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April 9, 2019

Board of Commissioners
Housing Authority of the City of Terre Haute
2001 North 19th Street
Terre Haute, IN 47804

We have reviewed the audit report opined on by Hawkins Ash CPAs, Independent Public Accountants, for the period October 1, 2017 to September 30, 2018. Per the Independent Auditors' Report, the financial statements included in the report present fairly the financial condition of Housing Authority of the City of Terre Haute as of September 30, 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 audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

**HOUSING AUTHORITY OF THE
CITY OF TERRE HAUTE
Terre Haute, Indiana**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

SEPTEMBER 30, 2018

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

TABLE OF CONTENTS

SEPTEMBER 30, 2018

Page

2-4	Independent Auditors' Report
5-9	Management's Discussion and Analysis (MD&A)
<u>BASIC FINANCIAL STATEMENTS</u>	
10-11	Statement of Net Position
12	Statement of Revenue, Expenses, and Changes in Net Position
13-14	Statement of Cash Flows
15-25	Notes to the Basic Financial Statements
<u>SUPPLEMENTARY INFORMATION</u>	
26-29	Combining Statement of Net Position
30-31	Combining Statement of Revenue, Expenses, and Changes in Net Position
32-35	Combining Statement of Cash Flows
36	Statement and Certification of Family Self-Sufficiency (FSS) Costs
37	Schedule of Expenditures of Federal Awards
<u>OTHER REPORTS</u>	
38-39	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 <i>Government Auditing Standards</i>
40-41	Independent Auditors' Report on Compliance for Each Federal Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
42	Schedule of Findings and Questioned Costs

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of the City of Terre Haute
Terre Haute, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Terre Haute ("Housing Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We did not audit the financial statements of the discretely presented component unit, whose statements reflect total assets of \$13,076,585 as of December 31, 2017, and total revenue of \$952,030 for the year then ended. These financial statements were audited by other auditors, whose report dated March 29, 2018, expressed an unmodified opinion, and our opinion, in so far as it relates to the amounts included for the component unit of the Housing Authority of the City of Terre Haute, is based on the report of the other auditors.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing 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 Housing 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 Housing Authority as of September 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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 Housing Authority's basic financial statements. The combining financial statements and statement and certification of family self-sufficiency (FSS) costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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* (Uniform Guidance), and the Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

The combining financial statements, statement and certification of family self-sufficiency (FSS) costs, 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 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 financial statements, statement and certification of family self-sufficiency (FSS) costs, 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 a report dated January 30, 2019, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
January 30, 2019

**HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
SEPTEMBER 30, 2018

The management of the Terre Haute Housing Authority (the "Housing Authority") offers this narrative overview and analysis of its audited financial statements for the fiscal year ended September 30, 2018. The goal is for the reader to better understand the Housing Authority's financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Housing Authority's financial statements.

Financial reporting is based on the accounting principles for government enterprise funds, which are similar to the accounting principles as established by the Governmental Accounting Standards Board (GASB). Since these are business-type activities the standards of the Financial Accounting Standards Board (FASB) must also be followed except where there is conflict with GASB.

ECONOMIC FACTORS

Significant economic factors affecting the Housing Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Inflationary pressure on utility rates, and other costs
- Local inflationary, recessionary and employment trends, which can affect resident income, and therefore, the amount of rental income

HIGHLIGHTS

- The Housing Authority tax credit application for Warren Village phase 2 was approved. THHA through its not for profit affiliate Low Income Housing Development Corporation successfully secured funding for two new construction projects. The first will be comprised of ten 2 bedroom single family homes. The second will include twenty 3 bedroom single family homes and a twenty 1 bedroom unit apartment complex. The total for the two projects will exceed \$9,000,000 in new affordable housing for the THHA service area.
- In its effort to constantly improve the collection practices and occupancy rates, the Housing Authority created a position of Recovery specialist. This led to substantial decrease in legal fees, more than one hundred families were prevented from being evicted and a lot of cases were dismissed that originally were filed in Court.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued
SEPTEMBER 30, 2018

HIGHLIGHTS - Continued

- During Fiscal Year 2018 Housing Authority invested more than \$3,000,000 from the blended component units in three, six and nine month CDs. LIHDC and THHADDC CDs earned total interest of \$26,940.13.
- The Housing Authority completed a number of smaller construction projects, consisting of roof repairs and replacements.
- The assets of the Housing Authority exceed its liabilities as of September 30, 2018 by 28,333,733 (Net Position).
- The Housing Authority's net investment in capital assets as of September 30, 2018 was \$21,447,496.
- The Housing Authority's total revenue and contributions for the fiscal year end September 30, 2018 was \$11,204,743.
- The Housing Authority's total expenses for the fiscal year end September 30, 2018 were \$11,766,217.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The following financial statements are included in this report:

- Statement of Net Position - reports the Housing Authority's current financial resources: its cash and other current assets, current and non-current liabilities and comparing those two elements, the resulting net position of the Housing Authority. A comparison between this year and the preceding year is also provided.
- Statement of Revenue and Expenses and Change in Net Position - reports the Housing Authority's various revenue and expenses and provides a comparison between this year and the preceding year.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued
SEPTEMBER 30, 2018

ANALYSIS OF FINANCIAL STATEMENTS:

Statement of Net Position

	<u>SEPTEMBER 30</u>		<u>Change</u>
	<u>2018</u>	<u>2017</u>	
Cash and investments	\$ 6,750,436	\$ 6,151,909	\$ 598,527
Other current assets	588,640	829,298	(240,658)
Net capital assets	21,810,874	22,835,749	(1,024,875)
Other noncurrent assets	701,900	500,000	201,900
Total Assets	<u>\$ 29,851,850</u>	<u>\$ 30,316,956</u>	<u>\$ (465,106)</u>
Current liabilities	\$ 551,826	\$ 831,736	\$ (279,910)
Non-current liabilities	966,291	980,357	(14,066)
Total Liabilities	<u>\$ 1,518,117</u>	<u>\$ 1,812,093</u>	<u>\$ (293,976)</u>
Net Position			
Net investment in capital assets	\$ 21,447,496	\$ 22,443,897	\$ (996,401)
Restricted	1,604	16,533	(14,929)
Unrestricted	6,884,663	6,044,433	840,230
Total Net Position	<u>\$ 28,333,733</u>	<u>\$ 28,504,863</u>	<u>\$ (171,130)</u>

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued:

- Cash and investments increased by 9.73%. This is a result of the 5% increase in operating subsidy and the raise of the county rent limits for the not for profit units, combined with lack of debt and high occupancy.
- The decrease of the other current assets category is due to the lack of big accrued amounts in the accounts payable and accounts receivable category as opposed to fiscal year 2017 when the multimillion project in Dreiser square was underway. Therefore there are the respective decreases in both current asset and current liability categories.
- The net investments in capital assets are lower because of the accumulated depreciation for the year.
- The decrease in the restricted asset category can be primarily attributed to higher number of graduations and forfeitures in the family self-sufficiency programs, as well as decreased funding for the Voucher program.
- For the calendar year 2018, the administrative fee reimbursement rate is based on the number of units leased as of the last day of each month, extended by the per unit rate established by HUD, and by the HUD pro-ration to equate expenditures to the total appropriated funds.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued
SEPTEMBER 30, 2018

Statement of Revenue, Expenses, and Changes in Net Position

	YEAR ENDED		Change
	SEPTEMBER 30		
	2018	2017	
<u>Revenue and Expenses</u>			
Operating Revenue			
Dwelling rental revenue	\$ 2,577,259	\$ 2,572,607	\$ 4,652
Operating grants	7,867,434	7,543,109	324,325
Other income	731,666	908,782	(177,116)
Total Operating Revenue	<u>\$ 11,176,359</u>	<u>\$ 11,024,498</u>	<u>\$ 151,861</u>
<u>Operating Expenses</u>			
Administrative expenses	\$ 1,551,006	\$ 1,628,043	\$ (77,037)
Tenant services	290,016	251,676	38,340
Utilities	1,193,874	1,117,632	76,242
Maintenance and operations	2,156,622	2,078,937	77,685
General expenses	381,700	458,803	(77,103)
Protective services	207,170	202,819	4,351
Insurance expenses	415,093	354,349	60,744
Housing assistance payments	4,030,989	3,848,484	182,505
Depreciation	1,539,747	1,309,876	229,871
Total Operating Expense	<u>\$ 11,766,217</u>	<u>\$ 11,254,619</u>	<u>\$ 511,598</u>
<u>Nonoperating Revenue and Expenses</u>			
Interest Income	\$ 27,134	\$ 2,271	\$ 24,863
(Loss) on disposition	1,250	(45,212)	46,462
Capital grants	376,679	1,862,420	(1,485,741)
Total Nonoperating Revenue	<u>\$ 405,063</u>	<u>\$ 1,819,479</u>	<u>\$ (1,414,416)</u>
Change in Net Position	<u>\$ (184,795)</u>	<u>\$ 1,589,358</u>	<u>\$ (1,774,153)</u>

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

- Tenant rental revenue is consistent; the slight increase is due to the increase of the sec. 8 contract rent for Garfield Gardens and Warren Village.
- The other income decreased by 19.49%. This is a very broad category in FDS, which includes insurance claims, miscellaneous income, and various types of fees received by the discretely presented and blended component units. In this case there is a decrease in this category because almost no insurance claims were paid as opposed to 2017 when there was a loss from fire of a house in scattered sites.
- Utility expenses increased by 6.82% as a result of the higher rates. General expenses decreased as there were fewer write offs in some AMPs. The \$77,037 decrease in administrative expenses is primarily due to the introduction of tighter spending policy on office expenses, elimination of extra printing costs and slight decrease in legal fees.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - Continued
SEPTEMBER 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

- Capital grants expenditures decreased by 79.77%. This is due to the HUD regulations for the CFP. CFP program is an expenditure driven grant program. The revenue recognition occurs when an eligible CFP expense is incurred by the PHA. As during fiscal 2018 after the completion of Dreiser project, the Housing Authority did not engage in any major capital construction projects, it did not make any big withdrawals from the capital grants. The withdrawals were made to finance some roof replacements and HVAC modernization.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY DURING THE YEAR:

Capital Assets

	<u>SEPTEMBER 30</u>		<u>Change</u>
	<u>2018</u>	<u>2017</u>	
Land	\$ 990,076	\$ 990,076	\$ -
Buildings & improvements	55,093,252	50,904,124	4,189,128
Furniture, equipment & machinery	1,190,700	1,172,356	18,344
Accumulated depreciation	(35,463,154)	(33,854,437)	(1,608,717)
Construction in progress	-	3,623,630	(3,623,630)
Capital Assets, net	<u>\$ 21,810,874</u>	<u>\$ 22,835,749</u>	<u>\$ (1,024,875)</u>

- Capital Assets - The Housing Authority's capital assets, as of September 30, 2018, totals \$21,810,874 (net of accumulated depreciation). Capital assets include land, buildings, improvements, equipment, and construction in progress. The increase in Accumulated Depreciation is a result of transferring capital funds 2015 to AMPs books. Additional information regarding capital assets can be found at Note 5 of the notes to the financial statements.

Long-Term Debt

	<u>SEPTEMBER 30</u>	
	<u>2018</u>	<u>2017</u>
Compensated absences	\$ 85,707	\$ 79,265
Notes payable	863,378	891,852
Tenant FSS escrow	117,588	104,723
Capital Assets, net	<u>\$ 1,066,673</u>	<u>\$ 1,075,840</u>

- Additional information regarding long-term debt can be found at Note 6 of the notes to the financial statements.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT:

This financial report is designed to provide a general overview of the Housing Authority's finances for all interested parties. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Executive Director:

Mr. Jeff Stewart
 2001 N. 19th Street
 Terre Haute, IN 47804

**HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana**

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT OF NET POSITION

	PRIMARY GOVERNMENT	COMPONENT UNIT	TOTAL
<u>ASSETS</u>	SEPTEMBER 30, 2018	DECEMBER 31, 2017	(MEMORANDUM ONLY)
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,743,525	\$ 195,186	\$ 3,938,711
Cash and cash equivalents - restricted			
Tenant security deposits	260,778	24,563	285,341
Other restricted	119,193	323,602	442,795
Investments	2,626,940	-	2,626,940
Receivables			
Tenants, net of allowance for doubtful accounts	120,749	2,875	123,624
Other, net of allowance for doubtful accounts	55,746	-	55,746
Due from other governments	28,575	14,285	42,860
Inventory	55,938	-	55,938
Prepaid expenses	327,632	27,393	355,025
TOTAL CURRENT ASSETS	7,339,076	587,904	7,926,980
NONCURRENT ASSETS			
Note receivable	701,900	-	701,900
Other asset	-	77,294	77,294
Land	990,076	54,156	1,044,232
Buildings and improvements	55,093,252	12,964,435	68,057,687
Equipment	1,190,700	960,799	2,151,499
Less accumulated depreciation	(35,463,154)	(1,568,003)	(37,031,157)
TOTAL NONCURRENT ASSETS	22,512,774	12,488,681	35,001,455
TOTAL ASSETS	\$ 29,851,850	\$ 13,076,585	\$ 42,928,435

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

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT OF NET POSITION - Continued

	PRIMARY GOVERNMENT	COMPONENT UNIT	TOTAL
<u>LIABILITIES AND NET POSITION</u>	<u>SEPTEMBER 30,</u>	<u>DECEMBER 31,</u>	<u>(MEMORANDUM</u>
	2018	2017	ONLY)
CURRENT LIABILITIES			
Accounts payable	\$ 23,982	\$ 5,196	\$ 29,178
Accrued payroll and payroll liabilities	74,606	-	74,606
Accrued expenses	30,309	50,353	80,662
Compensated absences	71,908	-	71,908
Tenants' security deposits	260,778	24,563	285,341
Unearned revenue	10,825	693	11,518
Current portion of notes payable	28,474	129,233	157,707
Due to other governments	50,944	-	50,944
TOTAL CURRENT LIABILITIES	551,826	210,038	761,864
NONCURRENT LIABILITIES			
Compensated absences	13,799	-	13,799
Tenants' FSS escrow	117,588	-	117,588
Accrued interest	-	101,028	101,028
Notes payable	834,904	1,809,612	2,644,516
TOTAL NONCURRENT LIABILITIES	966,291	1,910,640	2,876,931
TOTAL LIABILITIES	1,518,117	2,120,678	3,638,795
NET POSITION			
Net investment in capital assets	21,447,496	10,472,542	31,920,038
Restricted	1,604	323,602	325,206
Unrestricted	6,884,633	159,763	7,044,396
TOTAL NET POSITION	28,333,733	10,955,907	39,289,640
TOTAL LIABILITIES AND NET POSITION	\$ 29,851,850	\$ 13,076,585	\$ 42,928,435

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	PRIMARY	COMPONENT	TOTAL (MEMORANDUM ONLY)
	GOVERNMENT	UNIT	
	YEAR ENDED		
	SEPTEMBER 30, 2018	DECEMBER 31, 2017	
OPERATING REVENUE			
Dwelling rental	\$ 2,577,259	\$ 917,597	\$ 3,494,856
Operating grants	7,867,434	-	7,867,434
Other operating revenue	731,666	34,117	765,783
TOTAL OPERATING REVENUE	<u>11,176,359</u>	<u>951,714</u>	<u>12,128,073</u>
OPERATING EXPENSES			
Administration	1,551,006	174,436	1,725,442
Tenant services	290,016	-	290,016
Utilities	1,193,874	168,290	1,362,164
Maintenance and operations	2,156,622	191,259	2,347,881
General expenses	381,700	60,614	442,314
Insurance expense	415,093	100,028	515,121
Protective services	207,170	-	207,170
Housing assistance payments	4,030,989	-	4,030,989
Depreciation and amortization	1,539,747	452,858	1,992,605
TOTAL OPERATING EXPENSES	<u>11,766,217</u>	<u>1,147,485</u>	<u>12,913,702</u>
OPERATING (LOSS)	<u>(589,858)</u>	<u>(195,771)</u>	<u>(785,629)</u>
NONOPERATING REVENUE (EXPENSE)			
Interest income	27,134	316	27,450
Gain on disposition of capital assets	1,250	-	1,250
Interest (expense)	-	(96,542)	(96,542)
NET NONOPERATING REVENUE (EXPENSE)	<u>28,384</u>	<u>(96,226)</u>	<u>(67,842)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS AND CAPITAL CONTRIBUTIONS	<u>(561,474)</u>	<u>(291,997)</u>	<u>(853,471)</u>
CAPITAL GRANTS	<u>376,679</u>	<u>-</u>	<u>376,679</u>
CHANGE IN NET POSITION	<u>(184,795)</u>	<u>(291,997)</u>	<u>(476,792)</u>
NET POSITION AT BEGINNING OF YEAR	28,504,863	11,303,488	39,808,351
OWNERS DISTRIBUTION	-	(55,584)	(55,584)
PRIOR PERIOD ADJUSTMENT	<u>13,665</u>	<u>-</u>	<u>13,665</u>
NET POSITION AT END OF YEAR	<u>\$ 28,333,733</u>	<u>\$ 10,955,907</u>	<u>\$ 39,289,640</u>

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

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT OF CASH FLOWS

	PRIMARY	COMPONENT	TOTAL (MEMORANDUM ONLY)
	GOVERNMENT	UNIT	
	YEAR ENDED		
	SEPTEMBER 30, 2018	DECEMBER 31, 2017	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from tenants/participants	\$ 2,603,479	\$ 916,976	\$ 3,520,455
Cash received from operating grants	8,095,127	-	8,095,127
Other income received	737,711	34,117	771,828
Cash payments to vendors	(4,294,361)	(671,604)	(4,965,965)
Cash payments to employees	(2,213,146)	-	(2,213,146)
Cash payments for housing assistance	(4,030,989)	-	(4,030,989)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>897,821</u>	<u>279,489</u>	<u>1,177,310</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	376,679	-	376,679
Issuance of notes receivable	(201,900)	-	(201,900)
Acquisition of capital assets	(501,207)	-	(501,207)
Principal payments	-	(125,657)	(125,657)
Due to affiliates	-	1,389	1,389
Distributions	-	(55,584)	(55,584)
Interest paid	-	(71,542)	(71,542)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(326,428)</u>	<u>(251,394)</u>	<u>(577,822)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	27,134	316	27,450
Purchase of investments	(626,940)	-	(626,940)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(599,806)</u>	<u>316</u>	<u>(599,490)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(28,413)	28,411	(2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,151,909</u>	<u>514,940</u>	<u>4,666,849</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,123,496</u>	<u>\$ 543,351</u>	<u>\$ 4,666,847</u>

(Continued on page 14)

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

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT OF CASH FLOWS - Continued

	PRIMARY GOVERNMENT	COMPONENT UNIT	
	YEAR ENDED		
	SEPTEMBER 30, 2018	DECEMBER 31, 2017	TOTAL (MEMORANDUM ONLY)
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u>			
Cash and cash equivalents	\$ 3,743,525	\$ 195,186	\$ 3,938,711
Cash and cash equivalents - restricted	379,971	348,165	728,136
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	\$ 4,123,496	\$ 543,351	\$ 4,666,847
<u>RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating (loss)	\$ (588,608)	\$ (195,771)	\$ (784,379)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation and amortization	1,539,747	453,458	1,993,205
Forgivable debt reduction	(28,474)	-	(28,474)
Bad debt	-	5,488	5,488
Changes in assets and liabilities			
Decrease (increase) in assets			
Accounts receivable	20,506	(2,967)	17,539
Due from other governments	244,434	-	244,434
Inventory	(2,422)	-	(2,422)
Prepaid expenses	(21,860)	(850)	(22,710)
(Decrease) increase in liabilities			
Accounts payable	(13,299)	(3,434)	(16,733)
Accrued expenses	(247,316)	17,284	(230,032)
Accrued payroll and payroll liabilities	(19,407)	4,877	(14,530)
Unearned revenue	2,524	(257)	2,267
Due to other governments	(10,060)	-	(10,060)
Tenants' FSS escrow	12,865	-	12,865
Tenants' security deposits	9,191	1,661	10,852
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 897,821	\$ 279,489	\$ 1,177,310

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

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity - The Housing Authority of the City of Terre Haute ("Terre Haute Housing Authority") or (the "Housing Authority") is a political subdivision and municipal corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition, and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in Terre Haute, Indiana. The Housing Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Housing Authority is governed by a board of seven members who serve four year terms. The governing board is essentially autonomous but responsible to the United States Department of Housing and Urban Development ("HUD"). An executive director is appointed by the Housing Authority's board to manage the day-to-day operations of the Housing Authority.

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

- a. The Housing 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 the Organization or (2) there is a potential for the Organization to provide specific financial benefits to, or impose specific financial burdens on the Housing Authority.
- b. The Housing Authority may be financially accountable if an organization is fiscally dependent on the Housing Authority regardless of whether the Organization has (1) a separately elected governed 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 units:

Low Income Housing Development Corporation "LIHDC"

LIHDC was established on September 8, 2009 to develop, finance, construct, and/or operate three housing projects known as Garfield Gardens, Warren Village, and Thirty-Eight Homes through Neighborhood Stabilization Program grants. LIHDC is a wholly owned not-for-profit subsidiary of the Housing Authority, the Board of Directors of LIHDC is identical to the Housing Authority's Board of Commissioners and the operations of LIHDC are included in the accompanying blended financial statements.

Terre Haute Development Corporation ("THHADC")

THHADC was established by the Terre Haute Housing Authority in 1975 to provide low-rent housing for qualified individuals. THHADC is a wholly owned not-for-profit subsidiary of the Housing Authority, the Board of Directors of THHADC is identical to the Housing Authority's Board of Commissioners and the operations of THHADC are included in the Housing Authority's financial statements as a blended component unit.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

The Housing Authority of the City of Terre Haute also has a discretely presented component unit, Warren Village. The entity is shown as discretely presented because the Housing Authority is financially accountable, but they do not have full ownership over the entity. Warren Village consists of 111 housing units. Separate financial statements for the component unit are available through request of the Housing Authority.

Programs Administered by the Housing Authority - The programs of the Housing Authority are recorded in one enterprise fund. Each program is maintained using a separate set of self-balancing accounts. The programs include a Central Office Cost Center (COCC), Public Housing, Capital Funds, Section 8 Choice Vouchers, Family Self-Sufficient grant program (FSS), Resident Opportunities and Self-Sufficient grant program (ROSS), and blended component units.

Basis of Accounting and Measurement Focus - The Housing Authority's basic financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Housing Authority applies all GASB pronouncements as well as U.S. GAAP, as codified by Financial Accounting Standards Board.

All activities of the Housing Authority are accounted for within one proprietary (enterprise) fund. A proprietary fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 Housing 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.

The accounting and financial reporting treatment applied to the Housing Authority is determined by its measurement focus. The transactions of the Housing Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets, restricted, and unrestricted. When both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash and Cash Equivalents - Restricted - Restricted cash and cash equivalents are segregated resources for tenants' security deposits, tenants' family self-sufficiency (FSS) escrow deposits, and for unspent housing assistance payments. The component unit restricted cash is for required partnership reserves and tenant security deposits.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

Accounts Receivable - Accounts receivable are recorded at gross amount, less an allowance for doubtful accounts. The allowance for doubtful accounts was \$9,183 for Public Housing, \$211,193 for Section 8, and \$3,609 for blended component units at September 30, 2018.

Prepaid Expenses - Prepaid expenses represent payments made by the Housing Authority for which benefits extend beyond September 30, 2018.

Insurance - The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Inventory - Inventory is valued at cost using the first-in, first-out (FIFO) method.

Capital Assets - Purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Buildings and equipment are carried at cost or estimated fair value and depreciated using a straight-line method of depreciation over their estimated useful lives as follows:

Buildings and improvements	10-40 years
Equipment	3-10 years

The Housing Authority has established a capitalization threshold of \$2,000.

Impairment of Long-Lived Assets - The Housing Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount 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 for the year ended September 30, 2018.

Other Asset - Component Unit - Other asset of the component unit consists of tax credit application fees of \$101,000, which are amortized using the straight-line method over the 15-year compliance period. Accumulated amortization for the year ended December 31, 2017 was \$23,706. Amortization expense for the year ended December 31 2017 was \$6,733.

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

The amount of accumulated benefits at September 30, 2018, was \$85,707 and is recorded as a liability in the applicable programs.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial 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 a future period and will not be recognized as an outflow of resources (expenditure) until then. The Housing Authority does not have any items that qualify for reporting in this category.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

In addition to liabilities, the statement of financial 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 Housing Authority does not have any items that qualify for reporting in this category.

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.

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.

Employee Retirement Plan - The Housing Authority has a retirement plan covering substantially all of its eligible employees, which is funded through contributions to One America.

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.

Interprogram Transactions - Quasi-external transactions are accounted for as revenue, expenditures, 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.

Rental Income - Rental income is recognized as rents become due.

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

Subsequent Events - The Housing Authority has evaluated subsequent events through January 30, 2019, the date which the financial statements were available to be issued.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2018

NOTE 2 - Cash and Cash Equivalents

HUD regulations and statutes authorize the Housing Authority to have deposits in checking accounts, certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

At September 30, 2018, the Housing Authority reported cash and cash equivalents as follows:

Cash and cash equivalents	\$ 3,743,525
Cash and cash equivalents - restricted	<u>379,971</u>
TOTAL	<u>\$ 4,123,496</u>

The difference between cash and cash equivalents and the bank balance reported below is due to reconciling items such as outstanding checks and deposits in transit.

Fair Value of Deposits - Deposits are reported at fair value. At September 30, 2018, the fair value of the Housing Authority's deposits approximated original cost; therefore, no fair value adjustments were necessary.

Determining Fair Value - Fair value of the Housing Authority's deposits are determined as follows: deposits with stated interest rates (operating and savings accounts) are stated at cost.

Income Allocation - Interest income is generally allocated to the program that owns the certificate of deposit, money market account, and savings account.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk.

Deposits - The Public Deposit Insurance Fund (PDIF) was created by the Acts of 1937 to protect the public funds of the state and its political subdivisions deposited in approved financial institutions. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by any federal deposit insurance. Each financial institution that the Housing Authority uses is an approved financial institution and is covered under PDIF.

As of September 30, 2018, \$4,040,513 of the Housing Authority's bank balance of \$4,299,865 was exposed to custodial risk as follows:

Uninsured, collateralized by PDIF	<u>\$ 4,040,513</u>
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At December 31, 2017, the Component Unit reported cash and cash equivalents as follows:

Cash and cash equivalents	\$ 195,186
Cash and cash equivalents - restricted	<u>348,165</u>
	<u>\$ 543,351</u>

The difference between cash and cash equivalents and the bank balance reported below is due to reconciling items such as outstanding checks and deposits in transit.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 SEPTEMBER 30, 2018

NOTE 2 - Cash and Cash Equivalents - Continued

Fair Value of Deposits - Deposits are reported at fair value. At December 31, 2017, the fair value of the Component Unit's deposits approximated original cost; therefore, no fair value adjustments were necessary.

Determining Fair Value - Fair value of the Component Unit's deposits are determined as follows: deposits with stated interest rates (operating, savings accounts, certificates of deposit, repurchase agreements, and money market accounts) are stated at cost.

Income Allocation - Interest income is generally allocated to the program that owns the operating account, savings account, certificates of deposit, repurchase agreement, or money market account.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the Housing Authority's deposits may not be returned to it. The Component Unit does not have a deposit policy for custodial credit risk. As of December 31, 2017, \$-0- of the Component Unit's bank balance of \$543,351, was exposed to custodial risk.

NOTE 3 - Investments

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

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

As of September 30, 2018, the Housing Authority had the following investments:

	<u>Maturity Date</u>	<u>Fair Market Value</u>
Investments:		
Certificate of Deposits	Due within a year	<u>\$2,626,940</u>

Determining Fair Value - The Housing Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The Housing Authority has the following recurring fair value measurement:

- 1) Certificates of deposits values are determined based on published market quotations (level 1 inputs).

Custodial Credit Risk - For an investment, the custodial credit risk is that, in the event of the failure of the counterparty to a transaction, the Housing Authority will not be able to recover the value of its investments that are in the possession of another party. The Housing Authority's custodial credit risk policy is to require all securities purchased to be made in such a manner that the securities are at all times insured, registered in the Housing Authority's name, or in the possession of the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2018

NOTE 3 - Investments - Continued

As of September 30, 2018, \$2,376,940 of the Housing Authority's investment bank balance of \$2,626,940 was exposed to custodial risk as follows:

Uninsured, collateralized by PDIF **\$ 2,376,940**

NOTE 4 - Note Receivable

At September 30, 2018, the notes receivable consisted of:

LIHDC has a note receivable from Warren Village, interest 5.00 percent, principal and interest will be due on December 31, 2042. Interest receivable of \$119,778 is accrued but is considered uncollectible, therefore, an allowance of \$119,778 is also recorded. \$ 500,000

LIHDC has a note receivable from Warren Village II for construction costs as of September 30, 2018. 201,900

TOTAL **\$ 701,900**

NOTE 5 - Capital Assets

A summary of changes in capital assets for the Housing Authority is as follows:

	BALANCES 10/1/17	ADDITIONS	RETIREMENTS	TRANSFERS/ ADJUSTMENTS	BALANCES 9/30/18
<i>Capital assets not being depreciated:</i>					
Land	\$ 990,076	\$ -	\$ -	\$ -	\$ 990,076
Construction in progress	<u>3,623,630</u>	<u>-</u>	<u>-</u>	<u>(3,623,630)</u>	<u>-</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>4,613,706</u>	<u>-</u>	<u>-</u>	<u>(3,623,630)</u>	<u>990,076</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	50,904,124	501,207	-	3,687,921	55,093,252
Equipment	<u>1,172,356</u>	<u>-</u>	<u>(15,265)</u>	<u>33,609</u>	<u>1,190,700</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	52,076,480	501,207	(15,265)	3,721,530	56,283,952
Less accumulated depreciation	<u>(33,854,437)</u>	<u>(1,539,747)</u>	<u>15,265</u>	<u>(84,235)</u>	<u>(35,463,154)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET OF ACCUMULATED DEPRECIATION	<u>18,222,043</u>	<u>(1,038,540)</u>	<u>-</u>	<u>3,637,295</u>	<u>20,820,798</u>
NET CAPITAL ASSETS	<u>\$ 22,835,749</u>	<u>\$ (1,038,540)</u>	<u>\$ -</u>	<u>\$ 13,665</u>	<u>\$ 21,810,874</u>

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2018

NOTE 5 - Capital Assets - Continued

A summary of changes in capital assets for the Component Unit is as follows:

	BALANCES <u>1/1/17</u>	ADDITIONS	RETIREMENTS	BALANCES <u>12/31/17</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 54,156	\$ -	\$ -	\$ 54,156
<i>Capital assets being depreciated:</i>				
Buildings and improvements	12,964,435	-	-	12,964,435
Equipment	<u>960,799</u>	-	-	<u>960,799</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	13,925,234	-	-	13,925,234
Less accumulated depreciation	<u>(1,121,878)</u>	<u>(446,125)</u>	-	<u>(1,568,003)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET OF ACCUMULATED DEPRECIATION	<u>12,803,356</u>	<u>(446,125)</u>	-	<u>12,357,231</u>
NET CAPITAL ASSETS	<u>\$ 12,857,512</u>	<u>\$ (446,125)</u>	<u>\$ -</u>	<u>\$ 12,411,387</u>

NOTE 6 - Long-Term Obligations

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

Summary of Long-Term Obligations

	BALANCE <u>10/1/17</u>	ADDITIONS	REDUCTIONS	BALANCE <u>9/30/18</u>	AMOUNT DUE WITHIN <u>ONE YEAR</u>
Compensated absences	\$ 79,265	\$ 93,880	\$ (87,438)	\$ 85,707	\$ 71,908
Notes payable	891,852	-	(28,474)	863,378	28,474
Tenants' FSS escrow	<u>104,723</u>	<u>74,517</u>	<u>(61,652)</u>	<u>117,588</u>	<u>-</u>
	<u>\$ 1,075,840</u>	<u>\$ 168,397</u>	<u>\$ (177,564)</u>	<u>\$ 1,066,673</u>	<u>\$ 100,382</u>

At September 30, 2018, notes payable consists of:

THHADC has a loan from the City of Terre Haute Department of Redevelopment for 7 properties. The loan is forgivable over a 20-year period at 5 percent each year.	\$ 363,378
LIHDC loaned Warren Village an AHP loan (Affordable Housing Program) through the Federal Home Loan Bank of Indianapolis by and through its member bank, First Federal Bank, N.A. Forgivable after 15 years of compliance, compliance period ends August 2029. The loan is secured by a mortgage.	<u>500,000</u>
	863,378
Less current portion	<u>(28,474)</u>
TOTAL	<u>\$ 834,904</u>

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2018

NOTE 6 - Long-Term Obligations - Continued

Maturities of Long-Term Debt

Maturities of the long-term debt at September 30, 2018, are:

<u>YEARS</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2019	\$ 28,474	\$ -
2020	28,474	-
2021	28,474	-
2022	28,474	-
2023	28,474	-
2024-2028	142,370	-
2029-2031	578,638	-
	<u>\$ 863,378</u>	<u>\$ -</u>

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

Summary of Long-Term Obligations

	<u>BALANCE</u> <u>1/01/17</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>AMOUNT</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
Notes payable	<u>\$ 2,072,152</u>	<u>\$ -</u>	<u>\$ (125,657)</u>	<u>\$ 1,946,495</u>	<u>\$ 129,233</u>

At December 31, 2017, note payable consists of:

On September 27, 2015, the construction note payable was paid down to the permanent loan amount and converted to permanent financing. The lender extended the maturity date by 15 years to September 1, 2030, and interest rate on the loan during the extension period was adjusted to 6 percent. There was no accrual interest at December 31, 2017. \$ 1,079,308

Warren Village has a loan from the Indiana Housing and Community Development Authority with interest at 1 percent. Payments on the loan will be made based upon the lesser of \$74,314 or 100 percent of available cash as set forth in the agreement. Annual payments will commence on April 1, 2016. Principal and accrued interest will be due on January 31, 2022. The loan is secured by a mortgage. 367,187

Warren Village has a loan from LIHDC with interest at 5 percent. Principal and accrued interest will be due on December 31, 2042. The loan is secured by a mortgage. 500,000

Less unamortized debt issuance costs 1,946,495

Less current portion (7,650)

TOTAL 500,000
1,946,495
(7,650)
(129,233)
\$ 1,809,612

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2018

Maturities of Long-Term Debt

Maturities of the long-term debt at December 31, 2017, are:

<u>YEARS</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2018	\$ 129,233	\$ 91,845
2019	134,116	87,492
2020	138,535	83,073
2021	143,521	78,088
2022	155,452	73,003
2023-2027	451,233	285,651
2028-2032	294,405	149,473
2033-2037	-	125,000
2038-2042	500,000	125,000
	<u>\$ 1,946,495</u>	<u>\$ 1,098,625</u>

NOTE 7 - Pension Plan

The Housing Authority provides pension benefits for all its full-time employees through a defined contribution plan, Housing Authority of the City of Terre Haute Pension Trust, administered by One America. The Plan was established and may be amended under IRC Code Section 401(a). In a defined contribution plan, benefits depend solely on amount contributed to the plan plus investment earnings. Employees who choose to participate can contribute some of their regular wages, on a tax-deferred basis, to their retirement account. Enrollment in the plan occurs once per year, on October 1. New full time employees who are at least age 20 ½ and have completed at least six months of service as of October 1 will be enrolled in the plan.

Employees may contribute up to the maximum amount allowable by law to the retirement plan. The Housing Authority will contribute an amount equal to 2.5 percent of the employee's regular wages. Additionally, the Housing Authority will match employee contributions up to 6 percent.

The Housing Authority's total eligible payroll in year ended September 30, 2018, approximated \$1,544,119. The Housing Authority's contributions were calculated using a defined contribution pension plan. For the year ended September 30, 2018, the Housing Authority's portion approximated \$99,017, which has been charged to the employee fringe benefit account.

NOTE 8 - Net Position

The following is a summary of individual net position restrictions of the Housing Authority at September 30, 2018:

<u>Program</u>	<u>Purpose</u>	<u>Amount</u>
Section 8 Choice Vouchers	Future HAP expenditures	<u>\$ 1,604</u>

The following is a summary of individual net position restrictions of the Component Unit at December 31, 2017:

<u>Program</u>	<u>Purpose</u>	<u>Amount</u>
Component Unit	Replacement and operating reserves	<u>\$ 323,602</u>

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
SEPTEMBER 30, 2018

NOTE 9 - Risk Management

Insured Risk - The Housing Authority purchases commercial insurance with various deductibles and coverages to cover liability, property, workers' compensation, errors, omissions, and employee defalcation risk. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 10 - Economic Dependency

The Housing Authority received approximately 71 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 11 - Prior Period Adjustment

Prior period adjustments were made for prior year expenses that were capitalized in the current year.

NOTE 12 - Subsequent Event

On December 1, 2018, Low Income Housing Development Corporation of Terre Haute entered into an amended and restricted agreement of the limited partnership of Warren Village II, L.P. as a Withdrawing Limited Partner.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

ASSETS	PUBLIC HOUSING						CAPITAL FUNDS	HOUSING CHOICE VOUCHERS
	AMP 1	AMP 2	AMP 3	AMP 4	AMP 5	AMP 6		
CURRENT ASSETS								
Cash and cash equivalents	\$ 392,641	\$ 249,148	\$ 223,192	\$ 105,748	\$ 213,035	\$ 186,255	\$ -	\$ 5,180
Cash and cash equivalents - restricted								
Tenant security deposits	63,269	19,615	15,070	12,302	32,008	50,996	-	-
Other restricted	-	23,466	5,528	7,365	-	14,256	-	68,578
Investments	-	-	-	-	-	-	-	-
Receivables								
Tenants, net of allowance for doubtful accounts	5,279	15,944	18,048	14,320	16,705	12,358	-	5,616
Other, net of allowance for doubtful accounts	-	-	-	-	-	-	-	55,746
Due from other governments	-	-	-	-	-	-	-	535
Due from other programs	-	-	-	-	-	-	-	-
Inventory	8,358	5,413	8,691	-	6,473	408	-	-
Prepaid expenses	44,475	42,550	25,781	29,699	19,777	84,277	-	2,929
TOTAL CURRENT ASSETS	514,022	356,136	296,310	169,434	287,998	348,550	-	138,584
NONCURRENT ASSETS								
Note receivable	-	-	-	-	-	-	-	-
Land	154,997	172,000	61,483	-	-	200,972	-	-
Buildings and improvements	7,342,434	3,370,786	3,721,409	2,139,833	5,797,615	17,451,378	376,679	-
Equipment	79,708	72,410	100,468	107,538	374,677	101,896	-	21,940
Less accumulated depreciation	(3,694,927)	(2,873,014)	(2,395,592)	(1,749,003)	(4,799,893)	(11,784,618)	(9,071)	(19,746)
TOTAL NONCURRENT ASSETS	3,882,212	742,182	1,487,768	498,368	1,372,399	5,969,628	367,608	2,194
TOTAL ASSETS	\$ 4,396,234	\$ 1,098,318	\$ 1,784,078	\$ 667,802	\$ 1,660,397	\$ 6,318,178	\$ 367,608	\$ 140,778

(Continued on page 27)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF NET POSITION - Continued
SEPTEMBER 30, 2018

ASSETS	COMPONENT UNITS					SUBTOTAL	ELIMINATING ENTRY	TOTAL
	LIHDC	THHADDC	FSS	ROSS	COCC			
CURRENT ASSETS								
Cash and cash equivalents	\$ 1,188,016	\$ 437,563	\$ -	\$ -	\$ 742,747	\$ 3,743,525	\$ -	\$ 3,743,525
Cash and cash equivalents - restricted								
Tenant security deposits	25,911	41,607	-	-	-	260,778	-	260,778
Other restricted	-	-	-	-	-	119,193	-	119,193
Investments	2,225,105	401,835	-	-	-	2,626,940	-	2,626,940
Receivables								
Tenants, net of allowance for doubtful accounts	12,014	20,465	-	-	-	120,749	-	120,749
Other, net of allowance for doubtful accounts	-	-	-	-	-	55,746	-	55,746
Due from other governments	-	-	21,333	6,707	-	28,575	-	28,575
Due from other programs	8,275	6,612	-	-	89,959	104,846	(104,846)	-
Inventory	-	-	-	-	26,595	55,938	-	55,938
Prepaid expenses	21,585	44,076	-	-	12,483	327,632	-	327,632
TOTAL CURRENT ASSETS	3,480,906	952,158	21,333	6,707	871,784	7,443,922	(104,846)	7,339,076
NONCURRENT ASSETS								
Note receivable	701,900	-	-	-	-	701,900	-	701,900
Land	150,203	237,396	-	-	13,025	990,076	-	990,076
Buildings and improvements	4,304,015	9,124,907	-	-	1,464,196	55,093,252	-	55,093,252
Equipment	18,503	78,000	-	-	235,560	1,190,700	-	1,190,700
Less accumulated depreciation	(826,913)	(6,431,592)	-	-	(878,785)	(35,463,154)	-	(35,463,154)
TOTAL NONCURRENT ASSETS	4,347,708	3,008,711	-	-	833,996	22,512,774	-	22,512,774
TOTAL ASSETS	\$ 7,828,614	\$ 3,960,869	\$ 21,333	\$ 6,707	\$ 1,705,780	\$ 29,956,696	\$ (104,846)	\$ 29,851,850

(Continued on page 28)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF NET POSITION - Continued
SEPTEMBER 30, 2018

LIABILITIES AND NET POSITION	PUBLIC HOUSING						CAPITAL FUNDS	HOUSING CHOICE VOUCHERS
	AMP 1	AMP 2	AMP 3	AMP 4	AMP 5	AMP 6		
CURRENT LIABILITIES								
Accounts payable	\$ 1,108	\$ 2,473	\$ 4,431	\$ 1,062	\$ 2,905	\$ 2,142	\$ -	\$ -
Accrued payroll and payroll liabilities	5,714	9,104	6,032	1,501	3,439	8,284	-	7,500
Accrued expenses	884	2,293	2,393	1,650	502	982	-	1,314
Compensated absences	5,535	3,560	2,373	594	1,484	7,056	-	6,415
Tenants' security deposits	63,269	19,615	15,070	12,302	32,008	50,996	-	-
Unearned revenue	1,110	1,457	597	353	695	1,668	-	-
Current portion of notes payable	-	-	-	-	-	-	-	-
Due to other programs	-	-	-	-	-	-	-	5,180
Due to other governments	27,356	-	-	-	13,545	10,043	-	-
TOTAL CURRENT LIABILITIES	<u>104,976</u>	<u>38,502</u>	<u>30,896</u>	<u>17,462</u>	<u>54,578</u>	<u>81,171</u>	<u>-</u>	<u>20,409</u>
NONCURRENT LIABILITIES								
Compensated absences	2,034	662	442	121	303	2,625	-	4,768
Tenants' FSS escrow	-	23,466	5,527	7,365	-	14,256	-	66,974
Notes payable	-	-	-	-	-	-	-	-
TOTAL NONCURRENT LIABILITIES	<u>2,034</u>	<u>24,128</u>	<u>5,969</u>	<u>7,486</u>	<u>303</u>	<u>16,881</u>	<u>-</u>	<u>71,742</u>
TOTAL LIABILITIES	<u>107,010</u>	<u>62,630</u>	<u>36,865</u>	<u>24,948</u>	<u>54,881</u>	<u>98,052</u>	<u>-</u>	<u>92,151</u>
NET POSITION								
Net investment in capital assets	3,882,212	742,182	1,487,768	498,368	1,372,399	5,969,628	367,608	2,194
Restricted	-	-	-	-	-	-	-	1,604
Unrestricted	407,012	293,506	259,445	144,486	233,117	250,498	-	44,829
TOTAL NET POSITION	<u>4,289,224</u>	<u>1,035,688</u>	<u>1,747,213</u>	<u>642,854</u>	<u>1,605,516</u>	<u>6,220,126</u>	<u>367,608</u>	<u>48,627</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,396,234</u>	<u>\$ 1,098,318</u>	<u>\$ 1,784,078</u>	<u>\$ 667,802</u>	<u>\$ 1,660,397</u>	<u>\$ 6,318,178</u>	<u>\$ 367,608</u>	<u>\$ 140,778</u>

(Continued on page 29)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF NET POSITION - Continued
SEPTEMBER 30, 2018

<u>LIABILITIES AND NET POSITION</u>	<u>COMPONENT UNITS</u>					<u>SUBTOTAL</u>	<u>ELIMINATING ENTRY</u>	<u>TOTAL</u>
	<u>LIHDC</u>	<u>THHADC</u>	<u>FSS</u>	<u>ROSS</u>	<u>COCC</u>			
CURRENT LIABILITIES								
Accounts payable	\$ 953	\$ 567	\$ 58	\$ 38	\$ 8,245	\$ 23,982	\$ -	\$ 23,982
Accrued payroll and payroll liabilities	3,723	5,610	3,206	1,403	19,090	74,606	-	74,606
Accrued expenses	309	213	-	-	19,769	30,309	-	30,309
Compensated absences	2,529	5,052	2,369	161	34,780	71,908	-	71,908
Tenants' security deposits	25,911	41,607	-	-	-	260,778	-	260,778
Unearned revenue	562	4,383	-	-	-	10,825	-	10,825
Current portion of notes payable	-	28,474	-	-	-	28,474	-	28,474
Due to other programs	-	-	15,700	5,105	78,861	104,846	(104,846)	-
Due to other governments	-	-	-	-	-	50,944	-	50,944
TOTAL CURRENT LIABILITIES	<u>33,987</u>	<u>85,906</u>	<u>21,333</u>	<u>6,707</u>	<u>160,745</u>	<u>656,672</u>	<u>(104,846)</u>	<u>551,826</u>
NONCURRENT LIABILITIES								
Compensated absences	800	1,904	-	-	140	13,799	-	13,799
Tenants' FSS escrow	-	-	-	-	-	117,588	-	117,588
Notes payable	500,000	334,904	-	-	-	834,904	-	834,904
TOTAL NONCURRENT LIABILITIES	<u>500,800</u>	<u>336,808</u>	<u>-</u>	<u>-</u>	<u>140</u>	<u>966,291</u>	<u>-</u>	<u>966,291</u>
TOTAL LIABILITIES	<u>534,787</u>	<u>422,714</u>	<u>21,333</u>	<u>6,707</u>	<u>160,885</u>	<u>1,622,963</u>	<u>(104,846)</u>	<u>1,518,117</u>
NET POSITION								
Net investment in capital assets	3,645,808	2,645,333	-	-	833,996	21,447,496	-	21,447,496
Restricted	-	-	-	-	-	1,604	-	1,604
Unrestricted	3,648,019	892,822	-	-	710,899	6,884,633	-	6,884,633
TOTAL NET POSITION	<u>7,293,827</u>	<u>3,538,155</u>	<u>-</u>	<u>-</u>	<u>1,544,895</u>	<u>28,333,733</u>	<u>-</u>	<u>28,333,733</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,828,614</u>	<u>\$ 3,960,869</u>	<u>\$ 21,333</u>	<u>\$ 6,707</u>	<u>\$ 1,705,780</u>	<u>\$ 29,956,696</u>	<u>\$ (104,846)</u>	<u>\$ 29,851,850</u>

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2018

	PUBLIC HOUSING						CAPITAL FUNDS	HOUSING CHOICE VOUCHERS
	AMP 1	AMP 2	AMP 3	AMP 4	AMP 5	AMP 6		
OPERATING REVENUE								
Dwelling rental	\$ 458,321	\$ 196,132	\$ 125,690	\$ 108,431	\$ 426,681	\$ 123,689	\$ -	\$ -
Operating grants	599,309	785,773	530,031	304,140	310,727	574,509	-	4,358,881
Other operating revenue	103,339	97,048	52,362	48,364	54,675	56,800	-	71,906
TOTAL OPERATING REVENUE	1,160,969	1,078,953	708,083	460,935	792,083	754,998	-	4,430,787
OPERATING EXPENSES								
Administration	329,593	221,133	132,726	68,601	195,484	213,514	-	333,520
Tenant services	54,214	56,516	29,870	14,412	33,047	41,853	-	-
Utilities	208,367	220,715	153,031	161,021	291,779	26,350	-	-
Maintenance and operations	222,596	405,753	243,478	91,787	188,938	465,330	-	65,286
General expenses	37,337	65,847	33,017	20,599	38,519	46,835	-	19,078
Insurance expenses	55,300	63,471	29,086	30,816	21,361	96,470	-	5,823
Protective services	24,235	96,218	48,211	616	21,082	17	-	-
Housing assistance payments	-	-	-	-	-	-	-	4,030,989
Depreciation	245,729	54,298	123,768	39,746	133,904	468,524	9,071	4,388
TOTAL OPERATING EXPENSES	1,177,371	1,183,951	793,187	427,598	924,114	1,358,893	9,071	4,459,084
OPERATING INCOME (LOSS)	(16,402)	(104,998)	(85,104)	33,337	(132,031)	(603,895)	(9,071)	(28,297)
NONOPERATING REVENUE (EXPENSE)								
Interest income	-	-	-	-	-	-	-	50
Gain on disposition of capital assets	-	625	625	-	-	-	-	-
Operating transfer (out) in	(160,000)	70,000	-	(60,000)	40,000	110,000	-	-
NET NONOPERATING (EXPENSE) REVENUE	(160,000)	70,625	625	(60,000)	40,000	110,000	-	50
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(176,402)	(34,373)	(84,479)	(26,663)	(92,031)	(493,895)	(9,071)	(28,247)
CAPITAL GRANTS	-	-	-	-	-	-	376,679	-
CHANGE IN NET POSITION	(176,402)	(34,373)	(84,479)	(26,663)	(92,031)	(493,895)	367,608	(28,247)
NET POSITION AT BEGINNING OF YEAR	2,341,894	1,039,089	1,815,999	664,600	1,618,153	6,641,549	2,327,180	76,874
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-
RESIDUAL EQUITY TRANSFER IN (OUT)	2,123,732	30,972	15,693	4,917	79,394	72,472	(2,327,180)	-
NET POSITION AT END OF YEAR	\$ 4,289,224	\$ 1,035,688	\$ 1,747,213	\$ 642,854	\$ 1,605,516	\$ 6,220,126	\$ 367,608	\$ 48,627

(Continued on page 31)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - Continued
YEAR ENDED SEPTEMBER 30, 2018

	COMPONENT UNITS		FSS	ROSS	COCC	SUBTOTAL	ELIMINATING ENTRY	TOTAL
	LIHDC	THHADDC						
OPERATING REVENUE								
Dwelling rental	\$ 417,795	\$ 720,520	\$ -	\$ -	\$ -	\$ 2,577,259	\$ -	\$ 2,577,259
Operating grants	239,042	28,474	97,605	38,943	-	7,867,434	-	7,867,434
Other operating revenue	121,455	46,064	-	-	987,252	1,639,265	(907,599)	731,666
TOTAL OPERATING REVENUE	<u>778,292</u>	<u>795,058</u>	<u>97,605</u>	<u>38,943</u>	<u>987,252</u>	<u>12,083,958</u>	<u>(907,599)</u>	<u>11,176,359</u>
OPERATING EXPENSES								
Administration	50,914	49,852	93,835	37,024	732,409	2,458,605	(907,599)	1,551,006
Tenant services	32,037	25,918	-	-	2,149	290,016	-	290,016
Utilities	83,192	21,122	-	-	28,297	1,193,874	-	1,193,874
Maintenance and operations	153,051	274,979	-	-	45,424	2,156,622	-	2,156,622
General expenses	16,541	64,568	3,770	1,919	33,670	381,700	-	381,700
Insurance expenses	36,912	50,493	-	-	25,361	415,093	-	415,093
Protective services	16,791	-	-	-	-	207,170	-	207,170
Housing assistance payments	-	-	-	-	-	4,030,989	-	4,030,989
Depreciation	142,085	266,075	-	-	52,159	1,539,747	-	1,539,747
TOTAL OPERATING EXPENSES	<u>531,523</u>	<u>753,007</u>	<u>97,605</u>	<u>38,943</u>	<u>919,469</u>	<u>12,673,816</u>	<u>(907,599)</u>	<u>11,766,217</u>
OPERATING INCOME (LOSS)	<u>246,769</u>	<u>42,051</u>	<u>-</u>	<u>-</u>	<u>67,783</u>	<u>(589,858)</u>	<u>-</u>	<u>(589,858)</u>
NONOPERATING REVENUE (EXPENSE)								
Interest income	25,155	1,929	-	-	-	27,134	-	27,134
Gain on disposition of capital assets	-	-	-	-	-	1,250	-	1,250
Operating transfer in (out)	-	-	-	-	-	-	-	-
NET NONOPERATING REVENUE (EXPENSE)	<u>25,155</u>	<u>1,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,384</u>	<u>-</u>	<u>28,384</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	271,924	43,980	-	-	67,783	(561,474)	-	(561,474)
CAPITAL GRANTS	-	-	-	-	-	376,679	-	376,679
CHANGE IN NET POSITION	271,924	43,980	-	-	67,783	(184,795)	-	(184,795)
NET POSITION AT BEGINNING OF YEAR	7,021,903	3,494,175	-	-	1,463,447	28,504,863	-	28,504,863
PRIOR PERIOD ADJUSTMENT	-	-	-	-	13,665	13,665	-	13,665
RESIDUAL EQUITY TRANSFER IN (OUT)	-	-	-	-	-	-	-	-
NET POSITION AT END OF YEAR	<u>\$ 7,293,827</u>	<u>\$ 3,538,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,544,895</u>	<u>\$ 28,333,733</u>	<u>\$ -</u>	<u>\$ 28,333,733</u>

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018

	PUBLIC HOUSING						CAPITAL FUNDS	SECTION 8
	AMP 1	AMP 2	AMP 3	AMP 4	AMP 5	AMP 6		
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from tenants/participants	\$ 459,811	\$ 192,737	\$ 115,246	\$ 96,721	\$ 418,438	\$ 142,686	\$ -	\$ -
Cash received from operating grants	599,309	785,773	530,031	304,140	334,451	574,509	226,830	4,364,494
Other income received	103,544	97,417	51,865	48,341	54,641	56,479	-	74,426
Cash received from interfund services provided	-	-	-	-	-	-	-	3,285
Cash payments to vendors	(757,338)	(932,204)	(538,398)	(351,392)	(703,615)	(645,155)	(226,830)	(166,739)
Cash payments to employees	(187,355)	(224,485)	(139,594)	(44,189)	(106,825)	(250,105)	-	(245,061)
Cash payments for housing assistance	-	-	-	-	-	-	-	(4,030,989)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>217,971</u>	<u>(80,762)</u>	<u>19,150</u>	<u>53,621</u>	<u>(2,910)</u>	<u>(121,586)</u>	<u>-</u>	<u>(584)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital grants	-	-	-	-	-	-	376,679	-
Issuance of notes receivable	-	-	-	-	-	-	-	-
Acquisition of capital assets	-	-	-	-	(46,681)	-	(376,679)	-
NET CASH (USED IN) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,681)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Operating transfers (out) in	<u>(160,000)</u>	<u>70,000</u>	<u>-</u>	<u>(60,000)</u>	<u>40,000</u>	<u>110,000</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received	-	-	-	-	-	-	-	50
Purchase of investments	-	-	-	-	-	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>57,971</u>	<u>(10,762)</u>	<u>19,150</u>	<u>(6,379)</u>	<u>(9,591)</u>	<u>(11,586)</u>	<u>-</u>	<u>(534)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>397,939</u>	<u>302,991</u>	<u>224,640</u>	<u>131,794</u>	<u>254,634</u>	<u>263,093</u>	<u>-</u>	<u>74,292</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 455,910</u>	<u>\$ 292,229</u>	<u>\$ 243,790</u>	<u>\$ 125,415</u>	<u>\$ 245,043</u>	<u>\$ 251,507</u>	<u>\$ -</u>	<u>\$ 73,758</u>

(Continued on page 33)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED SEPTEMBER 30, 2018

	COMPONENT UNITS					ELIMINATING ENTRY	TOTAL
	LIHDC	THHADDC	FSS	ROSS	COCC		
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from tenants/participants	\$ 420,205	\$ 757,635	\$ -	\$ -	\$ -	\$ -	\$ 2,603,479
Cash received from operating grants	239,042	-	97,605	38,943	-	-	8,095,127
Other income received	120,891	49,954	-	-	987,752	(907,599)	737,711
Cash received from (payments for) interfund services provided	4,302	(5,596)	5,914	5,105	(13,010)	-	-
Cash payments to vendors	(279,438)	(321,194)	(10,649)	(18,862)	(250,146)	907,599	(4,294,361)
Cash payments to employees	(114,257)	(169,671)	(92,870)	(25,186)	(613,548)	-	(2,213,146)
Cash payments for housing assistance	-	-	-	-	-	-	(4,030,989)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>390,745</u>	<u>311,128</u>	<u>-</u>	<u>-</u>	<u>111,048</u>	<u>-</u>	<u>897,821</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital grants	-	-	-	-	-	-	376,679
Issuance of notes receivable	(201,900)	-	-	-	-	-	(201,900)
Acquisition of capital assets	(21,850)	-	-	-	(55,997)	-	(501,207)
NET CASH (USED IN) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(223,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,997)</u>	<u>-</u>	<u>(326,428)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Operating transfers in (out)	-	-	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	25,155	1,929	-	-	-	-	27,134
Purchase of investments	(225,105)	(401,835)	-	-	-	-	(626,940)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(199,950)</u>	<u>(399,906)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(599,806)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32,955)	(88,778)	-	-	55,051	-	(28,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,246,882</u>	<u>567,948</u>	<u>-</u>	<u>-</u>	<u>687,696</u>	<u>-</u>	<u>4,151,909</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,213,927</u>	<u>\$ 479,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742,747</u>	<u>\$ -</u>	<u>\$ 4,123,496</u>

(Continued on page 34)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED SEPTEMBER 30, 2018

	PUBLIC HOUSING						CAPITAL FUNDS	SECTION 8
	AMP 1	AMP 2	AMP 3	AMP 4	AMP 5	AMP 6		
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION								
Cash and cash equivalents	\$392,641	\$ 249,148	\$ 223,192	\$ 105,748	\$ 213,035	\$ 186,255	\$ -	\$ 5,180
Cash and cash equivalents - restricted	63,269	43,081	20,598	19,667	32,008	65,252	-	68,578
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	\$455,910	\$ 292,229	\$ 243,790	\$ 125,415	\$ 245,043	\$ 251,507	\$ -	\$ 73,758
RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Operating (loss) income	\$ (16,402)	\$ (104,373)	\$ (84,479)	\$ 33,337	\$ (132,031)	\$ (603,895)	\$ (9,071)	\$ (28,297)
Adjustments to reconcile operating (loss) income to net provided by (used in) operating activities								
Depreciation	245,729	54,298	123,768	39,746	133,904	468,524	9,071	4,388
Forgivable debt reduction	-	-	-	-	-	-	-	-
Changes in assets and liabilities								
(Increase) decrease in assets								
Accounts receivable	(715)	(1,152)	(11,168)	(11,308)	(9,109)	17,805	-	2,477
Due from other governments	-	-	-	-	23,724	-	226,830	5,613
Due from other funds	-	-	-	-	-	-	-	-
Inventory	(2,595)	2,599	(4,633)	-	(169)	1,890	-	-
Prepaid expenses	(4,141)	(3,161)	(1,782)	(3,480)	(2,092)	(5,740)	-	169
(Decrease) increase in liabilities								
Accounts payable	(228)	(6,894)	1,050	613	(2,118)	(1,553)	-	(366)
Accrued expenses	(5,584)	1,875	1,252	(7,185)	(12,347)	1,066	(226,830)	1,848
Accrued payroll and payroll liabilities	104	(12,881)	(9,095)	127	359	288	-	(811)
Unearned revenue	205	369	(497)	(23)	(534)	(321)	-	-
Due to other governments	(607)	-	-	-	(3,863)	(5,590)	-	-
Due to other funds	-	-	-	-	-	-	-	3,285
Tenants' FSS escrow	-	(9,199)	4,010	2,196	-	4,748	-	11,110
Tenants' security deposits	2,205	(2,243)	724	(402)	1,366	1,192	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$217,971	\$ (80,762)	\$ 19,150	\$ 53,621	\$ (2,910)	\$ (121,586)	\$ -	\$ (584)

(Continued on page 35)

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
COMBINING STATEMENT OF CASH FLOWS - Continued
YEAR ENDED SEPTEMBER 30, 2018

	COMPONENT UNITS		FSS	ROSS	COCC	ELIMINATING ENTRY	TOTAL
	LIHDC	THHADDC					
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u>							
Cash and cash equivalents	\$ 1,188,016	\$ 437,563	\$ -	\$ -	\$ 742,747	\$ -	\$3,743,525
Cash and cash equivalents - restricted	25,911	41,607	-	-	-	-	379,971
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	<u>\$ 1,213,927</u>	<u>\$ 479,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742,747</u>	<u>\$ -</u>	<u>\$4,123,496</u>
<u>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</u>							
Operating income (loss)	\$ 246,769	\$ 42,051	\$ -	\$ -	\$ 67,783	\$ -	\$ (588,608)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	142,085	266,075	-	-	52,159	-	1,539,747
Forgivable debt reduction	-	(28,474)	-	-	-	-	(28,474)
Changes in assets and liabilities							
(Increase) decrease in assets							
Accounts receivable	(606)	33,782	-	-	500	-	20,506
Due from other governments	-	-	(5,026)	(6,707)	-	-	244,434
Due from other funds	4,302	(5,596)	-	-	(78,278)	79,572	-
Inventory	-	-	-	-	486	-	(2,422)
Prepaid expenses	(872)	(1,536)	-	-	775	-	(21,860)
Increase (decrease) in liabilities							
Accounts payable	232	(3,543)	58	38	(588)	-	(13,299)
Accrued expenses	(3,884)	1,146	(1,154)	161	2,320	-	(247,316)
Accrued payroll and payroll liabilities	268	-	208	1,403	623	-	(19,407)
Unearned revenue	(565)	3,890	-	-	-	-	2,524
Due to other governments	-	-	-	-	-	-	(10,060)
Due to other funds	-	-	5,914	5,105	65,268	(79,572)	-
Tenants' FSS escrow	-	-	-	-	-	-	12,865
Tenants' security deposits	3,016	3,333	-	-	-	-	9,191
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 390,745</u>	<u>\$ 311,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,048</u>	<u>\$ -</u>	<u>\$ 897,821</u>

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
STATEMENT AND CERTIFICATION OF FAMILY SELF-SUFFICIENCY (FSS) COSTS
SEPTEMBER 30, 2018

ANNUAL CONTRIBUTIONS CONTRACT

1. The Actual FSS Costs for the Locally-Owned Projects are as follows:

	<u>IN021FSH220A16</u>
Funds approved	\$ 100,000
Funds expended	<u>100,000</u>
EXCESS (DEFICIENCY) OF FUNDS APPROVED	<u>\$ -</u>
HUD grants	\$ 100,000
Funds expended	<u>100,000</u>
EXCESS (DEFICIENCY) OF FUNDS EXPENDED	<u>\$ -</u>

2. The distribution of costs as shown on the Final Federal Financial Report dated February 2, 2018, submitted to HUD are in agreement with the Housing Authority's records.
3. All FSS costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2018

<u>GRANTOR/PASS THROUGH AGENCY/ PROGRAM TITLE AND GRANT NUMBER</u>	<u>FEDERAL CATALOG NUMBER</u>	<u>PASS-THRU GRANT IDENTIF- CATION NUMBER</u>	<u>SUBRECIPIENT AMOUNT</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Section 8 Choice Vouchers - Cluster				
Housing Choice Vouchers	14.871	N/A	-	\$ 4,254,726
Other Public Housing Authorities		Unknown	-	104,155
Quadel Section 8 Pass through		IN3600 33015	-	<u>239,042</u>
TOTAL 14.871				<u>4,597,923</u>
Public and Indian Housing	14.850	N/A	-	3,104,489
Public Housing Capital Fund	14.872	N/A	-	376,679
Family Self Sufficiency Program	14.896	N/A	-	97,605
Resident Opportunities and Self-Sufficient Program	14.870	N/A	-	<u>38,943</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 8,215,639</u>

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 Terre Haute 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 modified 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 Terre Haute 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 Terre Haute received no federal awards of non-monetary assistance that are required to be disclosed for the fiscal year ended September 30, 2018.

The Housing Authority of the City of Terre Haute had no loans or loan guarantees required to be disclosed for the fiscal year ended September 30, 2018.

**HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, 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 Terre Haute
Terre Haute, 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 basic financial statements of the Housing Authority of the City of Terre Haute ("Housing Authority"), as of and for the year ended September 30, 2018, and the related notes to financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated January 30, 2019. Our report includes a reference to other auditors who audited the financial statements of Warren Village, L.P., as described in our report on the Housing Authority of the City of Terre Haute's financial statements. This report does not include the results of the other auditors' testing or internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing 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 basic financial statements, but not for the purpose of the expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Housing 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 Housing Authority's financial statements are free of 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 Housing 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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
January 30, 2019

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

To the Board of Commissioners
Housing Authority of the City of Terre Haute
Terre Haute, Indiana

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Terre Haute's ("Housing 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 Housing Authority's major federal programs for the year ended September 30, 2018. The Housing 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 the federal statutes, regulations, and 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 Housing 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 Housing 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 Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing 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 the its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the Housing 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 Housing 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 our auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 Housing 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
January 30, 2019

HOUSING AUTHORITY OF THE CITY OF TERRE HAUTE
Terre Haute, Indiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2018

Section I - Summary of Auditors' Results

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 accordance with 2 CFR 200.516(a)? Yes No

Identification of federal major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.850	Public and Indian Housing

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