve low income families and individuals to the greatest extent possible for both the near-term and long-term future.

## **Currently Known Facts, Decisions, or Conditions Expected to Affect Future Financial Position or Results of Operations (Continued)**

The Authority has submitted a phased-in portfolio application through HUD's Rental Assistance Demonstration ("RAD") to convert all Public Housing units in the Authority's stock to Project-Based Section 8 units. This conversion would change the HUD funding provided for those units from Public Housing Operating Subsidy and Public Housing Capital Funding to Project-Based Voucher Assistance. The Authority has decided to convert some units without outside financing, and has made the decision to apply for 4% or 9% tax credits on other units in order to rehab or demolish and reconstruct those units as part of the RAD conversion. The first two properties totaling 64 units converted effective July 1, 2016, and the current plan is for the complete conversion to be completed over the next seven to ten years. Two properties totaling 221 are expected to convert to RAD during fiscal year 2019. This will create significant changes to the federal funding stream, federal compliance requirements, organizational structure, and many other items for those Public Housing units. Management has made the decision to apply for conversion of those units through RAD after detailed analysis which showed that was the best way to obtain more stable funding from HUD. Management believes this will be the best way for the Authority to continue to provide quality affordable housing to low income families and individuals for the long-term.

In September 2018, the Authority purchased a 59 unit apartment complex through its blended component unit, Southern Indiana Community Housing Corporation. No debt was incurred by the Authority as part of the purchase. The Authority has applied for tax credits in order to renovate the property.

### **Contacting the Housing Authority's Financial Management**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

David C. Duggins  
Executive Director  
New Albany Housing Authority  
P.O. Box 11  
New Albany, Indiana 47151-0011

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY  
New Albany, Indiana**

**BASIC FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2018**

ASSETS

CURRENT ASSETS

Cash and investments	\$ 12,152,669
Cash and investments - restricted	1,534,160
Receivables	
Tenants, net of allowance for doubtful accounts	9,180
Other, net of allowance for doubtful accounts	16,405
Accounts receivable - HUD	482,233
Inventory	172,339
Prepaid expenses	275,843
<b>TOTAL CURRENT ASSETS</b>	<u>14,642,829</u>

NONCURRENT ASSETS

Land	771,979
Land improvements	6,641,326
Buildings and improvements	44,791,869
Equipment	1,712,414
Construction work in progress	540,199
Less accumulated depreciation	<u>(38,404,444)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>16,053,343</u>

**TOTAL ASSETS**

**\$ 30,696,172**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 568,142
Accrued payroll liabilities	89,299
Compensated absences	58,558
Unearned revenue	45,883
Due to other governments	108,593
Tenants' security deposits	231,311
Contingent liability	313,015
Other current liabilities	45,041
Current portion of long-term debt	216,284
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,676,126</u>

NONCURRENT LIABILITIES

Tenants' FSS Escrow	56,863
Long-term det, net of current portion	<u>107,566</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>164,429</u>

**TOTAL LIABILITIES**

1,840,555

NET POSITION

Net investment in capital assets	15,729,493
Restricted	1,010,745
Unrestricted	<u>12,115,379</u>
<b>TOTAL NET POSITION</b>	<u>28,855,617</u>

**TOTAL LIABILITIES AND NET POSITION**

**\$ 30,696,172**

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

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED MARCH 31, 2018**

OPERATING REVENUE	
Dwelling rental	\$ 2,494,787
Operating grants	7,317,175
Other operating revenue	<u>381,363</u>
TOTAL OPERATING REVENUE	<u>10,193,325</u>
OPERATING EXPENSES	
Administration	2,332,168
Tenant services	385,497
Utilities	1,408,863
Maintenance and operations	2,387,654
General expenses	1,104,955
Protective services	159,130
Housing assistance payments	2,438,036
Depreciation	<u>1,339,205</u>
TOTAL OPERATING EXPENSES	<u>11,555,508</u>
OPERATING (LOSS)	<u>(1,362,183)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest income	88,001
Gain on disposition of fixed assets	(425)
Interest expense	(21,253)
Extraordinary maintenance and casualty loss	<u>(67,331)</u>
NET NONOPERATING REVENUE	<u>(1,008)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(1,363,191)
CAPITAL GRANTS	<u>1,177,950</u>
CHANGE IN NET POSITION	(185,241)
NET POSITION AT BEGINNING OF YEAR	<u>29,040,858</u>
NET POSITION AT END OF YEAR	<u>\$ 28,855,617</u>

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

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from tenants/participants	\$ 2,379,116
Cash received from operating grants	6,923,938
Other income received	380,481
Cash payments to vendors	(4,798,845)
Cash payments to employees	(2,414,329)
Cash payments for housing assistance	<u>(2,438,036)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>32,325</b></u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital grants	1,177,950
Acquisition of capital assets	(1,464,256)
Principal payments	(188,608)
Interest paid	<u>(21,253)</u>
<b>NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u><b>(496,167)</b></u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Extraordinary maintenance and casualty loss	<u>(67,331)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>88,001</u>
<b>NET (DECREASE) IN CASH AND CASH INVESTMENTS</b>	(443,172)
<b>CASH AND CASH INVESTMENTS AT BEGINNING OF YEAR</b>	<u>14,130,001</u>
<b>CASH AND CASH INVESTMENTS AT END OF YEAR</b>	<u><b>\$ 13,686,829</b></u>

(Continued on page 20)

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

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
STATEMENT OF CASH FLOWS - Continued  
YEAR ENDED MARCH 31, 2018

RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT OF CASH FLOWS  
TO THE STATEMENT OF NET POSITION

Cash and cash investments	\$ 12,152,669
Cash and cash investments - restricted	<u>1,534,160</u>
<b>CASH AND INVESTMENTS PER STATEMENT OF NET POSITION</b>	<b><u>\$ 13,686,829</u></b>

RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating (loss)	\$ (1,362,183)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	1,339,205
Changes in assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	(5,001)
Accounts receivable - HUD	(393,237)
Inventory	6,263
Prepaid expenses	(191,647)
Increase (decrease) in liabilities	
Accounts payable	397,379
Accrued expenses	(59,099)
Contingent liability	313,015
Unearned revenue	1,793
Due to other governments	(511)
Tenants' FSS escrow, non-current portion	(26,532)
Tenants' security deposits	<u>12,880</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 32,325</u></b>

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

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE 1 - Nature of the Organization and Operations**

The Housing Authority of the City of New Albany (the "Authority"), is organized under the laws of the State of Indiana for the purpose of engaging in the development and administration of low-rent housing programs. The Authority owns and operates 1,014 public housing units, 64 project based voucher units, and administers 408 Section 8 vouchers under Annual Contributions contract C-912 with the Department of Housing and Urban Development ("HUD"). The Authority is located in New Albany, Indiana.

In evaluating the Authority as a reporting entity, the City of New Albany (the "City") does not bear responsibility for the Authority's operations. The Mayor of the City appoints an independent Board of Commissioners to oversee 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; 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. Consequently, in accordance with the Governmental Accounting Standards Board ("GASB"), management has concluded that the Authority is a separate reporting entity.

In accordance with Statement No. 61, Governmental Accounting Standards Board (GASB), the basis criterion for including a legally separate organization as a component unit is the degree of financial accountability the Authority has with the organization. The following circumstances set forth the Authority's financial accountability for a legally separate organization:

- a. The Authority is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Authority.
- b. The Authority may be financially accountable if an organization is fiscally dependent on the Authority regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

Based upon the application of these criteria, this report includes the following component unit:

Southern Indiana Community Housing Corporation (SICHC) was established in 2014 to support and expand the works and activities of the Authority within Floyd County and the Greater Southern Indiana Community as a whole by contributing support through increasing the supply of affordable housing in Southern Indiana. The Board of Commissioners of the Authority appoints the governing body of SICHC. SICHC is shown as a blended component unit in the financial statements of the Authority. SICHC does not have separately issued financial statements.

**NOTE 2 - Summary of Significant Accounting Policies**

1. **Basis of Presentation:** All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities (a) which are financed with debt that is solely secured by pledge of the net revenue from fees and charges of the activity; (b) which are governed by laws or regulations that require that the activity's costs of providing services be recovered with fees and charges, rather than taxes or similar revenue; or (c) that the pricing policies of the activity establish fees and charges designated to recover its costs.

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
NOTES TO FINANCIAL STATEMENTS - Continued  
MARCH 31, 2018

**NOTE 2 - Summary of Significant Accounting Policies - Continued**

1. Basis of Presentation - Continued  
In accordance with GASB requirements, the Authority's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins, except those that conflict with or contradict a GASB pronouncement.
2. Basis of Accounting: The financial statements of the Authority have been prepared on the accrual basis of accounting.
3. 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, if any) at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
4. Cash Equivalents: The Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents.
5. Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable are recorded at gross amount, less an allowance for doubtful accounts. The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable, which is based on historical experience, coupled with a review of the current status of existing receivables. The allowance for doubtful accounts was \$36,714 for accounts receivable - tenants. The allowance for doubtful accounts was \$30,331 for accounts receivable - fraud recovery. Those allowances have been deducted against the related accounts receivable balances to properly reflect the estimated realizable value at March 31, 2018. Management believes all other accounts receivable as of March 31, 2018, were collectible and no allowance was necessary.
6. Inventories: Inventories, consisting of materials and supplies, are stated at the lower of cost (determined by the weighted average method) or market, reported on a first-in, first-out basis. Management has established an allowance for obsolete inventory which totaled \$43,085 at March 31, 2018, and is deducted against supplies inventory to properly reflect the lower of cost or market value.
7. Property and Equipment: Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred; renewals or betterments, which provide benefit for greater than one year and cost \$2,500 or more are capitalized. Gain or loss on retirements and disposition of assets is credited or charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts. Donated capital assets are valued at their estimated fair value on the date donated.  
  
Depreciation is provided on the basis of the estimated useful lives of the assets using the straight-line method. The estimated useful lives are 10 - 40 years for buildings and land improvements and 5-10 years for building equipment, furniture, maintenance equipment and miscellaneous assets.
8. Revenue and Expenses: Revenue from rentals is recorded as earned over the life of the lease, and expenses are charged against such revenue as incurred without regard to the date of receipt or payment of cash.

The Authority has entered into annual contribution contracts with HUD to develop, manage and own public housing projects and to administer the Federal Section 8 programs whereby, the Authority pays the owner a portion of the rent, a housing assistance payment ("HAP"), on behalf of the family. Such contributions are reflected as HUD operating grants to the accompanying financial statements.

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
NOTES TO FINANCIAL STATEMENTS - Continued  
MARCH 31, 2018

**NOTE 2 - Summary of Significant Accounting Policies - Continued**

9. Operating & Nonoperating Revenue & Expenses

A proprietary fund distinguishes operating revenue and expenses from non-operating items. Operating revenue 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 revenue of the Authority are rents collected from tenants and operating grants. Operating expenses for proprietary funds include the cost of operating properties owned, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

10. Impairment of Long-Lived Assets: The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended March 31, 2018.

11. Compensated Absences: Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leave. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority accrues the liability for those absences for which the employee has earned the rights to the benefits. The Authority's policy allows employees to receive paid time off. A maximum of 80 hours of paid time off can be carried forward at the end of each calendar year. All accrued paid time off is paid to the employee upon termination of employment. Accordingly, at March 31, 2018, a liability of \$58,558 has been recorded for accrued compensation absences at that date.

12. Deferred Outflows and Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The Authority does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Authority does not have any items that qualify for reporting in this category.

13. Net Position Classifications: Net position represents the difference between the total assets and the total liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

14. Federal Aids: Federal aids for reimbursable programs are recognized as revenue in the year the related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenue.

15. Employee Retirement Plan: The Authority has a retirement plan covering substantially all of its eligible employees which is funded through contributions to Principal Financial Group.

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
NOTES TO FINANCIAL STATEMENTS - Continued  
MARCH 31, 2018

**NOTE 2 - Summary of Significant Accounting Policies - Continued**

16. Due To/From Other Programs: During the course of operations, numerous transactions occur between individual programs for goods provided or services rendered. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net position and have been eliminated in the basic financial statements.
17. Interprogram Transactions: Quasi-external transactions are accounted for as revenue or expenses. Transactions that constitute reimbursements to a program for expenses initially made from it that are properly applicable to another program, are recorded as expenses in the reimbursing program and as reductions of expenses in the program that is reimbursed.
18. Construction Projects: There are certain major construction projects in progress at March 31, 2018. These include modernizing rental units at many different projects. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.
19. Application of Restricted Resources: The Authority will first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.
20. Subsequent Events: The Authority has evaluated subsequent events through September 20, 2018, the date which the financial statements were available to be issued.

**NOTE 3 - Cash Deposits**

In accordance with Section 401-(E) of the HUD/Public Authority Annual Contributions Contract, it is the policy of the Authority to invest its funds in a manner which will provide the highest investment return with maximum security while meeting the daily cash flow needs of the Authority, and comply with all federal, state, and local statutes or ordinances governing the investment of public funds.

1. Custodial Credit Risk: Custodial credit risk for deposits and investments is the risk that, in the event of failure by a financial institution, the Authority may not be able to recover the value of its deposits and investments or collateral securities that are in the possession of the financial institution. Statutes authorize the Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities. All cash and investments as of March 31, 2018, were insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company or depository financial institutions. Deposits exceeding the insured or registered limits are collateralized (\$13,731,009) with securities held by the Authority's financial institution in the name of the Authority and are fully insured by the Indiana Public Deposit Insurance Fund.
2. Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The Authority's investment policy limits investments to provide the optimum return on the investment consistent with the cash management program of the Authority.

Investments are made based upon prevailing market conditions at the time of the transaction. The Authority reviews its cash and investment needs in order to maintain adequate liquidity to meet its cash flows needs. Investments will typically be limited to securities maturing in periods of up to one year, or such lesser period that coincides with expected disbursements by the Authority.

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**MARCH 31, 2018**

**NOTE 3 - Cash Deposits - Continued**

3. **Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the 'prudent investor' standard to ensure that (a) due diligence is exercised in accordance with State law, (b) any negative deviations are reported timely, and (c) reasonable action is taken to control any adverse developments. The Authority's investment policy requires investment in instruments authorized by HUD Notice PIH 95-27.
4. **Concentration of Credit Risk:** The Authority's investment policy requires diversification of the overall portfolio to eliminate the risk of loss resulting from an over-concentration of assets in a specific maturity, a specific issuer and/or a specific class of securities.
5. **Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect fair value of an investment or a deposit. All of the Authority's deposits and investments are denominated in United States currency.

The carrying value of cash at March 31, 2018 was \$13,686,829. The bank balance of cash at March 31, 2018 was \$14,067,678.

Restricted cash totaled \$1,528,535 at March 31, 2018, and was comprised of the following:

FSS program tenant escrow accounts	\$ 75,820
Tenant security deposits	231,311
HCV housing assistance payments	84,871
Replacement reserves	686,620
Unspent insurance proceeds	239,254
Payment of current liabilities (debt payment)	216,284
	<b><u>\$ 1,534,160</u></b>

A corresponding liability for the tenant escrow accounts has been shown partially as other current liabilities and partially as other noncurrent liabilities on the Statement of Net Position. See Note 6 for details on the restricted net position which correspond to the Housing Choice Voucher program housing assistance payment restricted cash, unspent insurance proceeds for Public Housing, and replacement reserves for the business activities.

**NOTE 4 - Capital Assets**

A summary of changes in capital assets is as follows:

	BALANCE 04/01/17	ADDITIONS	RETIREMENTS	TRANSFERS/ ADJUSTMENTS	BALANCE 03/31/18
<i>Capital assets not being depreciated:</i>					
Land	\$ 772,404	\$ -	\$ (425)	\$ -	\$ 771,979
Construction in progress	17,566	531,236	-	(8,603)	540,199
Total capital assets not being depreciated	789,970	531,236	(425)	(8,603)	1,312,178
<i>Capital assets being depreciated:</i>					
Buildings and improvements	44,276,399	506,867	-	8,603	44,791,869
Land improvements	6,373,011	268,315	-	-	6,641,326
Equipment	1,554,576	157,838	-	-	1,712,414
Total capital assets being depreciated	52,203,986	933,020	-	8,603	53,145,609
Less accumulated depreciation	(37,065,239)	(1,339,205)	-	-	(38,404,444)
Total capital assets being depreciated, net of accumulated depreciation	15,138,747	(406,185)	-	8,603	14,741,165
<b>NET CAPITAL ASSETS</b>	<b>\$ 15,928,717</b>	<b>\$ 125,051</b>	<b>\$ (425)</b>	<b>\$ -</b>	<b>\$ 16,053,343</b>

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**MARCH 31, 2018**

**NOTE 5 - Long-Term Obligations**

Details of the Authority's long-term obligations are set forth below:

**Summary of Long-Term Obligations**

	BALANCE			BALANCE	AMOUNT
	<u>04/01/17</u>	ADDITIONS	REDUCTIONS	<u>03/31/18</u>	DUE WITHIN
					<u>ONE YEAR</u>
Tenants' FSS escrows	\$ 111,194	\$ 60,772	\$ 96,149	\$ 75,817	\$ 18,954
Note payable (capital lease)	<u>512,458</u>	<u>-</u>	<u>188,608</u>	<u>323,850</u>	<u>216,284</u>
<b>TOTAL</b>	<b><u>\$ 623,652</u></b>	<b><u>\$ 60,772</u></b>	<b><u>\$ 284,757</u></b>	<b><u>\$ 399,667</u></b>	<b><u>\$ 235,238</u></b>

At March 31, 2018, long-term debt for the Authority consists of:

Note payable to bank, due April 5, 2020, interest at 4.98 percent, monthly payments of \$17,488, includes interest.	\$ 323,850
Less current portion	<u>216,284</u>
<b>LONG-TERM PORTION</b>	<b><u>\$ 107,566</u></b>

In 2009, the Authority entered into a lease agreement with Old National Bank as part of an energy performance contract. The assets constructed through the lease agreement are including in "Buildings" on the statement of net position and are amortized over their estimated useful lives. The capitalized cost of the assets under the capital lease totaled \$1,575,644 at March 31, 2018. Amortization of the capitalized cost of the assets is charged to depreciation expense. The accumulated amortization on the assets at March 31, 2018, was \$668,942. The lease is payable in monthly installments of \$17,488 through April 2020. The lease is a municipal unsecured lease with an interest rate of 4.98 percent. Each year, HUD funds additional subsidy to cover annual payments.

Future minimum payments under the capitalized lease obligations are due as follows:

<u>YEARS</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 216,284	\$ 11,052	\$ 227,336
2020	<u>107,566</u>	<u>2,752</u>	<u>110,318</u>
Total Minimum Lease Payments	323,850	<b><u>\$ 13,804</u></b>	<b><u>\$ 337,654</u></b>
Less: Current Portion	<u>216,284</u>		
<b>LONG-TERM PORTION OF MINIMUM LEASE OBLIGATIONS</b>	<b><u>\$ 107,566</u></b>		

**NOTE 6 - Restricted Net Position**

In accordance with guidelines established by HUD, any housing assistance payment ("HAP") budget authority provided to an Authority in excess of actual program expenses for the same period must be maintained as restricted net position to be used only for HAP payments incurred in the running of the Housing Choice Voucher program. Accordingly, the Authority has recorded \$84,871 as restricted net position at March 31, 2018, in the Housing Choice Voucher Program. In addition, the Authority has restricted net position of \$239,254 in Public Housing related to unspent insurance proceeds and restricted net position of \$686,620 for replacement reserves in the business activities. Restricted net position totaled \$1,010,745 at March 31, 2018.

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
NOTES TO FINANCIAL STATEMENTS - Continued  
MARCH 31, 2018

**NOTE 7 - Retirement Plan**

The Authority has a 457(b) deferred compensation plan through the Principal Financial Group and administered by the Authority. The Plan Administrator has complete control of the administration of the Plan, including complete discretions to interpret or construe the provisions of the Plan and under which contributions are established or may be amended. An employee shall first become an active participant on the earliest monthly date on which he/she is an eligible employee meeting the following requirements: 1) has been continuously employed by the Employer for one year, in which he/she has worked 1,000 hours of service, before his/her entry date; 2) is age 21 or older. For all eligible employees, the Authority will make a matching contribution equal to 50% of the employee's salary deferral contributions. Salary deferral contributions that are over 6% of the employee's compensation will not be matched. Matching contributions are 100% vested when made. For the year matching ended March 31, 2018, the Authority made matching contributions totaling \$14,375. In addition to matching contributions, the Authority may make a discretionary contribution. Discretionary contributions totaled \$119,804 for the year end March 31, 2018.

The Authority also has a non-contributory, defined contribution profit sharing plan through the Principal Financial Group, and administered by the Authority which covers substantially all employees who were employed prior to the adoption of the 457(b) plan. The Plan is approved by HUD. Employees hired prior to January 1, 2002, may be given a discretionary basic contribution each plan year by the Authority. Total expense under this Plan was \$134,179 for the year ended March 31, 2018.

Other than the above mentioned pension plans, the Authority does not participate in Other Post-Employment Benefits.

**NOTE 8 - Income Taxes**

The Authority has qualified with the Internal Revenue Service and the Indiana Department of Revenue as a tax-exempt organization for income tax purposes and, accordingly, there is no provision in the financial statements for federal or state income taxes.

**NOTE 9 - Risk Management**

The Authority is exposed to various risks of loss from torts, theft of, damages to, or destruction of assets, business interruption, errors or omissions, job-related illnesses or injuries to employees, and natural disasters. The Authority has purchased commercial insurance to mitigate its exposure to such losses. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductible and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of such uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Insurance settlements have not exceeded insurance coverage in any of the past three years.

**NOTE 10 - Contingencies**

The Authority may at times be party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority has booked a contingent liability related to termination of an employment agreement. Management estimates the accrued loss contingency to be \$313,015 as of March 31, 2018.

The Authority has received several federal grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon experience, management believes such disallowances, if any, will be immaterial.

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
NOTES TO FINANCIAL STATEMENTS - Continued  
MARCH 31, 2018

**NOTE 11 - Economic Dependency**

The Authority received approximately 74 percent of its total revenue from the United States Department of Housing and Urban Development. This funding is subject to federal government budget appropriations and potential funding reductions.

**Note 12 - Subsequent Event**

In July 2018, Riverview Towers, one of the Authority's properties with 164 units had a plumbing leak which lead to two small electrical fires and caused the electricity in the building to go out. All of the residents of Riverside were relocated to local area hotels while repairs were made. As of August 9, 2018, all of the tenants were moved back into Riverside Towers. The Housing Authority does not have an estimated total cost or an estimate of the total insurance proceeds from the event.

In September 2018, the Authority purchased a 59 unit apartment complex through its blended component unit, Southern Indiana Community Housing Corporation. No debt was incurred by the Authority as part of the purchase. The Authority has applied for tax credits in order to renovate the property.

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**

**SUPPLEMENTARY INFORMATION**

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**COMBINING STATEMENT OF NET POSITION**  
**MARCH 31, 2018**

<u>ASSETS</u>	PUBLIC HOUSING			SECTION 8	ROSS	BUSINESS ACTIVITIES
	AMP 1	AMP 3	AMP 4			
<b>CURRENT ASSETS</b>						
Cash and investments	\$ 1,489,634	\$ 4,628,923	\$ 1,602,323	\$ -	\$ -	\$ 3,723,470
Cash and investments - restricted	116,686	447,242	160,080	99,292	-	710,860
Receivables						
Tenants, net of allowance for doubtful accounts	3,036	2,390	2,760	-	-	994
Other, net of allowance for doubtful accounts	676	3,708	1,761	412	-	4,545
Accounts receivable - HUD	733	235,294	205,398	-	40,808	-
Due from other programs	-	-	-	-	-	7,987
Inventory	30,266	91,906	50,167	-	-	-
Prepaid expenses	37,072	89,409	86,083	12,101	-	8,590
<b>TOTAL CURRENT ASSETS</b>	<u>1,678,103</u>	<u>5,498,872</u>	<u>2,108,572</u>	<u>111,805</u>	<u>40,808</u>	<u>4,456,446</u>
<b>NONCURRENT ASSETS</b>						
Land	295,883	-	295,883	-	-	180,213
Land improvements	1,710,045	3,374,522	1,444,687	-	-	112,072
Buildings and improvements	9,111,464	20,262,146	12,875,917	-	-	2,271,608
Equipment	178,683	846,912	225,938	78,544	-	60,550
Construction work in progress	-	-	472,059	-	-	53,455
Less accumulated depreciation	(8,569,938)	(17,004,953)	(11,568,674)	(56,779)	-	(899,660)
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,726,137</u>	<u>7,478,627</u>	<u>3,745,810</u>	<u>21,765</u>	<u>-</u>	<u>1,778,238</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,404,240</u>	<u>\$ 12,977,499</u>	<u>\$ 5,854,382</u>	<u>\$ 133,570</u>	<u>\$ 40,808</u>	<u>\$ 6,234,684</u>

(Continued on page 30)

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**COMBINING STATEMENT OF NET POSITION - Continued**  
**MARCH 31, 2018**

<u>ASSETS</u>	<u>NON-FEDERAL</u>	<u>COMPONENT UNIT</u>	<u>COCC</u>	<u>ELIMINATING ENTRY</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>					
Cash and investments	\$ 336,342	\$ 10,118	\$ 361,859	\$ -	\$ 12,152,669
Cash and investments - restricted	-	-	-	-	1,534,160
Receivables					
Tenants, net of allowance for doubtful accounts	-	-	-	-	9,180
Other, net of allowance for doubtful accounts	-	-	5,303	-	16,405
Accounts receivable - HUD	-	-	-	-	482,233
Due from other programs	-	-	35,844	(43,831)	-
Inventory	-	-	-	-	172,339
Prepaid expenses	-	-	42,588	-	275,843
<b>TOTAL CURRENT ASSETS</b>	<u>336,342</u>	<u>10,118</u>	<u>445,594</u>	<u>(43,831)</u>	<u>14,642,829</u>
<b>NONCURRENT ASSETS</b>					
Land	-	-	-	-	771,979
Land improvements	-	-	-	-	6,641,326
Buildings and improvements	-	-	270,734	-	44,791,869
Equipment	-	-	321,787	-	1,712,414
Construction work in progress	-	-	14,685	-	540,199
Less accumulated depreciation	-	-	(304,440)	-	(38,404,444)
<b>TOTAL NONCURRENT ASSETS</b>	<u>-</u>	<u>-</u>	<u>302,766</u>	<u>-</u>	<u>16,053,343</u>
<b>TOTAL ASSETS</b>	<u>\$ 336,342</u>	<u>\$ 10,118</u>	<u>\$ 748,360</u>	<u>\$ (43,831)</u>	<u>\$ 30,696,172</u>

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**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
COMBINING STATEMENT OF NET POSITION - Continued  
MARCH 31, 2018

LIABILITIES AND NET POSITION	PUBLIC HOUSING			SECTION 8	ROSS	BUSINESS ACTIVITIES
	AMP 1	AMP 3	AMP 4			
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 21,177	\$ 273,864	\$ 255,982	\$ 358	\$ -	\$ 3,979
Accrued payroll liabilities	11,213	26,314	15,757	5,041	6,717	1,321
Compensated absences	9,014	13,037	9,550	4,743	-	1,136
Unearned revenue	7,712	16,316	21,258	-	-	590
Due to other programs	-	-	-	1,753	34,091	-
Due to other governments	18,479	22,003	57,291	-	-	10,820
Tenants' security deposits	46,874	80,696	79,501	-	-	24,240
Cotigent liability	-	-	-	-	-	-
Other accrued liabilities	3,372	18,657	19,253	3,605	-	154
Current portion of long-term debt	59,223	76,482	80,579	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>177,064</u>	<u>527,369</u>	<u>539,171</u>	<u>15,500</u>	<u>40,808</u>	<u>42,240</u>
<b>NONCURRENT LIABILITIES</b>						
Tenants' FSS escrow	7,941	38,107	-	10,815	-	-
Long-term debt, net of current portion	16,234	60,119	31,213	-	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>24,175</u>	<u>98,226</u>	<u>31,213</u>	<u>10,815</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>201,239</u>	<u>625,595</u>	<u>570,384</u>	<u>26,315</u>	<u>40,808</u>	<u>42,240</u>
<b>NET POSITION</b>						
Net investment in capital assets	2,650,680	7,342,026	3,634,018	21,765	-	1,778,238
Restricted	-	239,254	-	84,871	-	686,620
Unrestricted	1,552,321	4,770,624	1,649,980	619	-	3,727,586
<b>TOTAL NET POSITION</b>	<u>4,203,001</u>	<u>12,351,904</u>	<u>5,283,998</u>	<u>107,255</u>	<u>-</u>	<u>6,192,444</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 4,404,240</u>	<u>\$ 12,977,499</u>	<u>\$ 5,854,382</u>	<u>\$ 133,570</u>	<u>\$ 40,808</u>	<u>\$ 6,234,684</u>

(Continued on page 32)

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**COMBINING STATEMENT OF NET POSITION - Continued**  
**MARCH 31, 2018**

<u>LIABILITIES AND NET POSITION</u>	<u>NON-FEDERAL</u>	<u>COMPONENT UNIT</u>	<u>COCC</u>	<u>ELIMINATING ENTRY</u>	<u>TOTAL</u>
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 71	\$ -	\$ 12,711	\$ -	\$ 568,142
Accrued payroll liabilities	-	-	22,936	-	89,299
Compensated absences	-	-	21,078	-	58,558
Unearned revenue	-	-	7	-	45,883
Due to other programs	7,987	-	-	(43,831)	-
Due to other governments	-	-	-	-	108,593
Tenants' security deposits	-	-	-	-	231,311
Contingent liability	-	-	313,015	-	313,015
Other accrued liabilities	-	-	-	-	45,041
Current portion of long-term debt	-	-	-	-	216,284
<b>TOTAL CURRENT LIABILITIES</b>	<u>8,058</u>	<u>-</u>	<u>369,747</u>	<u>(43,831)</u>	<u>1,676,126</u>
<b>NONCURRENT LIABILITIES</b>					
Tenants' FSS escrow	-	-	-	-	56,863
Long-term debt, net of current portion	-	-	-	-	107,566
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,429</u>
<b>TOTAL LIABILITIES</b>	<u>8,058</u>	<u>-</u>	<u>369,747</u>	<u>(43,831)</u>	<u>1,840,555</u>
<b>NET POSITION</b>					
Net investment in capital assets	-	-	302,766	-	15,729,493
Restricted	-	-	-	-	1,010,745
Unrestricted	328,284	10,118	75,847	-	12,115,379
<b>TOTAL NET POSITION</b>	<u>328,284</u>	<u>10,118</u>	<u>378,613</u>	<u>-</u>	<u>28,855,617</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 336,342</u>	<u>\$ 10,118</u>	<u>\$ 748,360</u>	<u>\$ (43,831)</u>	<u>\$ 30,696,172</u>

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED MARCH 31, 2018**

	PUBLIC HOUSING			SECTION 8	ROSS	BUSINESS ACTIVITIES
	AMP 1	AMP 3	AMP 4			
<b>OPERATING REVENUE</b>						
Dwelling rental	\$ 484,684	\$ 798,668	\$ 1,071,043	\$ -	\$ -	\$ 140,392
Operating grants	904,124	2,173,009	867,470	3,060,250	312,322	292,185
Other operating revenue	52,846	220,504	104,336	7,832	-	18,143
<b>TOTAL OPERATING REVENUE</b>	<u>1,441,654</u>	<u>3,192,181</u>	<u>2,042,849</u>	<u>3,068,082</u>	<u>312,322</u>	<u>450,720</u>
<b>OPERATING EXPENSES</b>						
Administration	395,785	788,381	543,923	317,633	9,657	101,510
Tenant services	27,799	79,786	17,319	-	256,507	3,396
Utilities	299,895	578,654	498,135	-	-	32,179
Maintenance and operations	477,140	1,115,500	665,790	-	-	110,232
General expenses	154,953	428,468	264,814	22,539	46,158	76,173
Protective services	29,499	49,161	76,398	-	-	4,072
Housing assistance payments	-	-	-	2,730,221	-	-
Depreciation	241,822	702,981	230,048	2,611	-	124,571
<b>TOTAL OPERATING EXPENSES</b>	<u>1,626,893</u>	<u>3,742,931</u>	<u>2,296,427</u>	<u>3,073,004</u>	<u>312,322</u>	<u>452,133</u>
<b>OPERATING (LOSS) INCOME</b>	<u>(185,239)</u>	<u>(550,750)</u>	<u>(253,578)</u>	<u>(4,922)</u>	<u>-</u>	<u>(1,413)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>						
Interest income	12,166	33,015	11,015	94	-	27,081
Gain (loss) on disposition of fixed assets	1,996	1,940	505	-	-	50
Operating transfers in	40,841	104,866	89,382	102,000	-	-
Operating transfers out	(40,841)	(104,866)	(89,382)	-	-	-
Interest expense	(4,952)	(8,963)	(7,338)	-	-	-
Extraordinary maintenance and casualty loss	(17,056)	-	-	-	-	(50,275)
<b>NET NONOPERATING (EXPENSES) REVENUE</b>	<u>(7,846)</u>	<u>25,992</u>	<u>4,182</u>	<u>102,094</u>	<u>-</u>	<u>(23,144)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL GRANTS</b>	<u>(193,085)</u>	<u>(524,758)</u>	<u>(249,396)</u>	<u>97,172</u>	<u>-</u>	<u>(24,557)</u>
<b>CAPITAL GRANTS</b>	<u>-</u>	<u>237,342</u>	<u>940,608</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>(193,085)</u>	<u>(287,416)</u>	<u>691,212</u>	<u>97,172</u>	<u>-</u>	<u>(24,557)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>4,396,086</u>	<u>12,639,320</u>	<u>4,592,786</u>	<u>10,083</u>	<u>-</u>	<u>6,217,001</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 4,203,001</u>	<u>\$ 12,351,904</u>	<u>\$ 5,283,998</u>	<u>\$ 107,255</u>	<u>\$ -</u>	<u>\$ 6,192,444</u>

(Continued on page 34)

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**

**COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - Continued**  
**YEAR ENDED MARCH 31, 2018**

	NON-FEDERAL	COMPONENT UNIT	COCC	ELIMINATING ENTRY	TOTAL
<b>OPERATING REVENUE</b>					
Dwelling rental	\$ -	\$ -	\$ -	\$ -	\$ 2,494,787
Operating grants	-	-	-	(292,185)	7,317,175
Other operating revenue	<u>32</u>	<u>11</u>	<u>1,094,116</u>	<u>(1,116,457)</u>	<u>381,363</u>
<b>TOTAL OPERATING REVENUE</b>	<u>32</u>	<u>11</u>	<u>1,094,116</u>	<u>(1,408,642)</u>	<u>10,193,325</u>
<b>OPERATING EXPENSES</b>					
Administration	-	-	1,291,736	(1,116,457)	2,332,168
Tenant services	-	-	690	-	385,497
Utilities	-	-	-	-	1,408,863
Maintenance and operations	-	-	18,992	-	2,387,654
General expenses	-	-	111,850	-	1,104,955
Protective services	-	-	-	-	159,130
Housing assistance payments	-	-	-	(292,185)	2,438,036
Depreciation	-	-	<u>37,172</u>	-	<u>1,339,205</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>-</u>	<u>-</u>	<u>1,460,440</u>	<u>(1,408,642)</u>	<u>11,555,508</u>
<b>OPERATING INCOME (LOSS)</b>	<u>32</u>	<u>11</u>	<u>(366,324)</u>	<u>-</u>	<u>(1,362,183)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>					
Interest income	-	-	4,630	-	88,001
Gain on disposition of fixed assets	-	-	(4,916)	-	(425)
Operating transfers in	-	-	-	-	337,089
Operating transfers out	-	-	(102,000)	-	(337,089)
Interest expense	-	-	-	-	(21,253)
Extraordinary maintenance and casualty loss	-	-	-	-	(67,331)
<b>NET NONOPERATING (EXPENSES) REVENUE</b>	<u>-</u>	<u>-</u>	<u>(102,286)</u>	<u>-</u>	<u>(1,008)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL GRANTS</b>	<u>32</u>	<u>11</u>	<u>(468,610)</u>	<u>-</u>	<u>(1,363,191)</u>
<b>CAPITAL GRANTS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,177,950</u>
<b>CHANGE IN NET POSITION</b>	<u>32</u>	<u>11</u>	<u>(468,610)</u>	<u>-</u>	<u>(185,241)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>328,252</u>	<u>10,107</u>	<u>847,223</u>	<u>-</u>	<u>29,040,858</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 328,284</u>	<u>\$ 10,118</u>	<u>\$ 378,613</u>	<u>\$ -</u>	<u>\$ 28,855,617</u>

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2018**

	PUBLIC HOUSING			SECTION 8	ROSS
	AMP 1	AMP 3	AMP 4		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from tenants/participants	\$ 458,104	\$ 728,597	\$ 1,052,343	\$ -	\$ -
Cash received from operating grants	910,989	1,940,321	681,954	3,060,250	330,424
Other income received	54,537	217,463	108,007	7,534	-
Cash received from (payments for) interfund services provided	-	-	-	1,753	(7,644)
Cash payments to vendors	(1,113,725)	(2,057,839)	(1,471,410)	(239,828)	(66,273)
Cash payments to employees	(276,989)	(778,992)	(412,566)	(152,967)	(256,507)
Cash payments for housing assistance	-	-	-	(2,730,221)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>32,916</u>	<u>49,550</u>	<u>(41,672)</u>	<u>(53,479)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital grants	-	237,342	940,608	-	-
Transfer of capital assets	6,389	6,212	1,615	-	-
Acquisition of capital assets	(7,161)	(264,476)	(965,027)	(23,440)	-
Principal payments	(43,946)	(79,554)	(65,108)	-	-
Interest paid	(4,952)	(8,963)	(7,338)	-	-
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(49,670)</u>	<u>(109,439)</u>	<u>(95,250)</u>	<u>(23,440)</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Extraordinary maintenance and casualty loss	(17,056)	-	-	-	-
Equity transfer (out)	-	-	-	-	-
Operating transfers in	-	-	-	102,000	-
NET CASH (USED IN) PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>(17,056)</u>	<u>-</u>	<u>-</u>	<u>102,000</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	12,166	33,015	11,015	94	-
NET (DECREASE) INCREASE IN CASH AND CASH INVESTMENTS	(21,644)	(26,874)	(125,907)	25,175	-
CASH AND CASH INVESTMENTS AT BEGINNING OF YEAR	<u>1,627,964</u>	<u>5,103,039</u>	<u>1,888,310</u>	<u>74,117</u>	<u>-</u>
<b>CASH AND CASH INVESTMENTS AT END OF YEAR</b>	<u><b>\$ 1,606,320</b></u>	<u><b>\$ 5,076,165</b></u>	<u><b>\$ 1,762,403</b></u>	<u><b>\$ 99,292</b></u>	<u><b>\$ -</b></u>

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**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**COMBINING STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2018**

	BUSINESS ACTIVITIES	NON-FEDERAL	COMPONENT UNIT	COCC	ELIMINATING ENTRY	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from tenants/participants	\$ 140,072	\$ -	\$ -	\$ -	\$ -	\$ 2,379,116
Cash received from operating grants	292,185	-	-	-	(292,185)	6,923,938
Other income received	12,876	32	11	1,096,478	(1,116,457)	380,481
Cash received from (payments for) interfund services provided	-	-	-	5,891	-	-
Cash payments to vendors	(323,680)	29,367	-	(671,914)	1,116,457	(4,798,845)
Cash payments to employees	(22,503)	(29,382)	-	(484,423)	-	(2,414,329)
Cash payments for housing assistance	-	-	-	-	292,185	(2,438,036)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<u>98,950</u>	<u>17</u>	<u>11</u>	<u>(53,968)</u>	<u>-</u>	<u>32,325</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital grants	-	-	-	-	-	1,177,950
Transfer of capital assets	1,524	-	-	(15,740)	-	-
Acquisition of capital assets	(103,955)	-	-	(100,197)	-	(1,464,256)
Principal payments	-	-	-	-	-	(188,608)
Interest paid	-	-	-	-	-	(21,253)
<b>NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(102,431)</u>	<u>-</u>	<u>-</u>	<u>(115,937)</u>	<u>-</u>	<u>(496,167)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Extraordinary maintenance and casualty loss	(50,275)	-	-	-	-	(67,331)
Equity transfer in (out)	-	-	-	-	-	-
Operating transfers (out)	-	-	-	(102,000)	-	-
<b>NET CASH (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<u>(50,275)</u>	<u>-</u>	<u>-</u>	<u>(102,000)</u>	<u>-</u>	<u>(67,331)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	27,081	-	-	4,630	-	88,001
<b>NET (DECREASE) INCREASE IN CASH AND CASH INVESTMENTS</b>	<u>(26,675)</u>	<u>17</u>	<u>11</u>	<u>(267,275)</u>	<u>-</u>	<u>(443,172)</u>
<b>CASH AND CASH INVESTMENTS AT BEGINNING OF YEAR</b>	<u>4,461,005</u>	<u>336,325</u>	<u>10,107</u>	<u>629,134</u>	<u>-</u>	<u>14,130,001</u>
<b>CASH AND CASH INVESTMENTS AT END OF YEAR</b>	<u>\$ 4,434,330</u>	<u>\$ 336,342</u>	<u>\$ 10,118</u>	<u>\$ 361,859</u>	<u>\$ -</u>	<u>\$ 13,686,829</u>

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**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**COMBINING STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2018**

	PUBLIC HOUSING			SECTION 8	ROSS
	AMP 1	AMP 3	AMP 4		
<b><u>RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u></b>					
Cash and investments	\$ 1,489,634	\$ 4,628,923	\$ 1,602,323	\$ -	\$ -
Cash and investments - restricted	<u>116,686</u>	<u>447,242</u>	<u>160,080</u>	<u>99,292</u>	<u>-</u>
<b>CASH AND INVESTMENTS PER STATEMENT OF NET POSITION</b>	<b><u>\$ 1,606,320</u></b>	<b><u>\$ 5,076,165</u></b>	<b><u>\$ 1,762,403</u></b>	<b><u>\$ 99,292</u></b>	<b><u>\$ -</u></b>
<b><u>RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u></b>					
Operating (loss) income	\$ (185,239)	\$ (550,750)	\$ (253,578)	\$ (4,922)	\$ -
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities					
Depreciation	241,822	702,981	230,048	2,611	-
Changes in assets and liabilities					
(Increase) decrease in assets					
Accounts receivable	(132)	1,294	(3,362)	(298)	-
Accounts receivable - HUD	6,865	(232,688)	(185,516)	-	18,102
Due from other programs	-	-	-	-	-
Inventory	212	(909)	6,960	-	-
Prepaid expenses	(21,511)	(67,686)	(46,937)	(10,642)	-
(Decrease) increase in liabilities					
Accounts payable	(512)	215,071	208,852	(3,655)	(3,054)
Accrued expenses	(9,670)	(24,019)	(1,090)	(9,719)	(7,404)
Contingent liability	-	-	-	-	-
Unearned revenue	905	(3,721)	5,432	-	-
Due to other programs	-	-	-	1,753	(7,644)
Due to other governments	(1,961)	876	(2,701)	-	-
Tenants' FSS escrow, non-current portion	(128)	2,203	-	(28,607)	-
Tenants' security deposits	<u>2,265</u>	<u>6,898</u>	<u>220</u>	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>\$ 32,916</u></b>	<b><u>\$ 49,550</u></b>	<b><u>\$ (41,672)</u></b>	<b><u>\$ (53,479)</u></b>	<b><u>\$ -</u></b>

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**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**COMBINING STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2018**

	BUSINESS ACTIVITIES	NON-FEDERAL	COMPONENT UNIT	COCC	ELIMIMATING EMTRY	TOTAL
<b><u>RECONCILIATION OF CASH AND INVESTMENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u></b>						
Cash and investments	\$ 3,723,470	\$ 336,342	\$ 10,118	\$ 361,859	\$ -	\$ 12,152,669
Cash and investments - restricted	<u>710,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,534,160</u>
<b>CASH AND INVESTMENTS PER STATEMENT OF NET POSITION</b>	<b><u>\$ 4,434,330</u></b>	<b><u>\$ 336,342</u></b>	<b><u>\$ 10,118</u></b>	<b><u>\$ 361,859</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 13,686,829</u></b>
<b><u>RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u></b>						
Operating (loss) income	\$ (1,413)	\$ 32	\$ 11	\$ (366,324)	\$ -	\$ (1,362,183)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities						
Depreciation	124,571	-	-	37,172	-	1,339,205
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	(4,863)	-	-	2,360	-	(5,001)
Accounts receivable - HUD	-	-	-	-	-	(393,237)
Due from other programs	-	-	-	5,891	(5,891)	-
Inventory	-	-	-	-	-	6,263
Prepaid expenses	(8,231)	-	-	(36,640)	-	(191,647)
(Decrease) increase in liabilities						
Accounts payable	(13,911)	(15)	-	(5,397)	-	397,379
Accrued expenses	(3,150)	-	-	(4,047)	-	(59,099)
Contingent liability	-	-	-	313,015	-	313,015
Unearned revenue	(825)	-	-	2	-	1,793
Due to other programs	-	-	-	-	5,891	-
Due to other governments	3,275	-	-	-	-	(511)
Tenants' FSS escrow, non-current portion	-	-	-	-	-	(26,532)
Tenants' security deposits	<u>3,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,880</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>\$ 98,950</u></b>	<b><u>\$ 17</u></b>	<b><u>\$ 11</u></b>	<b><u>\$ (53,968)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 32,325</u></b>

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MARCH 31, 2018**

<u>GRANTOR/PASS THROUGH AGENCY/ PROGRAM TITLE AND GRANT NUMBER</u>	<u>FEDERAL CATALOG NUMBER</u>	<u>PASS-THROUGH GRANT IDENTIFICATION NUMBER</u>	<u>PASS-THROUGH TO SUBRECIPIENTS NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Programs</u></b>				
Choice Voucher Cluster	14.871			
Housing Choice Vouchers		N/A	-	\$ 3,008,134
Other Public Housing Authorities		N/A	-	<u>52,116</u>
TOTAL Housing Choice Vouchers				<u>3,060,250</u>
Public and Indian Housing	14.850	NA	-	3,709,514
Resident Opportunity & Support Services - Service Coordinator	14.870	N/A	-	139,812
Capital Funds Program	14.872	N/A		1,413,039
Family Self-Sufficiency Program	14.896	N/A	-	<u>172,510</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b><u>\$ 8,495,125</u></b>

**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 New Albany and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Housing Authority of the City of New Albany has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

**Note 3 - Disclosure of Other Forms of Assistance**

The Housing Authority of the City of New Albany received no federal awards of non-monetary assistance that are required to be disclosed for the fiscal year ended March 31, 2018.

The Housing Authority of the City of New Albany had no loans or loan guarantees required to be disclosed for the fiscal year ended March 31, 2018.

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**

**OTHER REPORTS**

**INDEPENDENT AUDITORS' 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***

To the Board of Commissioners  
Housing Authority of the City of New Albany  
New Albany, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of New Albany (the "Authority"), as of and for the year ended March 31, 2018, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report hereon dated September 20, 2018.

**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 opinion 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
September 20, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

To the Board of Commissioners  
Housing Authority of the City of New Albany  
New Albany, Indiana

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

We have audited Housing Authority of the City of New Albany's (the "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, 2018. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' 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 (CFR) 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, 2018.

## Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
September 20, 2018

**HOUSING AUTHORITY OF THE CITY OF NEW ALBANY**  
**New Albany, Indiana**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MARCH 31, 2018**

**Section I - Summary of Auditors' Results**

*Basic Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of federal major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Vouchers Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II - Financial Statement Findings - None**

**Section III - Federal and State Award Findings and Questioned Costs - None**

**Section IV - Status of Prior Year Findings - None**